

ASX Release

28 July 2020

## Quarterly activities report for the period ending 30 June 2020

### JUNE QUARTER HIGHLIGHTS

- Agreement with Australia's leading insulation company, Fletcher Insulation, for the development of an additive manufacturing application, to provide a superior tooling solution for Fletcher.
- Agreement signed with a major global automotive manufacturer for the collaboration and development of additive manufactured (AM) tooling.
- International patent application for Amaero's high performance titanium alloy, "Amaero Beta Ti" enters final stage of approval, with three out of four stages of patent application already completed.
- International patent application for Amaero's high performance, High Operating Temperature (HOT) Aluminium alloy, "Amaero HOT Al", enters final stage of approval, with three out of four stages of patent application already completed.
- First AmPro SP500 and SP100 machines commissioned in the US El Segundo facility and available for sale.
- To preserve capital, Amaero reduced operating cash expenditure for the Quarter by approximately 30%.
- As a manufacturer for the defence sector, during the lockdowns to control the spread of COVID-19, operations on current projects continued at Amaero sites both in Australia and the United States.

### AFTER BALANCE DATE EVENTS

- Amaero's facility in El Segundo, California, was awarded AS9100 Aerospace Certification as the Company continues to pursue high value contracts in the Aerospace industry.

Amaero International Limited (**ASX:3DA**) ("**Amaero**" or the "**Company**") a specialist in metal additive manufacturing (3D printing) for the defence, aerospace and tooling sectors, is pleased to provide an overview of the Company's quarterly activities for the period ending 30 June 2020 ("**Quarter**", "**Reporting Period**").

During the Quarter, Amaero continued to progress in achieving milestones relating to the Company's short and mid-term growth strategies, including entering into an agreement with a major global automotive manufacturer for the collaboration and development of additive manufactured (AM) tooling.

The Company also entered into a Research Agreement with Australia's leading insulation company, Fletcher Insulation, for the development of an additive manufacturing application, to provide a superior tooling solution for Fletcher.

Amaero also progressed its patent applications on its high performance titanium alloy, "Amaero Beta Ti" and High Operating Temperature (HOT) Aluminium alloy, "Amaero HOT Al", whilst also preserving the Company's cash position.

**Commenting on the Quarter, Amaero International Limited CEO, Barrie Finnin, said:** "The June 2020 Quarter has been an important period for Amaero, as the Company has entered into key agreements with a global automotive manufacturer and Australia's leading insulation company, Fletcher Insulation, as we work with these organisations to develop additive manufactured (AM) tooling. These agreements are important steps in the testing and approval phase, which precedes commercial contracts for large scale manufacturing, and aligns with Amaero's short and mid-term growth strategies. Over the coming period, Amaero will continue to advance these agreements with the aim of progressing towards a large scale contract win. Importantly, to preserve the Company's cash position we have also reduced operating costs, with Senior staff and Management to be partly remunerated in equity going forward."

#### **Research Agreement with Fletcher Insulation**

On 11 May 2020, Amaero announced an agreement with Australia's leading insulation company, Fletcher Insulation Pty Ltd ("**Fletcher**"), for the development of an additive manufacturing application, to provide a superior tooling solution for Fletcher. The term of the agreement is 6 months, and once Amaero has met Fletcher's requirements, it will provide revenue, and subject to performance, will result in an opportunity for serial production revenues consistent with Amaero's growth strategy.

Fletcher Insulation has a national sales and distribution footprint comprising two manufacturing plants and over fourteen branches across Australia. Company research indicates that the market for this particular tool is at least \$500 million per annum.

#### **Agreement with major global automotive manufacturer**

On 27 April 2020, Amaero signed an agreement with a major global automotive manufacturer for collaboration on and development of additive manufactured (AM) tooling for the steel inserts for two aluminium casting die components, with the aim of decreasing the risk of manufacturing defects (e.g. leakers) by adding conformal cooling channels to the design. This agreement aligns with Amaero's short term strategy of focusing predominantly on tooling and prototyping work.

#### **International patent application for Amaero's high performance titanium alloy, "Amaero Beta Ti"**

During May 2020, Amaero provided an update on its patent applications for its high performance titanium alloy "Amaero Beta Ti", as the Company applied for broad international patent coverage for the new heat treatable titanium alloy, which has entered its final approval stage, the national phase of the Patent Cooperation Treaty ("**PCT**").

The new high performance titanium alloy, a heat treatable version of a beta Titanium alloy, achieves ultra-high strength and fatigue performance via homogeneous precipitation and removal of grain boundary alpha.

The PCT is an international treaty with more than 150 Contracting States, allowing patent protection for an invention simultaneously in a large number of countries by filing a single "international" patent application, instead of filing several separate national or regional patent applications. The granting of patents remains under the control of the national or regional patent offices in what is called the "national phase"<sup>1</sup>, which Amaero Beta Ti entered in May 2020.

<sup>1</sup> <https://www.wipo.int/pct/en/faqs/faqs.html>

**Process for Filing a Patent under the Patent Co-operation Treaty:**

The alloy was developed by Monash University and licensed to Amaero. The development and patent application aligns with Amaero's long-term strategy of expanding its offering through the commercialisation of metal alloys developed by research partners.

Titanium is used in multiple applications across the aviation, defence and space industries, all markets which have been experiencing significant long term growth in value, presenting a significant opportunity for Amaero.

**International patent application for Amaero's high performance aluminium alloy, "Amaero HOT Al"**

During the Reporting Period, Amaero also provided an update on its patent applications for its high performance titanium alloy "Amaero HOT Al", as the Company applied for broad international patent coverage, for the new heat treatable titanium alloy, which entered its final approval stage, the national phase of the Patent Co-operation Treaty ("PCT").

Amaero HOT Al, Amaero's new high performance aluminium alloy with scandium, is a heat treatable version, providing a higher increment of tensile strength per atomic percent than any other alloying element when added to aluminium. Amaero HOT Al is stable up to temperatures of 260°C for prolonged periods and can be directly aged (age hardening heat treatment) after 3D printing, to yield superior strength and durability.

The aviation industry supports \$2.7 trillion in world economic activity (3.6% of global gross domestic product)<sup>2</sup>, with the global aerospace and defence market estimated to be valued at US\$1600 billion in the year 2025, growing at a CAGR of 3.5% in the period 2019 to 2025.<sup>3</sup>

Amaero HOT Al is the second high performance alloy developed by Monash University licensed to Amaero that has entered the national phase. The development and patent application aligns with Amaero's long-term strategy of expanding its offering through the commercialisation of metal alloys developed by research partners.

**First SP500 and SP100 machines commissioned in the US**

On 29 April 2020, Amaero announced the release of its first Amaero SP500 and SP100 machines in the United States at its new facility in El Segundo, California, with the Company exclusively offering the SP line of machines in North America, including the SP500, SP100, and their ancillaries for sale.

The Amaero SP500 is particularly suited to the manufacture of steel tooling and with advanced technology it is also safer and more productive. The SP500 features a large build area of 500 x 250 x 250 mm, with minimal factory floor impact compared to traditional machines tool options, which is made possible through features such as removable build cartridges which enable fast build change overs.

<sup>2</sup> <https://aviationbenefits.org/economic-growth/adding-value-to-the-economy/>

<sup>3</sup> <https://www.prnewswire.com/news-releases/global-1600-bn-aerospace-defence-market-outlook-to-2025-boom-in-commercial-aircrafts-surge-in-global-airline-traffic-rise-in-military-expenditure-300930703.html>

The Amaero SP100 is simple to use, easy to maintain, and ideal for research and development, academia, teaching, and low volume production, and has a smaller laser powder bed fusion platform, with a build envelope of 100mm diameter and 80mm in build height.

Machine sales form an important part of the Amaero business plan and align with the Company's medium term growth strategy.



Shawn Zindroski, General Manager, North America and James Drews, Manager Quality & Supply Chain with the SP500

### Reduced Operating Costs

To preserve capital, for the June Quarter, Amaero reduced Operating cash expenditure by approximately 30%. The decline in cash expenditure during the Quarter can also be attributed to the reduced capital expenditure on property, plant and equipment incurred in previous quarters, whilst the Company's established its international facilities.

Amaero will continue to manage its cash as a priority with Senior staff and Management also opting to take 20% of their salary in equity from August 2020, to further preserve the Company's capital.

### Amaero AUS and USA to continue operations as an essential business

In April 2020, Amaero provided an update on the Company's operations and business in the context of the evolving COVID-19 situation.

In response to the COVID-19 pandemic, both the Australian and United States governments implemented lockdowns. As a manufacturer servicing the defence sector, Amaero determined from public information obtained from Australian government websites that, as the 3DA business is not part of the 'Non-essential Services' to which restrictions have been applied, the Company continued operations during the lockdown period, albeit with a reduced on-site presence.

In the United States, with respect to the statewide emergency shelter-in-place order (and related Los Angeles County rules), the activities at the El Segundo manufacturing facility met the definition of Critical Manufacturing sector under the Critical Infrastructure Sector, with operations also continuing.

### AFTER BALANCE DATE EVENTS

#### AS9100D Stage 1 and stage 2 audits completed at El Segundo facility

On 27 July 2020, Amaero announced that the Company's facility in El Segundo, California, successfully achieved AS9100D Aerospace Certification ("**Certification**"), as the Company continues to pursue high value contracts in the Aerospace industry. Overseen by the International Aerospace Quality Group, AS9100D Certification is a widely adopted and standardised international quality management system for the Aviation, Space and Defence (AS&D) industries.

The aviation industry is highly regulated with demands and controls that ensure the safety and reliability of equipment and materials, as the industry relies heavily on suppliers demonstrating effective management systems. AS9100D Certification is a requirement for supply of production components for commercial

aviation projects with a number of the major manufacturers including Boeing, Lockheed Martin, Pratt and Whitney and Northrop Grumman.

**In the September and December 2020 quarter, Amaero aims to<sup>4</sup>:**

- Advance the agreement with Fletcher Insulation through further testing and prototyping, with the aim of entering into a commercial contract for large scale manufacturing.
- Progress the agreement with the major global automotive manufacturer by building tooling and prototypes, with the aim of entering into a commercial contract for large scale manufacturing.
- Following AS9100 Certification, Amaero intends to commence bidding on high value contracts within the Aviation, Space and Defence (AS&D) industries.
- Expand its offering through the commercialisation of metal alloys developed by research partners.
- Progress the delivery of Pathfinder proof of concept exemplar components to a global aviation manufacturer to demonstrate performance to required production specification and manufacturing readiness level to meet future manufacturing requirements.
- Monitor ongoing cash management measures.

**FINANCIAL**

An Appendix 4C is attached to this announcement.

As detailed in the attached ASX Appendix 4C, the Company had \$4.014 million in cash and cash equivalents as at 30 June 2020. During the Quarter, net cash outflows were significantly reduced from that of the previous quarter, as a result of reduced overheads and a significant reduction in Capital Expenditure.

Pursuant to Listing Rule 4.7C2, the Company confirms that, in the 7 months since listing on the ASX, it has incurred expenditure largely in line with the Use of Proceeds set out on pages 7 and 88 of its Prospectus, as detailed below.

Use of Funds under Prospectus	Funds allocated under Prospectus	Funds expended between admission and 30 June 2020
Equipment Purchases	\$5,220,000	\$2,939,548 <sup>1</sup>
Research and Development	\$1,040,000	\$727,455 <sup>2</sup>
Working Capital	\$3,530,000	\$1,778,180 <sup>3</sup>
IPO Costs	\$660,000	\$706,351 <sup>4</sup>
<b>Total</b>	<b>\$10,450,000</b>	<b>\$6,151,534</b>

1. Equipment Purchases include the purchase and installation of an EOS M400, an AmPro SP500 and an AmPro SP100 in the USA facility, acquired in the December 2019 and March 2020 quarters.
2. R&D expenditure includes a combination of internal expenditure and the provision of external providers and materials.
3. Working Capital has been in line with expected use of funds.
4. An increase in IPO costs were as a result of higher than expected legal costs for the IPO.

4 For the avoidance of doubt, there is no guarantee that Amaero will achieve these milestones or that the achievement of these milestones will result in manufacturing purchase orders from the relevant counterparties.

Pursuant to Listing Rule 4.7C.3 and as disclosed in Item 6.1 of the attached Appendix 4C, \$41,113 was paid in respect of Directors fees and consulting fees paid to entities associated with the Directors

David Hanna  
Chairman  
Amaero International Limited

This announcement has been approved and authorised to be given to the ASX by the Board of Amaero.

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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 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 El Segundo, California, USA.

**Disclaimer and Explanatory Notes**

**Forward Looking Statements**

*This document may include forward looking statements. Forward looking statements include, but are not necessarily limited to, statements concerning Amaero's planned operational program and other statements that are not historic facts. When used in this document, the words such as "could", "plan", "estimate", "expect", "intend", "may", "potential", "should" and similar expressions are forward looking statements. Although Amaero believes its expectations reflected in these are reasonable, such statements involve risks and uncertainties, and no assurance can be given that actual results will be consistent with these forward-looking statements. Amaero confirms that it is not aware of any new information or data that materially affects the information included in this announcement and that all material assumptions and technical parameters underpinning this announcement continue to apply and have not materially changed.*

## 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 2020

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	140	190
1.2 Payments for		
(a) research and development	(361)	(977)
(b) product manufacturing and operating costs	(148)	(520)
(c) advertising and marketing	(101)	(101)
(d) leased assets	-	-
(e) staff costs	(287)	(896)
(f) administration and corporate costs	(348)	(2,615)
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	-	-
1.8 Other (provide details if material)	290	408
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(815)</b>	<b>(4,511)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(74)	(3,493)
(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)	-	-
2.6	<b>Net cash from / (used in) investing activities</b>	<b>(74)</b>	<b>(3,493)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	13,445
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	-	(1,491)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	(30)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	<b>Net cash from / (used in) financing activities</b>	<b>-</b>	<b>11,924</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	4,988	170
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(815)	(4,511)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(74)	(3,493)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	11,924
4.5	Effect of movement in exchange rates on cash held	(85)	(76)



<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>4,014</b>	<b>4,014</b>
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<b>5.</b>	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	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	4,014	4,988
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>4,014</b>	<b>4,988</b>

**6.** Payments to related parties of the entity and their associates

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

<b>Current quarter \$A'000</b>
41
-

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

Item 6.1 – Purchases of various services from an entity having a significant influence to the group. Services provided were at normal commercial rates.

The above amount includes payments for remuneration of director fees to executive and non-executive directors in the normal course of business, excluding any reimbursements of out-of-pocket expenses.

**7. Financing facilities**

*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.*

7.1 Loan facilities

7.2 Credit standby arrangements

7.3 Other (please specify)

7.4 **Total financing facilities**

**Total facility  
amount at  
quarter end  
\$A'000**

**Amount drawn  
at quarter end  
\$A'000**

-

-

-

-

-

-

-

-

7.5 **Unused financing facilities available at quarter end**

-

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.

**8. Estimated cash available for future operating activities****\$A'000**

8.1 Net cash from / (used in) operating activities (Item 1.9)

(815)

8.2 Cash and cash equivalents at quarter end (Item 4.6)

4,014

8.3 Unused finance facilities available at quarter end (Item 7.5)

-

8.4 Total available funding (Item 8.2 + Item 8.3)

4,014

8.5 **Estimated quarters of funding available (Item 8.4 divided by Item 8.1)**

5

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

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

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: No

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: Yes as announced on the prospectus released on 5 December 2019.

### 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 2020.....

Authorised by: The Board.....  
(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.