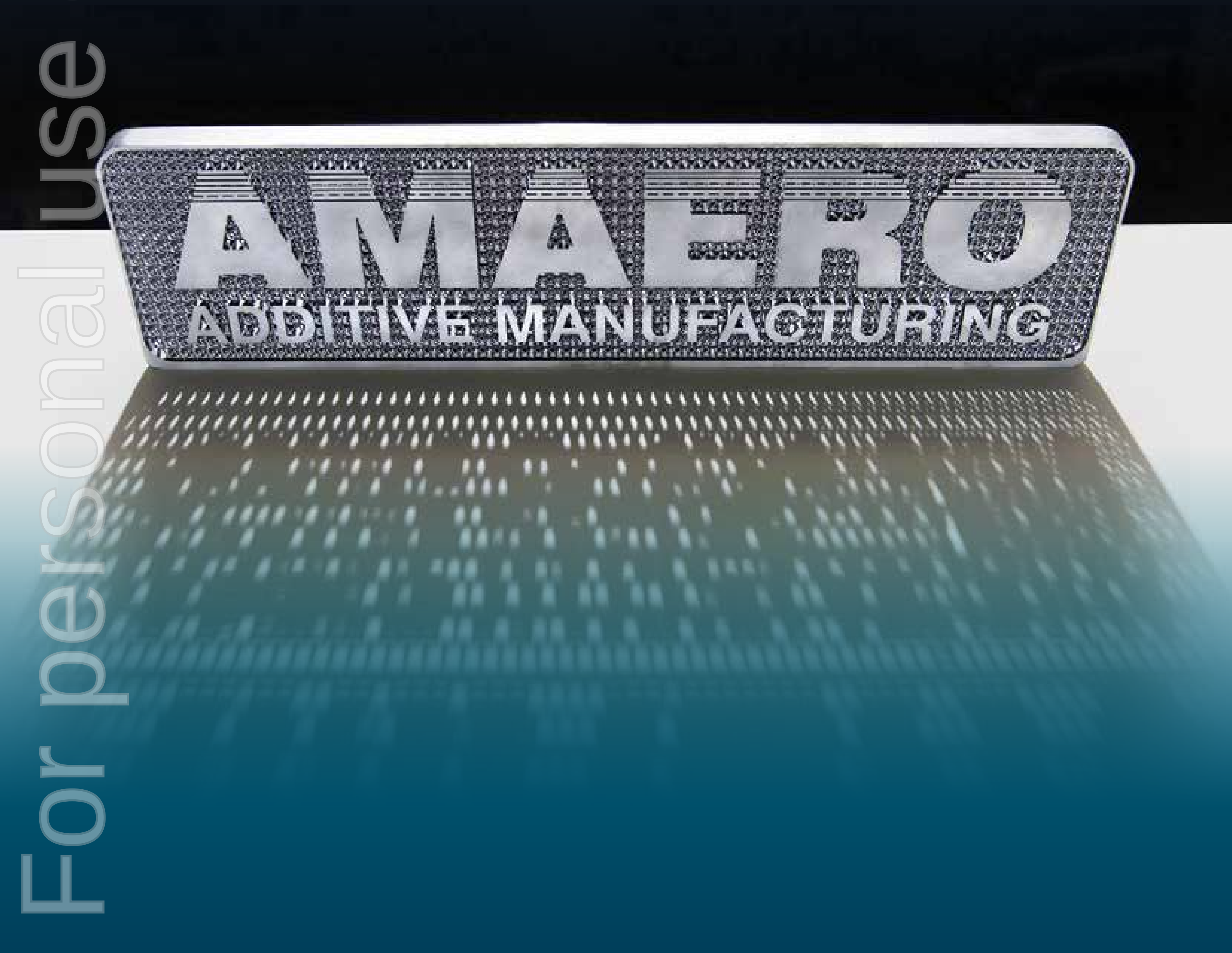
AMAERO
ADDITIVE MANUFACTURING




# Annual Report 2020

Amaero International Ltd

Annual Report for the year ended 30 June 2020
**Amaero International Ltd**
ABN 82 633 541 634



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# 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.
- First AmPro SP500 and SP100 machines commissioned in the US El Segundo facility and available for sale, with Amaero's machine offering expanded to also include the SP260, SP400 and additional powder handling ancillary equipment.
- Establishment of the Company's Adelaide and El Segundo facilities, and successful completion, approval and certification of Amaero's AS9100 certification audits for the Company's Melbourne and El Segundo facilities, which will assist Amaero in manufacturing parts for commercial aviation.
- Amaero established and made appointments to a new Industry Advisory Board consisting of leading industry professionals across three major industry disciplines: Aviation/Aerospace, Defence & Industrial Tooling.
- The Company established its US team with the appointment of key personnel at the Company's El Segundo facility.
- As a manufacturer servicing the defence sector, Amaero's Australian and US Facilities continue operations during the COVID-19 pandemic.
- Completion of $8 million Initial Public Offering ('IPO') and successful listing on the ASX in December 2019.

# Chairman's Report

Dear fellow shareholders,

## The 2020 Financial Year has been a significant period for Amaero but has not come without challenges.

This year we have seen the company transition to a listed entity, with capital raised through an oversubscribed IPO to fund the next stage of growth, and new facilities established in both Adelaide and the United States.

We have assembled a strong team across the company's operations in both Australia and the USA, and have continued to achieve milestones through the implementation of our growth strategy, while navigating challenging new market conditions, driven by COVID-19.

Amaero's overall growth strategy includes milestones relating to short, medium- and longer-term market engagement, which are summarised briefly below:

### Short Term

- Immediate revenue opportunities with low barriers to entry, including the manufacture of tooling and prototyping services.

### Medium Term

- Following AS9100 Certification, to focus on defence and aerospace market opportunities, which involve significant qualification periods and pre-production investment, potentially leading to sustained contract manufacturing.

### Longer Term

- R&D projects that lead Amaero to participate in the development of future defence and aviation platforms, which may include air, sea and land force vehicles, predominately in collaboration with clients.

The Company's growth strategy remains sound in current market conditions and we continue to implement the strategy despite global economic challenges. Amaero has signed contracts with leading tier one companies across diverse industries, as a greater number of manufacturers turn to additive manufacturing to deliver cost, time and quality efficiencies. Despite an unavoidable disruption, which has impacted somewhat on our ability to engage as directly and actively with our clients as expected, the Amaero team has worked diligently over the past months to continue to advance these agreements.

Drawing on the best talent from the the additive manufacturing industry, we have recruited a world class team in the United States who have used the time effectively to complete the establishment of the new manufacturing facility in El Segundo, California, creating a strong footprint for Amaero in North America, as we continue to work towards major contract wins.

In June 2020, we successfully completed the AS9100 Quality Management System audit and are now able to satisfy the requirements of our major potential clients in the aerospace, space, defence and tooling sectors.

In advance of the IPO in December 2019, we secured exclusive distribution rights in North America for the AmPro additive manufacturing machines and ancillaries, and early sales of these market leading machines remains a high priority for the El Segundo team.

Amaero now has close contractual research and development links to two leading Australian Universities – Monash University in Melbourne and the University of Adelaide – through which we are able to draw on their skills and capabilities to provide enhanced services to our clients.

Through our relationship with Monash University, Amaero has secured the exclusive global rights to two new high-performance alloys developed by Monash, both of which are now in the final phase of patent protection in key markets. These alloys have superior heat and strength performance characteristics, which will be of significant value to clients in the aerospace, space and tooling sectors.

The September 2020 quarter will be another important period for the Company, as we continue to implement our growth strategy and advance the Company towards cmmercial contract wins. Through research and collaboration agreements with a major global automotive manufacturer and Australia's leading insulation company, we will continue with tooling and prototyping, as these agreements are an important step in the testing and approval phase, which precedes commercial contracts for large scale manufacturing.

This is an exciting time for Amaero and I would like to thank all of our shareholders for their support and our Board members for their vision and strategy; CEO Barrie Finnan for his outstanding leadership and commitment, and all the staff for their continued efforts to deliver value to our clients and to the Company.

We look forward to a strong FY2021.

**David Hanna**
Chairman


Amaero's research and development facility in Melbourne.


The SP500 machine at Amaero's El Segundo facility.

## Working with the world's foremost manufacturers

# CEO's Report



Dear fellow shareholders,

**The 2020 Financial Year has been an important yet challenging period, as Amaero has continued to build capability and progress contracts, whilst navigating through changing global conditions.**

Since July 2019, Amaero has recruited an outstanding team to lead its operations in both North America and Australia. The Company raised capital and the team quickly set to work on establishing a new facility in El Segundo, California close to key customer targets such as Raytheon, Boeing and Northrop Grumman.

Following Amaero's successful IPO, a number of machines were installed and commissioned in the manufacturing showroom in El Segundo, including the new Amaero SP100 and SP500 machines, and the ancillary equipment required for safe powder handling, with Amaero holding exclusive North American distribution rights.

In March 2020, Amaero launched its new facility in Edinburgh North, South Australia providing the Company with additional machine capacity and expanded capabilities.

On 3 April 2020, Amaero announced that the Company would continue activities, as Australia and the United States went into lockdown during the COVID-19 response. As a result, Amaero adjusted work processes to not only comply with government regulations in the territories that we operate, but importantly, to ensure the health and safety of our employees and contractors. By adapting quickly, we have been able to maintain momentum across all projects, as we continue to work towards a major contract win.

On 11 May 2020, Amaero announced 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. Since the announcement, we have commenced the project with Fletcher and the Amaero team has been working on the metallurgy of the required alloy, to determine feasibility for 3D printing. The forecasted timeframe to progress the Research Agreement with Fletcher insulation to production is less than 6 months, and based on the success of the project, Amaero will commence production at a partial rate before scaling up.

On 27 April 2020, Amaero also announced an agreement with a major global automotive manufacturer for the collaboration and development of additive manufactured (AM) tooling. Although the automotive industry has been affected by temporary lockdowns, we have continued to work on the tooling design to incorporate conformal cooling channels that can only be produced by additive manufacturing.

Throughout FY2020, Amaero has continued to invest in research and development both internally and in collaboration with key partners including Monash University, University of Adelaide and the CSIRO, creating new know-how as well as potentially patentable IP.

Building on the prior agreements, and although outside the 2020 Financial Year, in August 2020 Amaero received a purchase order from leading automotive manufacturer, Samvardhana Motherson Reflectec (SMR), for the manufacture of prototype components for a new vehicle build. The Company also received a Purchase Order from Gilmour Space Technologies for the manufacture of two rocket motor components, with the opportunity to provide further 3D printed components, subject to the success of the initial project.

The agreements that Amaero has entered into are an important step 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.

Amaero is also pursuing major opportunities to enter the market for powder and wire products, through the commoditisation of its new alloys and technology. The current climate for these commodities is shifting further towards Amaero's strategy of delivering a "Five Eyes" supply chain for defence critical materials, capitalising on Australia's resource base and world leading technology.


Demonstration specimens built on Amaero's EOS M280.

International patents for Amaero's high performance, High Operating Temperature (HOT) Aluminium alloy, "Amaero HOT Al", and Amaero's high-performance titanium alloy, "Amaero Beta Ti", have also entered the final stage of approval, with three out of four stages of the patent applications already completed. These patent applications will allow Amaero to control the commercial exploitation of these alloys within the patented jurisdictions, and aligns with the Company's long term growth strategy of expanding its offering through the commercialisation of metal alloys developed by Amaero and its research partners.

The Company also achieved AS9100 Certification for Amaero's Notting Hill (Melbourne) facility and the El Segundo facility, a widely adopted and standardised quality management system for the Aerospace industry. We also expect the AS9100 certification for the Edinburgh North (Adelaide) facility to be finalised in the coming month, which will allow Amaero to access additional opportunities, particularly with Aviation and Aerospace clients who require AS9100 certification to become approved suppliers.

Over the 2021 Financial Year, we will continue to convert our opportunities and work diligently to increase the number of potential customers with a focus on digital lead generation. In the near term, we'll be implementing strategies to drive online enquiries, targeting manufacturers in the tooling, diecasting, and injection moulding industries for tooling and machine sales. This will include an upgrade to the website and the generation of new and refreshed online content.

We look forward to a successful 2021 Financial Year and I would like to thank shareholders for their support to date.

B. R. Finnin

**Barrie Finnin**
CEO

# Review of Operations



## Operational

**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 aerospace and defence manufacturers in both an R&D and manufacturing capacity, 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, and operates two additional facilities, in Adelaide, South Australia, and El Segundo, California, USA.

## Melbourne Facility

The Company's Melbourne facility co-located with the Monash Centre for Additive Manufacturing (MCAM), and is Amaero's main facility, which is used to advance research agreements and develop commercial solutions for Amaero's clients, with the aim of progressing towards commercial contract acquisitions.

### Australian Team

Amaro expanded its local capabilities making a number of key appointments to build technical and business development capacity.

## Amaero's Achievements to Date

**January – December 2017**
Concept Laser Xline 2000r commissioned by Monash University and won various manufacturing Contracts

**June 2017**
Printed Aerospike rocket engine

**December 2018**
Commenced planned expansion and capital raising activities

**2017** | **2018** | **2019**

**March – April 2017**
First production order delivered to a major Australian aerospace manufacturer

**June 2018**
AmPro prototype commissioned

Super metals development

## Previous milestones

- **January 2010:** MCAM formed EOS M280 & Trumpf Trucell commissioned by Monash University
- **February 2012:** Concept Laser 1000R Xline commissioned by Monash University
- **December 2013:** Amaero Engineering formed
- **2015 – 2016:** Expanded local production facilities
- **February 2015:** Manufactured the world's first 3D printed Jet Engine
- **April - June 2016:** First project-specific approval to receive ITAR information
- **January:** March 2016 Achieved ISO 9001 Accreditation

**Research Agreement with Fletcher Insulation**

In 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.

**Other Research and Development**

Amaero has been working on developing parameter sets for additional alloys and the subsequent post processing to meet the required standards. This enables Amaero to offer its clients a broader choice of alloys so that the best alloy can be selected for their needs rather than just what is available.

The team has also developed a library of design approaches and support structures that enable cost effective manufacturing including the additive manufacturing and post processing.

Amaero has completed a joint project with the CSIRO on simulation of cooling performance of conformal cooling channels in tooling.

Amaero continues to participate in the GIL funded XANDER-Q project with CSIRO, Lockheed Martin, HRL technologies and Romar using non-destructive testing methods to confirm Amaero's product integrity.

**Alloys enters National Phase (Final Phase) of Approval**

During the 2020 Financial Year, Amaero also provided an update on its patent applications for its high performance titanium alloy "Amaero Beta Ti", and "Amaero HOT Al", Amaero's new high performance

**August 2019**
AM Aero Inc (USA) established
$2.0m pre IPO equity raise

**September 2019**
Amaero USA's LA Facility leased

**October 2019**
Amaero Adelaide Facility established

**December 2019**
Amaero list on ASX
David Carbon appointed as advisor

**2020**

**April 2020**
Development agreement with automotive manufacturer for additively manufactured tooling
Amaero Commissions SP500 and SP100 Machines
Amaero operations to continue during COVID-19 lockdowns

**May 2020**
Research Agreement with Fletcher Insulation
New Titanium Alloy Patent enters Final Phase for Approval
Commencement of qualification statement of work for one of the world's largest aerospace manufacturers on EOS M400

**2021**

# Review of Operations
continued

aluminium alloy with scandium, as the Company applied for broad international patent coverage for the new alloys, both of which entered the final approval stage, the national phase of the Patent Cooperation Treaty ("PCT").

Amaero Beta Til, the new high performance titanium alloy, a heat treatable version of a beta Titanium alloy, achieves ultrahigh strength and fatigue performance via homogeneous precipitation and removal of grain boundary alpha.

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 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"1, which both alloys developed by Monash University and licensed to Amaero, have now entered.

## US El Segundo Facility

Based in El Segundo California, Amaero's US facility was established to provide direct access to leading aerospace and defence customers. The US facility is strategically located close to leading global manufacturers including Raytheon, Northrup Grumman and Boeing, along with key export terminals at LAX. Amero's El Segundo facility functions as manufacturing headquarters for the Company's US operations.

### US Facility Commissions SP500 and SP100 Machines

In April 2020, Amaero celebrated the release of its first SP500 and SP100 machines in the United States at its new facility in El Segundo, California. Machine sales form an important part of Amaero's business plan and strategy for the United States, and the Company exclusively offers the SP500 and SP100 machines in North America for sale.

The SP500 is particularly suited to the manufacture of steel tooling and with its advanced technology is safer and more productive. The SP100 is simple to use, easy to maintain, and ideal for research and development, academia, teaching, and low volume production.

### US Team

During FY2020, Amaero established its US team with the appointment of key personnel at the Company's El Segundo facility.

Amaero appointed Shawn Zindroski as General Manager for North America. With over 20 years of direct industry experience in additive manufacturing. As a certified XPro in Additive Manufacturing from MIT and studies in Business at College of the Canyons, early in his career Shawn also worked for one of the first Stereolithographic (SLA) service bureaus Scicon Technologies as a District Sales Manager, where he developed and implemented industry leading rapid prototyping strategies, that captured opportunities and vertical market growth.

Darryl Cummins was appointed by the Company as Manager for Digital Manufacturing. He holds over 20 years' experience in 3D printing and additive manufacturing in plastics and metals. Darryl has worked with a variety of companies including Intel, Facebook and Stratasys, and has been exposed to automotive applications of AM at BMW, Sauber Racing, and Faraday Future. He also received Underwriters Laboratories "UL" certification for additive manufacturing in 2017, and prior to joining Amaero, Darryl worked with Additive Industries, where he installed, commissioned and upgraded AM systems at SpaceX.

Gerald Cross was appointed as Technology Fellow: Design for Additive Manufacturing

Shon Dionne was appointed by Amaero as Sales Engineers for AM Tooling. Holding over 20 years' experience in the automotive component manufacturing sector, working for a number of manufacturers of automotive components including MVP Plastics, Blue Water Automotive Systems, Blackhawk Automotive Plastics, Progressive Moulded Products, A. Raymond and Huron Plastics. Over his career Shon has engaged many of the OEMs and tier 1's in the automotive sector including Takata, Magna, Ford, Chrysler, General Motors, Lear and Tesla.

### Agreement with Major Global Automotive Manufacturer

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.

## Adelaide Facility

Located in Edinburgh North, 29km north of Adelaide CBD, Amaero's Adelaide facility is located in new technology innovation hub, which is ideally situated for manufacturing clients. The Adelaide facility was established through a partnership agreement with the University of Adelaide.

### Launch of Adelaide 3D Printing Facility

Amaero officially launched its Adelaide facility on 12 March 2020, in partnership with the University of Adelaide, with the facility opened by the South Australian Minister for Innovation and Skills, the Hon. David Pisoni MP.

In October 2019, the University of Adelaide and Amaero signed a Strategic Partnership Agreement focused on developing additive manufacturing capability in South Australia. The facility was originally established by the University of Adelaide, with funding from the South Australian Government, with Amaero joining the site as a leading industry partner.

Amaero will work with the University of Adelaide to continue the activities of the South Australian Additive Manufacturing Applied Research Network (AMARN),


Adelaide Facility Opening.

## Corporate

### Advisor Appointments

Over the 2020 Financial Year, Amaero established a new Industry Advisory Board consisting of leading industry professionals across three major industry disciplines: Aviation/Aerospace, Defence & Industrial Tooling.

In December 2019, the Company announced the appointment of former Vice President of The Boeing Company, Mr David Carbon, as Aviation Advisor to Amaero's newly established 'Industry Advisory Board'.

David has since gone on to a new role as Head of Prime Air, Amazon's future Drone Delivery system but continues to liaise with the Company where he is able.

In February 2020, Amaero also appointed former Acting Secretary of Defense for the United States of America, Mr Patrick Shanahan, as Defence Advisor to the Company's Industry Advisory Board.

Mr David Wolf was also appointed to the Industry Advisory as Amaero's Global Defence Offsets and Countertrade Investment Advisor in March 2020. 'Offsets and countertrades' are arrangements common in the global defence industry, where countries require defence primes and other suppliers to make agreed purchases or investments into the host country.

### Reduced Operating Costs

To preserve capital, for the June 2020 Quarter, Amaero reduced Operating cash expenditure by approximately 30%. The decline in cash expenditure during the June 2020 Quarter can be attributed to the reduced capital expenditure on property, plant and equipment incurred in previous quarters, whilst the Company's established its international facilities.

### Continued operations as an essential business

As a manufacturer servicing the defence sector, the Company determined from public information obtained from US and Australian government websites that, as the Amaero business is not part of the 'Non-essential Services" to which restrictions have been applied, the Company continued operations during the lockdown period in both Australia and the United states.

### Initial Public Offering and ASX Listing

In December 2019, the Company transitioned to a listed entity, with capital raised through an oversubscribed IPO to fund the next stage of growth, with new facilities established in both Adelaide and the United States.

### Release of Shares from Escrow

Subsequent to the year end and In accordance with ASX Listing Rule 3.10A, 3,383,333 fully paid ordinary shares were released from mandatory escrow on 1 July 2020. The Escrowed Shares are held by seed capitalists who are not a related party or promoter of the Company and represent approximately 1.935% of the total issued capital.

# Key Personnel

## Board of Directors

### David Hanna
**Non-Executive Chairman**

David joined Amaero in early 2018.

David has held the role of Director, Business Strategy for Monash University since 2012, and in this role, he is responsible for leading a small team that provides strategic support and financial advice in relation to the University's major investment decisions. The team's main activities are to develop robust business cases and business plans, strategic reviews of subsidiaries, affiliated organisations and campuses and the identification and implementation of opportunities for operational improvement

In the 15 years prior to joining Monash, David held a variety of senior management positions in the Victorian Government, with these positions focused mainly around economic development policy, international policy and operations and innovation policy.

David also spent 15 years in the Commonwealth Government, including three years on the personal staff of then Prime Minister, Bob Hawke.

### Stuart Douglas
**Executive Director**

Stuart was appointed as an Executive Director in May 2019.

Since his appointment, Stuart's role has been to prepare Amaero for capital raisings and to scale its operations in preparation for an anticipated IPO.

Stuart successfully implemented a similar strategy for Titomic Limited (ASX: TTT) leading the strategy and capital raising phase from licensing of the technology from CSIRO through to TTT becoming the ASX Broker Deal of the Year for the 2017 financial year.

Stuart has also been instrumental in raising capital for Keyhole TIG Limited (K-Tig), preparing the company for its ASX listing, with K-Tig now process of a reverse takeover of Serpentine Technologies Limited. Stuart has led many companies from early stage innovation through to successful multi-national organisations via the company he co-founded, Innovyz Institute Pty Ltd (In-novyz), which is one of Australia's leading commercialisation firms and has assisted more than 70 early stage innovations to commercialise.

### Kathryn Presser
**Non-Executive Director**

Kathryn was appointed as a Non-Executive Director in September 2019.

Kathryn Presser is a respected ASX Company Secretary and CFO and previously served as CFO and Company Secretary for Beach Energy Limited (formerly Beach Petroleum Limited).

Kathryn's experience includes being involved as a CFO for essentially a startup company, through to managing the subsequent capital raises and ASX listing, before contributing to scaling the business through a monumental growth period, to become an ASX100 company.

Kathryn holds multiple board positions, is a Fellow of the Australian Institute of Company Directors, a Fellow of the Certified Practising Accounting Association and a Fellow of the Governance institute of Australia.

She has extensive experience in all areas of governance, risk and financial reporting and management, and will serve as Chair of the Risk & Audit Committee to oversee the financial elements of the business as well as providing direction to the Company Secretary. Kathryn also has experience in the Australian Army and is an independent director.

# Management

## Barrie Finnin

**CEO**

Barrie joined Amaero in 2016.

Barrie is an experienced executive with a proven ability to create and deliver. Responsible for a number of spin-off ventures, co-operative research centres and start-ups, he has been involved in several business ventures throughout their entire lifecycle.

Before joining Amaero, he held senior management level roles at the CSIRO for more than 12 years, and prior to that was involved in the manufacturing industry for over 20 years. Over this time, Barrie has held a diverse range of roles including CEO, Director, general management, alloy and process development, software development, marketing management, manufacturing, engineering, quality management, R&D Management, export sales management and business development.

In addition to engaging industry in Australia, Barrie has also been responsible for establishing 3 international manufacturing plants, with extensive experience working in international jurisdictions including China, France, USA, Mexico, Japan, Malaysia, Germany, Austria, Italy, Finland, Canada, New Zealand and the UK.

## Dr Dacian Tomus

**Manager – Digital Manufacturing**

Dacian is an experienced professional in materials science and additive manufacturing with over 20 years' experience in metallic materials research and manufacturing in Australia and Japan.

After graduating as a Doctor of Engineering, Materials Engineering at Toyo-hashi University of Technology in Japan, he worked for many years as re-search fellow focusing on Ti alloys, Al alloys and Mg alloys with the ARC Centre of Excellence for design in light metals and subsequently Monash University Centre for Additive Manufacturing.

As additive manufacturing researcher and engineer, Dacian has optimized laser processing parameters for various alloy systems (Al, Ti and Ni) and tailored Hastelloy-X chemical composition specifically for additive manufac-turing.

Dacian joined Amaero in 2016 and continues to be the source of new knowhow and optimisation of processes to achieve the stringent require-ments of Amaero's customers in the Aerospace Industry.

## Sam Tartaglia

**Program Manager – Additive Manufactured Tooling**

Sam graduated as a Mechanical Engineer and has a diverse set of skills and experience across engineering, tooling design, casting, CAD/CAM, production, management, business development and technology commercialisation.

Sam started his career as a Tooling Design Engineer for the die casting and hot forging processes, before progressing into production engineering with Nissan and subsequently to CSIRO for research work on pioneering CAD/CAM applications.

He also spent 5 years in the USA as Program Manager and Plant Manager for the production of high volume aluminium engine cylinder heads and blocks for the automotive industry, before returned to the CSIRO and heading their Manufacturing Theme in the Light Metals Flagship.

Well respected in the global automotive industry for his skills in casting processes and solving the tooling, quality and productivity challenges in production, he is currently working on developing Amaero's market for the use of Additive Manufacturing for tooling applications.

## Daniel Collingwood

**Quality Manager Amaero Group**

Daniel has been in the specialised areas of WorkCover, Labour Hire, Aviation, Health and Manufacturing industries over the last 18 years, and is passionate about seeing businesses reach their full potential through quality, leading to a safe environment for all.

Formerly responsible for Quality, Health and Safety at the Royal Flying Doctor Service for over 7 years, he was also the National Quality, OHS, Risk and Assurance Manager at Challenge recruitment for over 7 years.

Daniel joined Amaero in January 2019 on a part time consulting basis and has led the process of readying Amaero for AS9100 certification audits.

# Key Personnel

continued

## Management



### Shawn Zindroski

**GM North American Operations**

Shawn Zindroski is an Additive Manufacturing Professional with 20+ years' direct industry experience. As a certified XPro in Additive Manufacturing from MIT, he has also studied Business at College of the Canyons. Early in his career Shawn worked for one of the first Stereolithographic (SLA) service bureaus Scicon Technologies as a District Sales Manager, where he developed and implemented industry leading rapid prototyping strategies that captured opportunities and vertical market growth.

With a passion for entrepreneurship and a focus on the automotive industry he formed and served as President and General Manager of Morpheus Prototypes, where he successfully built Additive Manufacturing (AM) organization including Operations, Organizational standards, Training, Team development, financial management, procurement and marketing.

Most recently he held the position of Sr. Manager of Additive Manufacturing for Faraday Future an advanced mobility startup, where he established and led an internal technical centre for Additive Manufacturing.

### Jane Storey

**Accounts and Administration Manager**

Jane has recently joined Amaero and is responsible for overseeing accounts and administration. In addition to her previous experience as Management Accountant, she has held General Management positions in accounting firms and a records management company with full operations, HR, P&L and marketing accountability.

During her career, Jane has been exposed to a range of technology investments and start-ups, and has experience in branding and sales focused online marketing to deliver sales and profit outcomes, that will be important to Amaero's marketing strategy going forward.

### Dr James Sears

**Technology Fellow Quality and Additive Manufacturing**

Jim has held leadership and engineering roles in GE Research, Carpenter Technology Corporation, ALCAN, Pratt & Whitney and Lockheed Martin. With over 40 years' experience in metallurgical engineering and extensive knowledge in metal additive manufacturing and powder production, he established and led the South Dakota School of Mines Additive Manufacturing Laboratory. Jim also worked with Black Hills Nanosystems Corp. on "safe and arm" devices for US DoD, and early in his career he also served in the US Navy.

Jim joined Amaero recently and is responsible for the quality systems, powder production development and metal 3D printing processes, with his deep technical knowledge demonstrating an immediate benefit.

## Jason Miller

### Program Manager Aviation Defense and Space

Jason has over 20 years of experience in Automotive and Aerospace industries for GM Holden, Bendix, Delphi Automotive, Clutch industries and Futuri, and in addition to his industry experience, he has also fulfilled research leadership and project management roles at Swinburne University

He also holds experience in reducing new technology to commercial practice, research management, automotive engineering, metallurgy, business development, additive manufacturing and intellectual property management.

At Amaero, Jason leads technical and BD efforts in the Aviation Defence and Space sector and manages the IP portfolio.

## Darryl Cummins

### Manager Digital Manufacturing

Darryl is from Los Angeles, CA and has been in 3D printing and additive manufacturing for over 20 years working with various 3D printing technologies from plastics to metals. He has experience running AM operations as well as field service for additive manufacturing machines and has worked for 3D printing services bureaus from small to large.

Darryl has also worked with large companies including Intel, Facebook and Stratasys and has been exposed to automotive applications of AM at BMW, Sauber Racing and Faraday Future. He received Underwriters Laboratories "UL" certification for additive manufacturing in 2017. In his recent role with Additive Industries, he installed, commissioned and upgraded AM systems at SpaceX. Darryl's skills a key contributor to AM Aero's operational growth and customer satisfaction.

## Shon Dionne

### Sales Engineer – Additive Manufactured Tooling

Shon has over 20 years' experience in the automotive component manufacturing sector working for a number of manufacturers of automotive components including MVP Plastics, Blue Water Automotive Systems, Blackhawk Automotive Plastics, Progressive Moulded Products, A. Raymond and Huron Plastics.

During his career, Shon has engaged many of the OEMs and tier 1's in the automotive sector including Takata, Magna, Ford, Chrysler, General Motors, Lear and Tesla. His expertise includes business development, design of injection moulding manufacturing processes, project management and tooling design for injection moulding.

At Amaero he is responsible for generating new business in tooling and machine sales, engaging the auto sector and tooling industry.

# Corporate Governance

Amaero and the Board are committed to achieving and demonstrating the highest standards of corporate governance. The Board is responsible for ensuring that the Company has an appropriate corporate governance framework to protect and enhance company performance and build sustainable value for shareholders. The Board of Directors has reviewed the Company's corporate governance practices against the Corporate Governance Principles and Recommendations (4th edition) published by the ASX Corporate Governance Council. The Corporate Governance Statement is available on the company's website at https://www.amaero.com.au.

# Directors' Report FY20

For the year ended 30 June 2020

# Directors' Report

30 June 2020

**Your directors present their report on the consolidated entity consisting of Amaero International Ltd and the entities it controlled at the end of, or during, the year ended 30 June 2020. Throughout the report, the consolidated entity is referred to as the group.**

## DIRECTORS AND COMPANY SECRETARY

The following persons held office as directors of Amaero International Ltd during the whole of the financial year and up to the date of this report, except where otherwise stated:

Mr David Hanna, Non-Executive Chairman
Mr Stuart Douglas, Executive Director
Mr Brett Jackson, Non-Executive Director
(resigned 1 September 2019)
Ms Kathryn Presser, Non-Executive Director
(appointed 1 September 2019)

The following persons held office as company secretary of Amaero International Ltd during the whole of the financial year and up to the date of this report, except where otherwise stated:

Mr Stuart Douglas (appointed 17 May 2019, resigned 1 July 2019)
Mr Andrew Neilson (appointed 1 July 2019, resigned 31 October 2019)
Ms Carolin Darmanin (appointed 29 October 2019)

## PRINCIPAL ACTIVITIES

During the year, the principal continuing activities of the group 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.

## COVID-19

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.

## DIVIDENDS - AMAERO INTERNATIONAL LTD

No dividends were declared or paid to members for the year ended 30 June 2020. The directors do not recommend that a dividend be paid in respect of the financial year.

## REVIEW OF OPERATIONS

The group has reported a loss for the year of $5,777,946, with net assets amounting to $8,193,728 as at 30 June 2020, including cash reserves of $4,019,209.

## SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Other than the information disclosed in the review of operations above, there are no significant changes in the state of affairs that the group has not disclosed.

## EVENTS SINCE THE END OF THE FINANCIAL PERIOD

On 7 July 2020, the Amaero Board resolved to offer approximately 3 million retention performance rights to their employees with subject to certain conditions. For further details please refer to Note 7(b)(ii). In addition, Amaero have resolved to offer 595,000 shares to employees under the group's short-term incentive (STI) scheme. For further details please refer to Note 16(a).

On the 17 August 2020 Amaero International Ltd announced it has received a purchase order from Gilmour Space Technologies Ltd for the manufacture of two rocket motor components, with the opportunity to provide further manufacturing services, subject to the success of the initial project.

The ongoing COVID-19 pandemic continues to have a significant impact on the global economies and the ability of businesses, individuals, and governments to operate with some restrictions to the movement of people and goods within both Australia and Overseas. There continues to be considerable uncertainty as to the duration and further impact of COVID-19, including (but not limited to) in relation to government, regulatory or health authority actions, work stoppages, lockdowns, quarantines, and travel restrictions.

The impact of some or all of these factors could cause future disruption to Amaero's operations and financial performance. It is also possible that relevant governments may shut down some or all operating work sites. Any suspension of business operations or quarantining of any of Amaero's employees may affect the company's overall operations and operating results.

No other matter or circumstance has arisen since 30 June 2020 that has significantly affected the group's operations, results or state of affairs, or may do so in future years.

## LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

Other than the information disclosed in the review of operations above, there are no likely developments or details on the expected results of operations that the group has not disclosed.

## ENVIRONMENTAL REGULATION

The group is not affected by any significant environmental regulation in respect of its operations.

## INFORMATION ON DIRECTORS

The following information is current as at the date of this report.

**Mr David Hanna - Non-Executive Chairman**

| | |
|---|---|
| Experience and expertise | David has worked as Director, Business Strategy for Monash University since 2012. In this role, he leads a small team that provides strategic support and financial advice in relation to the University's major investment decisions. In the 15 years prior to joining Monash University, David held a variety of senior management positions in the Victorian Government, these positions focused mainly around economic development policy, international policy and operations and innovation policy. Earlier David spent 15 years in the Commonwealth Government, including three years on the personal staff of then Prime Minister, Bob Hawke. He has substantial experience in strategy development and delivery, innovation, governance and stakeholder engagement and management.<br><br>He sits on the finance and risk committees of Docklands Studios, the Hudson and Unimutual giving him varied experience on both commercial and not for profit Board with particular focus on strategy, governance and financial accountability.<br><br>David has a Bachelor of Economics and a Bachelor of Arts (Asian Studies) from The Australian National University. He is also a Graduate of the Australian Institute of Company Directors. |
| Date of appointment | 13 June 2019 |
| Other current directorships | David is also Chairman of Docklands Studios Melbourne Pty Ltd (DSM), a Director of Unimutual Ltd, a Director of the Hudson Institute of Medical Research Ltd, and a Director of Springvale Monash Legal Service Ltd. |
| Former directorships in last 3 years | No listed directorships in the last 3 years |
| Special responsibilities | Member of the Audit and Risk Committee |

**Mr Stuart Douglas - Executive Director**

| | |
|---|---|
| Experience and expertise | Stuart joined the Board as an Executive Director in May 2019, providing strategic and operational advice to management and preparing the Company for capital raisings and scaling its operations in preparation for its anticipated IPO. Stuart successfully implemented a similar strategy for Titomic Limited (ASX: TTT). Stuart is the co-founder of Innovyz, one of Australia's leading commercialisation firms which has assisted more than 70 early stage innovations to commercialise.<br><br>Stuart is a member of the Australian Institute of Company Directors. |
| Date of appointment | 17 May 2019 |
| Other current directorships | Stuart is also a Director of Co-Hab Tonsley Limited, Innovyz Pty Ltd (who are Advisors to Amaero International Limited) as well as a number of small Proprietary companies. |
| Former directorships in last 3 years | No listed Directorships in the last 3 years |
| Special responsibilities | No additional responsibilities |

# Directors' Report
30 June 2020



### Ms Kathryn Presser - Non-Executive Director

| | |
|---|---|
| Experience and expertise | Kathryn Presser has previously served as CFO and Company Secretary for Beach Energy Limited (formerly Beach Petroleum Limited) (ASX: BPT), assisting the company from a junior explorer through numerous capital raisings as the CFO and then scaling for growth to become an ASX100 company. Kathryn has extensive experience in governance, risk and financial reporting and management. Kathryn serves as Chair of the Audit & Risk Committee to oversee the financial elements of the business as well as providing direction to the Company Secretary.<br><br>Kathryn has a Bachelor of Arts and Accounting from the University of South Australia, a Master's in Business Administration from the University of Adelaide and has completed a Women's Advanced Leadership Course at Harvard University. She is a Certified Practising Accountant and is a Fellow of the Australian Society of CPAs, the Institute of Company Directors and the Governance Institute of Australia. |
| Date of appointment | 1 September 2019 |
| Other current directorships | Kathryn is also a Director of KP Advisory Pty Ltd, a Non-Executive Director of Funds SA and the Police Credit Union as well on the Advisory Board of SAFA. She is also on the Council of the University of Adelaide and Walford Anglican School for girls. |
| Former directorships in last 3 years | No Listed Directorships in the past 3 years |
| Special responsibilities | Chair of the Audit and Risk Committee |

## COMPANY SECRETARY

**Ms Carolin Darmanin, appointed 29 October 2019.**

Carolin is a Governance Advisor at cdPlus Corporate Services, which provides outsourced corporate governance and company secretarial services to both private and public companies in Australia. In addition, she is a practising corporate and commercial lawyer with experience with clients ranging from newly incorporated start-ups through to ASX-listed companies at Coghlan Duffy & Co. Carolin has experience in corporate and commercial law, consumer law, intellectual property law and privacy law and has worked as in-house legal counsel at various companies within the banking, e-commerce and data industry in Australia and Germany, being responsible for day-to-day contractual negotiations and compliance advisory activities. Carolin has a Bachelor of Laws (Hons.) from the University of Applied Science in Wolfenbüttel, Germany, a Bachelor of Laws (LL.B.) from La Trobe University and a Master of Laws in Global Business Law (LL.M.) from La Trobe University. Carolin has also completed a Certificate in Governance Practice from the Governance Institute of Australia.

**Mr Andrew Neilson, appointed 1 July 2019 until 31 October 2019.**

## MEETINGS OF DIRECTORS

The numbers of meetings of the company's Board of directors and of each Board committee held during the year ended 30 June 2020, and the numbers of meetings attended by each director were:

| | Full meetings of directors | | Meetings of committees Audit and Risk | |
|---|---|---|---|---|
| | A | B | A | B |
| Mr David Hanna | 12 | 12 | 4 | 4 |
| Mr Stuart Douglas | 12 | 12 | – | – |
| Ms Kathryn Presser | 11 | 11 | 4 | 4 |
| Mr Brett Jackson | 1 | 1 | – | – |

A = Number of meetings held during the time the director held office or was a member of the Audit & Risk Committee during the year.
B = Number of meetings attended.

## REMUNERATION REPORT (AUDITED)

The directors present the Amaero International Ltd 2020 remuneration report, outlining key aspects of our remuneration policy and framework, and remuneration awarded this year.

The report is structured as follows:

(a) Key management personnel (KMP) covered in this report

(b) Remuneration policy and link to performance

(c) Elements of remuneration

(d) Link between remuneration and performance

(e) Remuneration expenses

(f) Contractual arrangements with executive KMPs

(g) Non-executive director arrangements

(h) Additional statutory information

### (a) Key management personnel covered in this report

#### Non-executive and executive directors (see pages 17 to 18 for details about each director)

Mr David Hanna, Non-Executive Chairman
Mr Stuart Douglas, Executive Director
Mr Brett Jackson, Non-Executive Director
(resigned 1 September 2019)
Ms Kathryn Presser, Non-Executive Director
(appointed 1 September 2019)

#### Other key management personnel

Mr Barrie Finnin, Chief Executive Officer

### (b) Remuneration policy and link to performance

Any review of remuneration is determined by the Board, as the company does not see a need for a separate Remuneration and Nomination Committee due to the size of the company. The Board reviews and determines our remuneration policy and structure annually to ensure it remains aligned to business needs, and meets our remuneration principles. In particular, the Board aims to ensure that remuneration practices are:

- competitive and reasonable, enabling the company to attract and retain key talent
- aligned to the company's strategic and business objectives and the creation of shareholder value
- transparent and easily understood, and
- acceptable to shareholders.

| Element | Purpose | Performance metrics | Potential value |
|---|---|---|---|
| Fixed remuneration (FR) | Provide competitive market salary including superannuation and non-monetary benefits | Nil | Positioned at the market rate |
| Annual Key Performance Incentives (KPI's) | Reward for in-year performance and retention | KPI achievement, determined by the Board | CEO: 825,000 shares across three years upon the achievement of agreed key performance indicators (KPI's) |

#### Assessing performance

The Board is responsible for assessing performance against KPIs and determining the STI to be paid. To assist in this assessment, the Board has accessed data from independently run surveys.

Performance is monitored on an informal basis throughout the year and a formal evaluation is performed annually.

# Directors' Report

30 June 2020



### (c) Elements of remuneration

#### (i) Fixed annual remuneration (FR)

Key management personnel may receive their fixed remuneration as cash, or cash with non-monetary benefits such as health insurance and car allowances. FR is reviewed annually, or on promotion. It is benchmarked against market data for comparable roles in companies in a similar industry and with similar market capitalisation. The Board aims to position executives at or near the median, with flexibility to take into account capability, experience, value to the organisation and performance of the individual.

#### (ii) Short-term incentives

All employees are entitled to participate in a short-term incentive scheme which provides for employees to receive a combination of short-term incentive (STI) as part of their total remuneration if they achieve certain performance indicators as set by the Board. The STI can be paid either by cash, or a combination of cash and the issue of equity in the company, at the determination of the Board.

The company's CEO is entitled to short-term incentives in the form of equity. To be entitled to receiving the equity, the CEO must complete agreed key performance indicators (KPIs). On an annual basis, KPIs are reviewed and agreed in advance of each financial year and include financial and non-financial company and individual performance goals.

### (d) Link between remuneration and performance

*Statutory performance indicators*

Amaero aligns Executive remuneration to the company's strategic and business objectives and the creation of shareholder wealth. The table below shows measures of the group's financial performance over the last five years as required by the *Corporations Act 2001*. However, these are not necessarily consistent with the measures used in determining the variable amounts of remuneration to be awarded to KMPs. As a consequence, there may not always be a direct correlation between the statutory key performance measures and the variable remuneration awarded.

| | 2020 | 2019 |
|---|---|---|
| Loss for the year attributable to owners ($'000) | **5,777,946** | 82,341 |
| Basic/diluted loss per share (cents) | **4.05** | 0.33 |
| Share price at year end ($) | **0.140** | 0.000 |

The company's earnings have remained negative since inception due to the nature of the business. Shareholder wealth reflects this speculative and volatile market sector. No dividends have ever been declared by Amaero International Ltd. The company continues to focus on revenue growth with the objective of achieving key commercial milestones in order to add further shareholder value.

### (e) Remuneration expenses

The following tables show details of the remuneration expense recognised for the group's key management personnel for the current and previous financial year measured in accordance with the requirements of the accounting standards.

The following table shows details of remuneration expenses recognised for the year ended 30 June 2020.

| | Short-term benefits | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| 2020 | Cash salary and fees $ | Cash bonus $ | Annual leave $ | Post-employment benefits Super-annuation $ | Long-term benefits Long service leave $ | Options $ | Share-based payments Rights to deferred shares $ | Total $ |
| **Non-executive directors** | | | | | | | | |
| Ms Kathryn Presser | 29,167 | – | – | 2,771 | – | – | – | 31,938 |
| Mr David Hanna | 35,000 | – | – | 3,325 | – | – | – | 38,325 |
| Mr Brett Jackson | – | – | – | – | – | – | – | – |
| **Executive directors** | | | | | | | | |
| Mr Stuart Douglas | 80,000 | – | – | – | – | – | – | 80,000 |
| **Other KMP** | | | | | | | | |
| Mr Barrie Finnin | 257,417 | – | 24,803 | 23,633 | 16,457 | – | 28,000 | 350,310 |
| **Total KMP compensation** | **401,584** | **–** | **24,803** | **29,729** | **16,457** | **–** | **28,000** | **500,573** |

1. Mr Stuart Douglas is compensated via Innovyz (a company of which he is a Principal)
2. Barrie Finnin's rights to deferred shares have not been granted at 30 June 2020. The amount has been taken up for accounting purposes at 30 June 2020.

The following table shows details of remuneration expenses recognised for the period from 17 May 2019 (incorporation) till 30 June 2019.

| | Short-term benefits | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| 2019 | Cash salary and fees $ | Cash bonus $ | Annual leave $ | Post-employment benefits Super-annuation $ | Long-term benefits Long service leave $ | Options $ | Share-based payments Rights to deferred shares $ | Total $ |
| **Other KMP** | | | | | | | | |
| Mr Barrie Finnin | 18,364 | – | 1,762 | 1,711 | – | – | – | 21,837 |
| **Total KMP compensation** | **18,364** | **–** | **1,762** | **1,711** | **–** | **–** | **–** | **21,837** |

### (f) Contractual arrangements with executive KMPs

**Name:** Mr Barrie Finnin
**Position:** Chief Executive Officer
**Contract duration:** Unspecified
**Notice period:** 3 months by either party
**Fixed remuneration:** $220,000 per annum, plus 9.5% superannuation until 31 October 2019
$275,000 per annum, plus 9.5% superannuation from 1 November 2019

# Directors' Report

30 June 2020



### (g) Non-executive director arrangements

Non-executive directors receive a Board fee and fees for chairing but not participating on Board committees, see table below. They do not receive performance-based pay or retirement allowances. The fees are exclusive of superannuation. The chair receives double the base fee of other non-executive directors, reflective of the additional demands and responsibilities of this role.

Fees are reviewed annually by the Board taking into account comparable roles and market data provided by the Board's independent remuneration adviser.

The maximum annual aggregate directors' fee pool limit is $500,000, adopted on initial public offering of Amaero International Ltd on 5 December 2019.

### (h) Additional statutory information

#### (i) Relative proportions of fixed vs variable remuneration expense

The following table shows the relative proportions of remuneration that are linked to performance and those that are fixed, based on the amounts disclosed as statutory remuneration expense on page 21 above:

| | Fixed remuneration | | At risk - STI | | At risk - LTI | |
|---|---|---|---|---|---|---|
| Name | 2020 % | 2019 % | 2020 % | 2019 % | 2020 % | 2019 % |
| **Non-executive director** | | | | | | |
| Ms Kathryn Presser | **100** | – | **–** | – | **–** | – |
| Mr David Hanna | **100** | – | **–** | – | **–** | – |
| **Executive directors** | | | | | | |
| Mr Stuart Douglas | **100** | – | **–** | – | **–** | – |
| **Other KMP** | | | | | | |
| Mr Barrie Finnin | **92** | 100 | **8** | – | **–** | – |

#### (ii) Reconciliation of options and ordinary shares held by KMP

*Option holdings*

| 2020 | Balance at start of the period[1] | Granted as remuneration | Exercised | Other changes[2] | Balance at end of the period[3] | Vested and exercisable |
|---|---|---|---|---|---|---|
| **Options** | | | | | | |
| Mr David Hanna | – | – | – | – | – | – |
| Mr Stuart Douglas | – | – | – | – | – | – |
| Ms Kathryn Presser | – | – | – | – | – | – |
| Mr Barrie Finnin | – | 200,000 | – | – | 200,000 | 200,000 |
| | **–** | **200,000** | **–** | **–** | **200,000** | **200,000** |

*Notes*

1. Balance may include shares held prior to individuals becoming KMP. For individuals who became KMP during the period, the balance is as at the date they became KMP.
2. Other changes incorporates changes resulting from the acquisition or sale of shares during the reporting period.
3. For former KMP, the balance is as at the date they cease being KMP.

*Share holdings*

| 2020 | Balance at the start of the period[1] | Granted as remuneration | Received on exercise of options | Other changes[2] | Balance at the end of the period[3] |
|---|---|---|---|---|---|
| **Ordinary shares** | | | | | |
| Mr David Hanna | – | – | – | 281,250 | 281,250 |
| Mr Stuart Douglas | 18,752,996 | – | – | 2,687,499 | 21,440,495 |
| Ms Kathryn Presser | – | – | – | 112,500 | 112,500 |
| Mr Barrie Finnin | – | – | – | 572,916 | 572,916 |
| | **18,752,996** | **–** | **–** | **3,654,165** | **22,407,161** |

*Notes*

1. Balance may include shares held prior to individuals becoming KMP. For individuals who became KMP during the period, the balance is as at the date they became KMP.
2. Other changes incorporates changes resulting from the sale of shares.
3. For former KMP, the balance is as at the date they cease being KMP.

**[This concludes the remuneration report, which has been audited]**

## SHARES UNDER OPTION

### (a) Unissued ordinary shares

No options were granted to the directors of the company in the year ended 30 June 2020.

### (b) Shares issued on the exercise of options

No ordinary shares of Amaero International Ltd were issued during the year ended 30 June 2020 on the exercise of options granted.

## INSURANCE OF OFFICERS AND INDEMNITIES

### (a) Insurance of officers

During the financial year, Amaero International Ltd paid a premium of $77,430 to insure the directors and secretaries of the company and its Australian-based controlled entities, and the general managers of each of the divisions of the group.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the company. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

## PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party, for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237 of the *Corporations Act 2001*.

# Directors' Report

30 June 2020



## NON-AUDIT SERVICES

The group may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the group and/or the group are important.

Details of the amounts paid or payable to the auditor (RSM Australia Partners) for audit and non-audit services provided during the year are set out below.

The Board of directors has considered the position and, in accordance with advice received from the audit and risk committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

– all non-audit services have been reviewed by the audit committee to ensure they do not impact the impartiality and objectivity of the auditor

– none of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*.

During the year the following fees were paid or payable for non-audit services provided by the auditor of the parent entity, its related practices and non-related audit firms:

| | 2020 $ | 2019 $ |
|---|---|---|
| **Taxation services** | | |
| RSM Australia Partners and its related entities and other network firms: | | |
| Tax due diligence and review of prospectus | 16,500 | – |
| **Total remuneration for taxation services** | **16,500** | – |
| RSM Australia Partners Australian firm: | | |
| Investigating accountant's report | 43,000 | – |
| **Total remuneration for other services** | **43,000** | – |
| **Total remuneration for non-audit services** | **59,500** | – |

## AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 25.

## ROUNDING OF AMOUNTS

The company is of a kind referred to in ASIC Legislative Instrument 2016/191, relating to the 'rounding off' of amounts in the directors' report. Amounts in the directors' report have been rounded off in accordance with the instrument to the nearest dollar.

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

**Mr David Hanna**
Non-Executive Chairman

Melbourne
28 August 2020

# Auditor's Independence Declaration



RSM

RSM Australia Partners

Level 21, 55 Collins Street Melbourne VIC 3000
PO Box 248 Collins Street West VIC 8007

T +61 (0) 3 9286 8000
F +61 (0) 3 9286 8199

www.rsm.com.au

**AUDITOR'S INDEPENDENCE DECLARATION**

As lead auditor for the audit of the financial report of Amaero International Limited and its controlled entities for the year ended 30 June 2020, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

RSM

**RSM AUSTRALIA PARTNERS**

**M PARAMESWARAN**
Partner

Dated: 28 August 2020
Melbourne, Victoria

# Contents



These financial statements are consolidated financial statements for the group consisting of Amaero International Ltd and its subsidiaries. A list of major subsidiaries is included in Note 12.

The financial statements are presented in the Australian currency.

Amaero International Ltd is a company limited by shares, incorporated and domiciled in Australia.

Its registered office is:
13 Normanby Road
Notting Hill VIC 3168

Its principal place of business is:
Amaero International Ltd
13 Normanby Road
Notting Hill VIC 3168

The financial statements were authorised for issue by the directors on 28 August 2020. The directors have the power to amend and reissue the financial statements.

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 30 June 2020

| | Notes | 30 June 2020 $ | 30 June 2019 $ |
|---|---|---|---|
| Revenue from contracts with customers | 2 | 116,584 | – |
| Cost of sales | | (115,023) | – |
| **Gross profit** | | 1,561 | – |
| Other income | 3(a) | 208,620 | – |
| Other gains | | 100,090 | – |
| Distribution costs | | (41,846) | – |
| General and administrative expenses | 3(b) | (4,573,530) | (57,341) |
| Research and development expenses | | (954,803) | (25,000) |
| Selling and marketing expenses | | (344,121) | – |
| **Operating loss** | | (5,604,029) | (82,341) |
| Finance income | | 234 | – |
| Finance expenses | | (174,151) | – |
| **Finance costs - net** | | (173,917) | – |
| **Loss before income tax** | | (5,777,946) | (82,341) |
| Income tax expense | 4 | – | – |
| **Loss for the period** | | (5,777,946) | (82,341) |
| **Other comprehensive income** | | | |
| *Items that may be reclassified to profit or loss:* | | | |
| Exchange differences on translation of foreign operations | 7(b) | (55,659) | – |
| **Total comprehensive loss for the period** | | (5,833,605) | (82,341) |

| | | Cents | Cents |
|---|---|---|---|
| **Loss per share for loss attributable to the ordinary equity holders of the company:** | | | |
| Basic and diluted loss per share | 18 | (4.05) | (0.33) |

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

# Consolidated Balance Sheet

as at 30 June 2020

| | Notes | 2020 $ | 2019 $ |
|---|---|---|---|
| **ASSETS** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | 5(a) | **4,019,209** | 169,991 |
| Trade and other receivables | 5(b) | **126,646** | 97,978 |
| Inventories | 6(a) | **548,076** | 61,556 |
| Other current assets | | **90,888** | 76,630 |
| **Total current assets** | | **4,784,819** | 406,155 |
| **Non-current assets** | | | |
| Property, plant and equipment | 6(b) | **7,382,211** | 538,381 |
| Other non-current assets | 6(c) | **196,930** | – |
| **Total non-current assets** | | **7,579,141** | 538,381 |
| **Total assets** | | **12,363,960** | 944,536 |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 5(c) | **816,544** | 394,653 |
| Deferred revenue | | **93,656** | – |
| Borrowings | 5(d) | **–** | 30,000 |
| Employee benefit obligations | 6(d) | **116,615** | 40,682 |
| Other current liabilities | 6(e) | **217,907** | – |
| **Total current liabilities** | | **1,244,722** | 465,335 |
| **Non-current liabilities** | | | |
| Employee benefit obligations | 6(d) | **21,347** | – |
| Other non-current liabilities | 6(e) | **2,904,163** | – |
| **Total non-current liabilities** | | **2,925,510** | – |
| **Total liabilities** | | **4,170,232** | 465,335 |
| **Net assets** | | **8,193,728** | 479,201 |
| **EQUITY** | | | |
| Share capital | 7(a) | **14,026,374** | 561,542 |
| Other reserves | 7(b) | **27,641** | – |
| Accumulated losses | | **(5,860,287)** | (82,341) |
| **Total equity** | | **8,193,728** | 479,201 |

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

# Consolidated Statement of Changes in Equity

for the year ended 30 June 2020

| | Notes | Share capital $ | Other reserves $ | Accumulated losses $ | Total equity $ |
|---|---|---|---|---|---|
| | | Attributable to owners of Amaero International Ltd | | | |
| **Balance at 17 May 2019** | | – | – | – | – |
| Loss for the period | | – | – | (82,341) | (82,341) |
| **Total comprehensive loss for the period** | | – | – | (82,341) | (82,341) |
| **Transactions with owners in their capacity as owners:** | | | | | |
| Contributions of equity, net of transaction costs and tax | 7(a) | 561,542 | – | – | 561,542 |
| **Balance at 30 June 2019** | | 561,542 | – | (82,341) | 479,201 |

| | Notes | Share capital $ | Other reserves $ | Accumulated losses $ | Total equity $ |
|---|---|---|---|---|---|
| | | Attributable to owners of Amaero International Ltd | | | |
| **Balance at 1 July 2019** | | 561,542 | – | (82,341) | 479,201 |
| Loss for the period | | – | – | (5,777,946) | (5,777,946) |
| Other comprehensive loss | | – | (55,659) | – | (55,659) |
| **Total comprehensive loss for the period** | | – | (55,659) | (5,777,946) | (5,833,605) |
| **Transactions with owners in their capacity as owners:** | | | | | |
| Contributions of equity, net of transaction costs and tax | 7(a) | 13,464,832 | – | – | 13,464,832 |
| Employee share schemes - value of employee services | 7(b) | – | 83,300 | – | 83,300 |
| | | 13,464,832 | 83,300 | – | 13,548,132 |
| **Balance at 30 June 2020** | | **14,026,374** | **27,641** | **(5,860,287)** | **8,193,728** |

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

# Consolidated Statement of Cash Flows

for the year ended 30 June 2020



| | Notes | 30 June 2020 $ | 30 June 2019 $ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from customers (inclusive of GST) | | **192,953** | – |
| Payments to suppliers and employees (inclusive of GST) | | **(4,452,452)** | (135,416) |
| R&D tax incentive and other grants received | | **208,620** | – |
| Interest received | | **234** | – |
| Interest paid | | **(174,151)** | – |
| **Net cash outflow from operating activities** | 8(a) | **(4,224,796)** | (135,416) |
| **Cash flows from investing activities** | | | |
| Payments for property, plant and equipment | | **(3,703,918)** | – |
| Payments for loans to Amaero Engineering Pty Ltd (pre-acquisition) | | **–** | (152,970) |
| Payments for rental bonds | | **(196,930)** | – |
| Proceeds from acquisition of subsidiary (cash acquired) | | **–** | 58,377 |
| **Net cash outflow from investing activities** | | **(3,900,848)** | (94,593) |
| **Cash flows from financing activities** | | | |
| Proceeds from issues of shares | 7(a) | **13,500,000** | 400,000 |
| Share issue transaction costs | 7(a) | **(1,283,168)** | – |
| Proceeds from borrowings | 15(e) | **(30,000)** | – |
| Repayment of principal portion of leases | | **(137,142)** | – |
| **Net cash inflow from financing activities** | | **12,049,690** | 400,000 |
| **Net increase in cash and cash equivalents** | | **3,924,046** | 169,991 |
| Cash and cash equivalents at the beginning of the financial year | | **169,991** | – |
| Effects of exchange rate changes on cash and cash equivalents | | **(74,828)** | – |
| **Cash and cash equivalents at end of year** | 5(a) | **4,019,209** | 169,991 |

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

## 1 SEGMENT INFORMATION

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer of Amaero International Ltd. The group has identified one reportable segment; that is, the research, development, manufacture and sales of laser-based metal additive (3D printed) goods. The segment details are therefore fully reflected in the body of the financial statements.

## 2 REVENUE FROM CONTRACT WITH CUSTOMERS

### (a) Disaggregation of revenue from contracts with customers

The group derives revenue from the transfer of goods at a point in time and the transfer of services over time:

| | 30 June 2020 $ | 30 June 2019 $ |
|---|---|---|
| **Sale of goods** | | |
| Component sales | **106,740** | – |
| **Services** | | |
| Machine hours rental | **7,776** | – |
| Engineering services | **2,068** | – |
| | **116,584** | – |

### (b) Accounting policies

#### (i) Component sales

Revenue from the sale of laser-based metal additive (3D printed) goods are recognised at a point in time. The performance obligation is satisfied when the customer has access and thus control of the product. This occurs at the time of delivery of goods to the customer. Delivery occurs when the products have been shipped to the specific location, the risks and rewards have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the group has objective evidence that all criteria for acceptance have been satisfied.

#### (ii) Machine hours rental

Revenue from the rental of metal additive manufacturing machine hours is recognised over time in the accounting period in which the machine use occurs. This is determined based on the actual machine hours spent relative to the total expected machine hours.

Some contracts include multiple deliverables. In this case, the transaction price will be allocated to each performance obligation based on the stand-alone selling prices. Where these are not directly observable, they are estimated based on expected cost-plus margin.

#### (iii) Engineering services

Revenue from the provision of engineering services is recognised over time in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided, because the customer receives and uses the benefits simultaneously. This is determined based on the actual labour hours spent relative to the total expected labour hours.

Some contracts include multiple deliverables. In this case, the transaction price will be allocated to each performance obligation based on the stand-alone selling prices. Where these are not directly observable, they are estimated based on expected cost-plus margin.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

In the case of fixed-price contracts, the customer pays the fixed amount based on a payment schedule. If the services rendered by the group exceed the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised.

# Notes to the Financial Statements

30 June 2020



## 2 REVENUE FROM CONTRACT WITH CUSTOMERS (CONTINUED)

### (b) Accounting policies (continued)

If the contract includes an hourly fee, revenue is recognised in the amount to which the group has a right to invoice. Customers are invoiced on a monthly basis and consideration is payable when invoiced.

*Critical judgements in allocating the transaction price*

Revenue relating to the provision of services is recognised based on managements' best estimate of forecast final costs required to complete the service and the forecast final margin. Management reviews these forecasts on a regular basis and adjusts revenue recognised when there are material changes.

### (iv) Financing components

The group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the group does not adjust any of the transaction prices for the time value of money.

## 3 OTHER INCOME AND EXPENSE ITEMS

### (a) Other income

| | 30 June 2020 $ | 30 June 2019 $ |
|---|---|---|
| Other grants | 208,620 | – |
| | 208,620 | – |

### (i) Fair value of R&D tax incentive

The group's research and development (R&D) activities are eligible under an Australian government tax incentive for eligible expenditure. Management has assessed these activities and expenditure to determine which are likely to be eligible under the incentive scheme. Amounts are recognised when it has been established that the conditions of the tax incentive have been met and that the expected amount can be reliably measured.

### (ii) Fair value of other grants

The group's other grant income consists of grants received by the group with relation to COVID-19. For the year ended 30 June 2020, the group has received $208,620 in assistance packages from governments.

## 3 OTHER INCOME AND EXPENSE ITEMS (CONTINUED)

### (b) Breakdown of expenses by nature

| | Notes | 30 June 2020 $ | 30 June 2019 $ |
|---|---|---|---|
| **General and administrative expenses** | | | |
| Accounting and audit | | **178,389** | 11,000 |
| Contracting and consulting | | **520,548** | – |
| Depreciation | | **517,599** | – |
| Employee benefits | | **825,542** | – |
| Insurance | | **142,110** | 623 |
| Investor and public relations | | **54,120** | 18,950 |
| Legal and company secretarial | | **179,367** | 9,254 |
| Listing and share registry | | **275,835** | 17,514 |
| Occupancy | 6(e) | **152,658** | – |
| Share-based payments | 16(c) | **931,300** | – |
| Superannuation | | **62,123** | – |
| Travel | | **343,561** | – |
| Other | | **390,378** | – |
| | | **4,573,530** | 57,341 |

## 4 INCOME TAX EXPENSE

### (a) Numerical reconciliation of income tax expense to prima facie tax payable

| | 30 June 2020 $ | 30 June 2019 $ |
|---|---|---|
| Loss from continuing operations before income tax expense | **(5,777,946)** | (82,341) |
| Tax at the Australian tax rate of 27.5% | **(1,588,935)** | (22,644) |
| Tax effect of amounts which are not deductible (taxable) in calculating taxable income: | | |
| Blackhole expenditure (Section 40-880, ITAA 1997) | **(14,256)** | (963) |
| Employee leave obligations | **20,881** | – |
| Gain on debt defeasance | **(38,148)** | – |
| Initial public offering costs | **71,281** | 4,816 |
| Legal fees | **49,326** | – |
| Share-based payments | **256,108** | – |
| Other items | **14,434** | 4,437 |
| Subtotal | **(1,229,309)** | (14,354) |
| Tax losses and other timing differences for which no deferred tax asset is recognised | **1,229,309** | 14,354 |
| Income tax expense | **–** | – |

# Notes to the Financial Statements
30 June 2020



## 4 INCOME TAX EXPENSE (CONTINUED)

### (b) Tax losses

| | 30 June 2020 $ | 30 June 2019 $ |
|---|---|---|
| Unused tax losses for which no deferred tax asset has been recognised | **5,545,103** | 1,074,888 |
| Tax benefit of debt defeasance clawed back through reduction of tax losses (Division 245, ITAA 1997) | **(138,721)** | – |
| Total unused tax losses | **5,406,382** | 1,074,888 |
| Potential tax benefit at 27.5% (2019: 27.5%) | **1,486,755** | 295,594 |

Unused tax losses comprise those attributed to the group for the year ended 30 June 2020 and pre-acquisition losses attributed to Amaero Engineering Pty Ltd.

## 5 FINANCIAL ASSETS AND FINANCIAL LIABILITIES

### (a) Cash and cash equivalents

| | 2020 $ | 2019 $ |
|---|---|---|
| **Current assets** | | |
| Cash at bank and in hand | **3,969,209** | 154,991 |
| Deposits at call | **50,000** | 15,000 |
| | **4,019,209** | 169,991 |

### (i) Reconciliation to cash flow statement

The above figures reconcile to the amount of cash shown in the consolidated statement of cash flows at the end of the financial year as follows:

| | 2020 $ | 2019 $ |
|---|---|---|
| Balances as above | **4,019,209** | 169,991 |
| Balances per statement of cash flows | **4,019,209** | 169,991 |

### (ii) Classification as cash equivalents

Term deposits are presented as cash equivalents if they have a maturity of three months or less from the date of acquisition and are repayable with 24 hours' notice with no loss of interest. See Note 20(k) for the group's other accounting policies on cash and cash equivalents.

## 5 FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

### (b) Trade and other receivables

| | 2020 | | | 2019 | | |
|---|---|---|---|---|---|---|
| | Current $ | Non-current $ | Total $ | Current $ | Non-current $ | Total $ |
| Trade receivables | **91,052** | **–** | **91,052** | 60,871 | – | 60,871 |
| Provision for impairment (see Note 10(b)) | **(6,911)** | **–** | **(6,911)** | – | – | – |
| | **84,141** | **–** | **84,141** | **60,871** | **–** | **60,871** |
| Other receivables | **42,505** | **–** | **42,505** | 37,107 | – | 37,107 |
| Total trade and other receivables | **126,646** | **–** | **126,646** | 97,978 | – | 97,978 |

#### (i) Classification as trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 days and therefore are all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. Details about the group's impairment policies and the calculation of the loss allowance are provided in Note 10(b).

#### (ii) Fair value of trade and other receivables

Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value.

#### (iii) Impairment and risk exposure

Information about the impairment of trade receivables and the group's exposure to foreign currency risk and credit risk can be found in Note 10(a) and 10(b).

### (c) Trade and other payables

| | 2020 | | | 2019 | | |
|---|---|---|---|---|---|---|
| | Current $ | Non-current $ | Total $ | Current $ | Non-current $ | Total $ |
| Trade payables | **595,445** | **–** | **595,445** | 245,533 | – | 245,533 |
| Accrued expenses | **142,296** | **–** | **142,296** | 129,070 | – | 129,070 |
| Other payables | **78,803** | **–** | **78,803** | 20,050 | – | 20,050 |
| | **816,544** | **–** | **816,544** | 394,653 | – | 394,653 |

Trade payables are unsecured and are usually paid within 30 days of recognition.

The carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short-term nature.

### (d) Borrowings

| | 2020 | | | 2019 | | |
|---|---|---|---|---|---|---|
| | Current $ | Non-current $ | Total $ | Current $ | Non-current $ | Total $ |
| *Unsecured* | | | | | | |
| Loans from related parties (i) | **–** | **–** | **–** | 30,000 | – | 30,000 |
| Total unsecured borrowings | **–** | **–** | **–** | 30,000 | – | 30,000 |

#### (i) Loan from related parties

Further information relating to loans from related parties is set out in Note 15.

# Notes to the Financial Statements

30 June 2020



## 6 NON-FINANCIAL ASSETS AND LIABILITIES

### (a) Inventories

| | 2020 | | | 2019 | | |
|---|---|---|---|---|---|---|
| | Current $ | Non-current $ | Total $ | Current $ | Non-current $ | Total $ |
| Raw materials | **548,076** | **–** | **548,076** | 61,556 | – | 61,556 |
| | **548,076** | **–** | **548,076** | 61,556 | – | 61,556 |

**(i) Impairment**

The level of the provision is assessed by taking into account the life of the raw material based on use. This is assessed by experts within the group.

### (b) Property, plant and equipment

| Non-current | Plant and equipment $ | Furniture, fittings and equipment $ | Leasehold improvements $ | Right-of-use assets $ | Total $ |
|---|---|---|---|---|---|
| **As at 17 May 2019 (incorporation)** | | | | | |
| Acquisition of subsidiary | 536,370 | 2,011 | – | – | 538,381 |
| Closing net book amount | 536,370 | 2,011 | – | – | 538,381 |
| **At 30 June 2019** | | | | | |
| Cost | 536,370 | 2,011 | – | – | 538,381 |
| **At 1 July 2019** | | | | | |
| Cost | 536,370 | 2,011 | – | – | 538,381 |
| Net book amount | 536,370 | 2,011 | – | – | 538,381 |
| **Year ended 30 June 2020** | | | | | |
| Opening net book amount | **536,370** | **2,011** | **–** | **–** | **538,381** |
| Additions | **3,129,404** | **63,283** | **511,231** | **3,656,123** | **7,360,041** |
| Exchange differences | **1,388** | **–** | **–** | **–** | **1,388** |
| Depreciation charge | **(197,428)** | **(11,949)** | **(23,483)** | **(284,739)** | **(517,599)** |
| Closing net book amount | **3,469,734** | **53,345** | **487,748** | **3,371,384** | **7,382,211** |
| **At 30 June 2020** | | | | | |
| Cost | **3,665,774** | **65,294** | **511,231** | **3,656,123** | **7,898,422** |
| Accumulated depreciation | **(196,040)** | **(11,949)** | **(23,483)** | **(284,739)** | **(516,211)** |
| Net book amount | **3,469,734** | **53,345** | **487,748** | **3,371,384** | **7,382,211** |

## 6 NON-FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

### (b) Property, plant and equipment (continued)

#### (i) Depreciation methods and useful lives

Property, plant and equipment is recognised at historical cost less depreciation.

Depreciation is calculated using the diminishing value method to allocate their cost, net of their residual values, over their estimated useful lives as follows:

| | |
|---|---|
| – Plant and equipment | 5 -10 years |
| – Furniture, fittings and equipment | 2 - 10 years |
| – Leasehold improvements | 10 years |
| – Right-of-use assets | 10 years |

Right-of-use assets are depreciated over the term of the lease.

See Note 20(o) for the other accounting policies relevant to property, plant and equipment.

### (c) Other non-current assets

| | Notes | 2020 $ | 2019 $ |
|---|---|---|---|
| **Non-current assets** | | | |
| Rental bond | | **196,930** | – |

### (d) Employee benefit obligations

| | 2020 | | | 2019 | | |
|---|---|---|---|---|---|---|
| | Current $ | Non-current $ | Total $ | Current $ | Non-current $ | Total $ |
| Leave obligations (i) | **116,615** | **21,347** | **137,962** | 40,682 | – | 40,682 |

#### (i) Leave obligations

The leave obligations cover the group's liabilities for annual leave which are classified as short-term benefits, as explained in Note 20(r).

The current portion of this liability includes all of the accrued annual leave, the unconditional entitlements to long service leave where employees have completed the required period of service and also for those employees that are entitled to pro-rata payments in certain circumstances. The entire amount of the provision of $116,615 (2019: $40,682) is presented as current, since the group does not have an unconditional right to defer settlement for any of these obligations. However, based on past experience, the group does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months.

### (e) Leases

The group leases three office and manufacturing facilities in Melbourne and Adelaide, Australia and El Segundo, California, USA.

The group leases office and manufacturing facilities in California, USA. Commencing November 2019, the term of the lease is for five years with an option to extend for a further term of five years.

The group has a sub-lease agreement with the University of Adelaide for the use of manufacturing and office facilities in Womma Road, Edinburgh North, South Australia. Commencing October 2019, the term of the lease is for three years and six months with a further term of four years and eight months commencing on 30 April 2023.

The group has a sub-lease agreement with Monash University for its head office and manufacturing facility at 13 Normanby Road, Notting Hill, Victoria. Commencing 1 October 2019, the term of the lease is for one year and eleven months with a further term of five years commencing 1 September 2021.

The group entered a Strategic Partnership Agreement with The University of Adelaide for the provision of facility, equipment and services. Commencing 14 October 2019, the term is for 5 years.

# Notes to the Financial Statements

30 June 2020



## 6 NON-FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

### (e) Leases (continued)

#### (i) Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

| | 2020 $ | 2019 $ |
|---|---|---|
| **Right-of-use assets**[1] | | |
| Properties | 3,371,384 | – |
| | 3,371,384 | – |
| **Lease liabilities**[2] | | |
| Current | 217,907 | – |
| Non-current | 2,904,163 | – |
| | 3,122,070 | – |

1. Included in the line item 'property, plant and equipment' in the consolidated balance sheet.
2. Included in the line items 'other current liabilities' and 'other non-current liabilities' in the consolidated balance sheet.

#### (ii) Amounts recognised in the statement of profit or loss

The statement of profit or loss shows the following amounts relating to leases:

| | Notes | 30 June 2020 $ | 30 June 2019 $ |
|---|---|---|---|
| **Depreciation charge of right-of-use assets** | | | |
| Properties | | 287,828 | – |
| | 3(b) | 287,828 | – |
| Interest expense (included in finance cost) | | 170,086 | – |
| Expense relating to short-term leases (included in other expenses) | 3(b) | – | – |
| Expense relating to leases of low-value assets that are not short-term leases (included in other expenses) | 3(b) | 152,658 | – |
| Expense relating to variable lease payments not included in lease liabilities (included in other expenses) | 3(b) | – | – |
| The total cash outflow for leases in 2020 was $322,744. | | | |

#### (iii) The group's leasing activities and how these are accounted for

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

## 6 NON-FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

### (e) Leases (continued)

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the group's incremental borrowing rate.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date, less any lease incentives received
- any initial direct costs, and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office furniture.

The incremental borrowing rate used for the calculation of leases and lease terms for the financial year was 7.74%.

## 7 EQUITY

### (a) Share capital

| | Notes | 2020 Shares | 2019 Shares | 2020 $ | 2019 $ |
|---|---|---|---|---|---|
| **Ordinary shares** | 7(a)(ii) | | | | |
| Fully paid | | **174,853,651** | 75,011,983 | **14,026,374** | 561,542 |
| | 7(a)(i) | **174,853,651** | 75,011,983 | **14,026,374** | 561,542 |

### (i) Movements in ordinary shares:

| Details | Notes | Number of shares | Total $ |
|---|---|---|---|
| Issue on incorporation (2019-05-17) | | 18,752,996 | – |
| Issue to promoters (2019-06-26) | | 18,752,996 | – |
| Issue as consideration for acquisition of subsidiary (2019-06-26) | | 37,505,991 | 161,542 |
| Commitment to issue at $0.06 pursuant to private placement (2019-06-26) | | – | 400,000 |
| **Balance 30 June 2019** | | **75,011,983** | **561,542** |

# Notes to the Financial Statements

30 June 2020



## 7 EQUITY (CONTINUED)

### (a) Share capital (continued)

| Details | Notes | Number of shares | Total $ |
|---|---|---|---|
| **Balance at 1 July 2019** | | **75,011,983** | **561,542** |
| Issue at $0.06 pursuant to private placement (2019-07-01) | | 6,666,666 | – |
| Issue at $0.12 pursuant to private placement (2019-09-10) | | 16,666,668 | 2,000,000 |
| Issue at $0.16 to suppliers in lieu of payment for services (2019-10-10) | | 5,300,000 | 848,000 |
| Issue at $0.12 to suppliers in lieu of payment for services (2019-10-15) | | 3,333,334 | 400,000 |
| Issue at $0.16 pursuant to private placement (2019-10-29) | | 21,875,000 | 3,500,000 |
| Issue at $0.20 pursuant to private placement (2019-11-29) | | 40,000,000 | 8,000,000 |
| Issue at $0.20 to suppliers in lieu of payment for services (2019-11-29) | | 6,000,000 | 1,200,000 |
| Less: Transaction costs arising on share issues (Pre-IPO) | | – | (784,752) |
| Less: Transaction costs arising on share issues (IPO Cash) | | – | (498,416) |
| Less: Transaction costs arising on share issues (IPO Non-Cash) | | – | (1,200,000) |
| **Balance 30 June 2020** | | **174,853,651** | **14,026,374** |

#### (ii) Ordinary shares

Ordinary shares entitle the holder to participate in dividends, and to share in the proceeds of winding up the company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Ordinary shares have no par value and the company does not have a limited amount of authorised capital.

#### (iii) Commitment to issue 6,666,666 ordinary shares at $0.06 pursuant to private placement

On 27 May 2019, Amaero International Ltd entered into private placement share subscription agreements to issue 6,666,666 ordinary shares at $0.06 each ($400,000 in total consideration). During the year ended 30 June 2020, Amaero International Ltd received these funds from investors who are related parties of Innovyz Investments Unit Trust, an entity with significant influence over the group. As at 30 June 2020, the company had a commitment to issue these shares which ultimately occurred on 1 July 2019.

## 7 EQUITY (CONTINUED)

### (b) Other reserves

The following table shows a breakdown of the consolidated balance sheet line item 'other reserves' and the movements in these reserves during the year. A description of the nature and purpose of each reserve is provided below the table.

| | Notes | Share- based payments reserve $ | Foreign currency translation $ | Total other reserves $ |
|---|---|---|---|---|
| **At 17 May 2019** | | **–** | **–** | **–** |
| No movements noted | | – | – | – |
| **At 30 June 2019** | | **–** | **–** | **–** |
| **At 1 July 2019** | | – | – | – |
| Currency translation differences | | – | (55,659) | (55,659) |
| **Other comprehensive income** | | – | (55,659) | (55,659) |
| Transactions with owners in their capacity as owners | | | | |
| Share-based payment expenses | 16 | 83,300 | – | 83,300 |
| **At 30 June 2020** | | **83,300** | **(55,659)** | **27,641** |

#### (i) Nature and purpose of other reserves

*Share-based payments*

The share-based payment reserve records items recognised as expenses on valuation of share options issued to key management personnel, other employees and and eligible contractors.

#### (ii) Performance rights

On 7 July 2020, the Amaero Board resolved to offer approximately 3 million Retention Performance rights to their employees subject to certain conditions. Each of the Retention Performance rights entitles the holder to be issued one fully paid ordinary share of the group for no cash consideration upon vesting. The Retention Performance rights will convert into ordinary shares upon achievement of each performance condition and will expire when the performance condition is met. If the Employee does not remain as an Employee of Amaero at the time of the performance condition, the remainder of their Retention Performance Rights will lapse. The performance conditions are set out to incentivise employees to remain with Amaero to ensure their interests and motivations are aligned with the interests and motivations of shareholders of Amaero. Subject to receiving signed documentation from the employees, the company expects to issue the Retention Performance rights on 1 September 2020. The number of offered Retention Performance rights that each employee is to receive is based on 30% of their net salary as at 30 June 2020. The number proposed to be issued may vary as the number of Retention Performance rights is based on a 5-day VWAP (volume weighted average price) for the period from 24 to 28 August 2020 inclusive.

| Performance right class | Performance condition | Approximate number of rights |
|---|---|---|
| Class A | Performance rights vest on 1 October 2020 | 750,000 |
| Class B | Performance rights vest on 1 July 2021 | 750,000 |
| Class C | Performance rights vest on 1 July 2022 | 750,000 |
| Class D | Performance rights vest on 1 July 2023 | 750,000 |
| | **Total** | **3,000,000** |

# Notes to the Financial Statements

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## 8 CASH FLOW INFORMATION

### (a) Reconciliation of loss after income tax to net cash inflow from operating activities

| | Notes | 2020 $ | 2019 $ |
|---|---|---|---|
| **Loss for the period** | | **(5,777,946)** | (82,341) |
| Adjustments for | | | |
| Depreciation and amortisation | | **517,599** | – |
| Finance costs | | **174,151** | – |
| Finance income | | **(234)** | – |
| Gain on debt defeasance | | **(138,721)** | – |
| Movement in employee benefits liability | | **97,265** | – |
| Share-based payments | 16 | **931,300** | – |
| Unrealised net foreign currency (gains)/losses | | **20,885** | – |
| Change in operating assets and liabilities: | | | |
| Movement in trade and other receivables | | **(28,668)** | (14,117) |
| Movement in inventories | | **(486,520)** | – |
| Movement in other operating assets | | **(14,258)** | (75,000) |
| Movement in trade and other payables | | **480,351** | 36,042 |
| Net cash inflow (outflow) from operating activities | | **(4,224,796)** | (135,416) |

### (b) Non-cash investing and financing activities

Non-cash investing and financing activities disclosed in other notes are:

- shares issued on incorporation and to promoters for no cash consideration - Note 7(a)(i)

## 9 CRITICAL ESTIMATES, JUDGEMENTS AND ERRORS

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the group's accounting policies.

This note provides an overview of the areas that involved a higher degree of judgement or complexity, and of items which are more likely to be materially adjusted due to estimates and assumptions turning out to be wrong. Detailed information about each of these estimates and judgements is included in other notes together with information about the basis of calculation for each affected line item in the financial statements. In addition, this note also explains where there have been actual adjustments this year as a result of an error and of changes to previous estimates.

### (a) Significant estimates and judgements

The areas involving significant estimates or judgements are:

- Estimation of employee benefit obligations - Note 6(d)(i)
- Estimation of useful lives of property, plant and equipment - Note 6(b)(i)
- Estimation of incremental borrowing rates for leases and lease terms - Note 6(e)(iii)

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

## 10 FINANCIAL RISK MANAGEMENT

This note explains the group's exposure to financial risks and how these risks could affect the group's future financial performance.

The group's risk management is predominantly controlled by the Board. The Board monitors the group's financial risk management policies and exposures and approves substantial financial transactions. It also reviews the effectiveness of internal controls relating to market risk, credit risk and liquidity risk.

### (a) Market risk

#### (i) Foreign exchange risk

The group undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations.

Foreign exchange rate risk arises from financial assets and financial liabilities denominated in a currency that is not the group's functional currency. Exposure to foreign currency risk may result in the fair value of future cash flows of a financial instrument fluctuating due to the movement in foreign exchange rates of currencies in which the group holds financial instruments which are other than the Australian dollar (AUD) functional currency of the group. This risk is measured using sensitivity analysis and cash flow forecasting. The cost of hedging at this time outweighs any benefits that may be obtained.

*Exposure*

The group's exposure to foreign currency risk at the end of the reporting period, expressed in Australian dollar, was as follows:

| | 30 June 2020 | | 30 June 2019 | |
|---|---|---|---|---|
| | USD $ | EUR $ | USD $ | EUR $ |
| Cash and cash equivalents | **740,841** | **117** | 883 | 116 |
| Trade receivables | **44,663** | **–** | 35,245 | – |
| Trade payables | **263,643** | **–** | – | 701 |
| **Total exposure** | **1,049,147** | **117** | 36,128 | 817 |

*Sensitivity*

As shown in the table above, the group is primarily exposed to changes in USD/AUD exchange rates. The sensitivity of profit or loss to changes in the exchange rates arises mainly from USD denominated financial instruments.

The group has conducted a sensitivity analysis of its exposure to foreign currency risk. The group is currently materially exposed to the United States dollar (USD). The sensitivity analysis is conducted on a currency-by-currency basis using the sensitivity analysis variable, which is based on the average annual movement in exchange rates over the past five years at year-end spot rates. The variable for each currency the group is materially exposed to is listed below:

- USD: 3.6% (2019: 6.9%)
- EUR: 2.5% (2019: 2.4%)

| | Impact on loss for the period | | Impact on other components of equity | |
|---|---|---|---|---|
| | 2020 $ | 2019 $ | 2020 $ | 2019 $ |
| USD/AUD exchange rate - change by 3.6% (2019: 6.9%)* | **37,572** | 2,493 | **–** | – |

* Holding all other variables constant

# Notes to the Financial Statements

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## 10 FINANCIAL RISK MANAGEMENT (CONTINUED)

### (b) Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the group.

### (i) Risk management

Credit risk is managed through the maintenance of procedures (such as the utilisation of systems for the approval, granting and renewal of credit limits, regular monitoring of exposures against such limits and monitoring the financial stability of significant customers and counterparties), ensuring to the extent possible that customers and counterparties to transactions are of sound credit worthiness. Such monitoring is used in assessing receivables for impairment. Credit terms are normally 30 days from the invoice date.

Risk is also minimised through investing surplus funds in financial institutions that maintain a high credit rating.

### (ii) Security

For some trade receivables the group may obtain security in the form of guarantees, deeds of undertaking or letters of credit which can be called upon if the counterparty is in default under the terms of the agreement.

### (iii) Impairment of financial assets

The group has one type of financial asset subject to the expected credit loss model:

- trade receivables for sales of goods and from the provision of services

While cash and cash equivalents are also subject to the impairment requirements of AASB 9, the identified impairment loss was immaterial.

*Trade receivables*

The group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables assets have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the payment profiles of sales over a period of 12 months before 30 June 2020 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

On that basis, the loss allowance as at 30 June 2020 was determined for trade receivables as $6,911 (2019: -). Uncollectible amounts were written off as bad debts by Amaero Engineering Pty Ltd immediately prior to the business acquisition.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the group, and a failure to make contractual payments for a period of greater than 121 days past due.

Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

### (c) Liquidity risk

Liquidity risk arises from the possibility that the group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The group manages this risk through the following mechanisms:

- preparing forward looking cash flow analyses in relation to its operating, investing and financing activities;
- obtaining funding from a variety of sources;
- maintaining a reputable credit profile;
- managing credit risk related to financial assets;
- investing cash and cash equivalents and deposits at call with major financial institutions; and
- comparing the maturity profile of financial liabilities with the realisation profile of financial assets.

## 10 FINANCIAL RISK MANAGEMENT (CONTINUED)

### (c) Liquidity risk (continued)

#### (i) Maturities of financial liabilities

The tables below analyse the group's financial liabilities into relevant maturity groupings based on their contractual maturities. The amounts disclosed in the table are the contractual undiscounted cash flows.

| Contractual maturities of financial liabilities | Less than 6 months $ | 6 - 12 months $ | Between 1 and 2 years $ | Between 2 and 5 years $ | Over 5 years $ | Total contractual cash flows $ | Carrying amount (assets)/ liabilities $ |
|---|---|---|---|---|---|---|---|
| **At 30 June 2020** | | | | | | | |
| Trade and other payables | **816,544** | **–** | **–** | **–** | **–** | **816,544** | **816,544** |
| **Total** | **816,544** | **–** | **–** | **–** | **–** | **816,544** | **816,544** |
| **At 30 June 2019** | | | | | | | |
| Trade and other payables | 394,653 | – | – | – | – | 394,653 | 394,653 |
| Borrowings | 30,000 | – | – | – | – | 30,000 | 30,000 |
| **Total** | **424,653** | **–** | **–** | **–** | **–** | **424,653** | **424,653** |

## 11 CAPITAL MANAGEMENT

### (a) Risk management

The group's objectives when managing capital are to

- safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders, and
- maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the group may issue new shares or reduce its capital, subject to the provisions of the group's constitution. The capital structure of the group consists of equity attributed to equity holders of the group, comprising contributed equity, reserves and accumulated losses. By monitoring undiscounted cash flow forecasts and actual cash flows provided to the Board by the group's management, the Board monitors the need to raise additional equity from the equity markets.

### (b) Dividends

No dividends were declared or paid to members for the year ended 30 June 2020 (2019: nil). The group's franking account balance was nil at 30 June 2020 (2019: nil).

# Notes to the Financial Statements

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## 12 INTERESTS IN OTHER ENTITIES

### (a) Material subsidiaries

The group's principal subsidiaries at 30 June 2020 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the group, and the proportion of ownership interests held equals the voting rights held by the group. The country of incorporation or registration is also their principal place of business.

| Name of entity | Place of business/ country of incorporation | Ownership interest held by the group 2020 % | Ownership interest held by the group 2019 % |
|---|---|---|---|
| Amaero Engineering Pty Ltd | Australia | **100** | 100 |
| AM Aero Inc | United States | **100** | – |

In July 2019, Amaero International Ltd formed a wholly owned subsidiary in California USA called AM Aero Inc. The nature of the business is the same as Amaero International Ltd's, that being, 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. AM Aero Inc's headquarters in the United States is also intended to be used for production, sales and promotion purposes. The facilities in California will provide prospective and existing clients with the opportunity to view machines in an operational capacity along with inspecting AmPro machines (once purchased and commissioned by AM Aero Inc) that they may wish to purchase directly from the company.

## 13 CONTINGENT LIABILITIES

The group had no contingent liabilities at 30 June 2020 (2019: nil).

## 14 EVENTS OCCURRING AFTER THE REPORTING PERIOD

On 7 July 2020, the Amaero Board resolved to offer approximately 3 million retention performance rights to their employees with subject to certain conditions. For further details please refer to Note 7(b)(ii). In addition, Amaero have resolved to offer 595,000 shares to employees under the group's short-term incentive (STI) scheme. For further details please refer to Note 16(a).

On the 17 August 2020 Amaero International Ltd announced it has received a purchase order from Gilmour Space Technologies Ltd for the manufacture of two rocket motor components, with the opportunity to provide further manufacturing services, subject to the success of the initial project.

The ongoing COVID-19 pandemic continues to have a significant impact on the global economies and the ability of businesses, individuals, and governments to operate with some restrictions to the movement of people and goods within both Australia and Overseas. There continues to be considerable uncertainty as to the duration and further impact of COVID-19, including (but not limited to) in relation to government, regulatory or health authority actions, work stoppages, lockdowns, quarantines, and travel restrictions. The impact of some or all of these factors could cause future disruption to Amaero's operations and financial performance. It is also possible that relevant governments may shut down some or all operating work sites. Any suspension of business operations or quarantining of any of Amaero's employees may affect the company's overall operations and operating results.

No other matter or circumstance has occurred subsequent to period end that has significantly affected, or may significantly affect, the operations of the group, the results of those operations or the state of affairs of the group or economic entity in subsequent financial years.

## 15 RELATED PARTY TRANSACTIONS

### (a) Subsidiaries

Interests in subsidiaries are set out in Note 12(a).

### (b) Key management personnel compensation

| | 30 June 2020 $ | 30 June 2019 $ |
|---|---|---|
| Short-term employee benefits | **426,387** | 59,046 |
| Post-employment benefits | **29,729** | 1,711 |
| Long-term benefits | **16,457** | – |
| Share-based payments | **28,000** | – |
| | **500,573** | 60,757 |

Detailed remuneration disclosures are provided in the remuneration report on pages 19 to 23.

### (c) Transactions with related parties

The following transactions occurred with related parties:

| | 30 June 2020 $ | 30 June 2019 $ |
|---|---|---|
| *Sales and purchases of goods and services* | | |
| Purchases of various services from an entity having a significant influence over the group - Innovyz Institute Pty Ltd | **174,178** | – |
| Purchases of various services from an entity related to a director - Monash University | **120,752** | – |
| Loan forgiven by entity related to a director - Monash University | **138,721** | – |

### (d) Outstanding balances arising from sales/purchases of goods and services

The following balances are outstanding at the end of the reporting period in relation to transactions with related parties:

| | 2020 $ | 2019 $ |
|---|---|---|
| Current payables (purchases of goods and services) | | |
| Entity having a significant influence over the group - Innovyz Institute Pty Ltd | **11,000** | – |
| Entity related to the director - Monash University | **80,570** | – |

### (e) Loans to/from related parties

| | 2020 $ | 2019 $ |
|---|---|---|
| *Loans from entity with significant influence over the group* | | |
| Beginning of the period | **30,000** | – |
| Loans repayments made | **(30,000)** | – |
| Loans on acquisition of subsidiary | **–** | 30,000 |
| End of year | **–** | 30,000 |

# Notes to the Financial Statements

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## 15 RELATED PARTY TRANSACTIONS (CONTINUED)

### (f) Terms and conditions

### (i) Loans from entity with significant influence over the group

Loans from entity with significant influence over the group comprises $30,000 advanced by Innovyz Institute Pty Ltd as at 30 June 2019, recognised on acquisition of Amaero Engineering Pty Ltd. Entered into on 13 May 2019, the agreement provided Amaero Engineering Pty Ltd with a short-term unsecured loan to fund immediate needs for additional working capital. This loan has been repaid in the year ending 30 June 2020.

## 16 SHARE-BASED PAYMENTS

### (a) Deferred shares - executive short-term incentive scheme

Under the group's short-term incentive (STI) scheme, employees were offered subject to certain conditions deferred shares based on the achievement of KPI's in FY2020. The shares are offered subsequent to the balance date.

Subject to receiving signed documentation from the employees, the company expects to issue the shares on 1 September 2020.

The number of shares offered was determined based on the achievement of certain KPI's. The fair value of the shares offered was determined based on taking the market price of the group's shares on the grant date being 30 June 2020 ($0.14).

The following table shows the deferred shares offered and outstanding at the beginning and end of the reporting period:

| | 2020 Number of shares | 2019 Number of shares |
|---|---|---|
| As at 1 July | – | – |
| Granted during the year | 595,000 | – |
| Vested during the year | (595,000) | – |
| As at 30 June | – | – |
| Weighted average remaining contractual life of the deferred shares outstanding at end of period | 0 | 0 |

### (b) Share-based transactions with suppliers

On 30 November 2019, Amaero International Ltd entered into an agreement with Rosewood Engineering Pty Ltd to provide the company with shares for the rights to the Ampro Agreement. The distribution agreement allows for Amearo International to be the distributor of Ampro 3D metal printers and ancillary equipment with exclusive rights to the North American market, subject to the agreement. Rosewood Engineering Pty Ltd received 5,300,000 shares in Amaero International Ltd at $0.16 per share.

### (c) Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expense were as follows:

| | 2020 $ | 2019 $ |
|---|---|---|
| Deferred shares issued under the short-term incentive scheme | 83,300 | – |
| Shares-based transactions with suppliers | 848,000 | – |
| | 931,300 | – |

## 17 REMUNERATION OF AUDITORS

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

### (a) RSM Australia Partners

### (i) Audit and other assurance services

| | 2020 $ | 2019 $ |
|---|---|---|
| Audit and review of financial statements | **35,000** | 11,500 |
| Total remuneration for audit and other assurance services | **35,000** | 11,500 |

### (ii) Taxation services

| | | |
|---|---|---|
| Tax due diligence and review of prospectus | **16,500** | – |
| Total remuneration for taxation services | **16,500** | – |

### (iii) Other services

| | | |
|---|---|---|
| Investigating accountant's report | **43,000** | – |
| Total remuneration for other services | **43,000** | – |
| **Total auditor's remuneration** | **94,500** | 11,500 |

## 18 LOSS PER SHARE

### (a) Reconciliation of loss used in calculating loss per share

| | 30 June 2020 $ | 30 June 2019 $ |
|---|---|---|
| *Basic and diluted loss per share* | | |
| Loss attributable to the ordinary equity holders of the company used in calculating | | |
| loss per share: | | |
| From continuing operations | **5,777,946** | 82,341 |

### (b) Weighted average number of shares used as the denominator

| | 2020 Number | 2019 Number |
|---|---|---|
| Weighted average number of ordinary shares used as the denominator in calculating basic and diluted loss per share | **142,769,475** | **25,003,955** |

# Notes to the Financial Statements

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## 19 PARENT ENTITY FINANCIAL INFORMATION

### (a) Summary financial information

The individual financial statements for the parent entity show the following aggregate amounts:

| | 2020 $ | 2019 $ |
|---|---|---|
| Balance sheet | | |
| Current assets | **3,252,883** | 200,731 |
| Non-current assets | **8,980,420** | 314,512 |
| Total assets | **12,233,303** | 515,243 |
| Current liabilities | **350,938** | 36,042 |
| Non-current liabilities | **453,904** | – |
| Total liabilities | **804,842** | 36,042 |
| *Shareholders' equity* | | |
| Share capital Reserves | **14,026,374** | 561,542 |
| Share-based payments reserve | **83,300** | – |
| Accumulated losses | **(2,678,879)** | (82,341) |
| | **11,430,795** | 479,201 |
| **Loss for the period** | **2,596,538** | 82,341 |
| **Total comprehensive loss** | **2,596,538** | 82,341 |

### (b) Guarantees entered into by the parent entity

The parent entity has not entered into any guarantees in relation to debts of its subsidiaries in the year ended 30 June 2020 (2019: nil).

### (c) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2020 or 30 June 2019.

### (d) Contractual commitments for the acquisition of property, plant or equipment

The parent entity has not entered into any contractual commitments for the acquisition of property, plant or equipment in the year ended 30 June 2020 (2019: nil).

### (e) Determining the parent entity financial information

The financial information for the parent entity has been prepared on the same basis as the consolidated financial statements.

#### (i) Investments in subsidiaries

Investments in subsidiaries are accounted for at cost in the financial statements of Amaero International Ltd.

## 20 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements to the extent they have not already been disclosed in the other notes above. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the group consisting of Amaero International Ltd and its subsidiaries.

### (a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. Amaero International Ltd is a for-profit entity for the purpose of preparing the financial statements.

## 20 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (i) Compliance with IFRS

The consolidated financial statements of the Amaero International Ltd group also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

### (ii) Historical cost convention

The financial statements have been prepared on a historical cost basis.

### (iii) New and amended standards adopted by the group

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements to the extent they have not already been disclosed in the other notes above. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the group consisting of Amaero International Ltd and its subsidiaries.

On adoption of AASB 16, the group recognised lease liabilities in relation to leases which the group entered into during the current reporting period. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 July 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 July 2019 was 7.74%.

The associated right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at when leases were entered into. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

*Amounts recognised in the balance sheet*

| | 2020 $ |
|---|---|
| **Right-of-use assets**[1] | |
| Properties | 3,371,384 |
| | 3,371,384 |
| | |
| **Lease liabilities**[2] | |
| Current | 217,907 |
| Non-current | 2,904,163 |
| | 3,122,070 |

1. Included in the line item 'property, plant and equipment' in the consolidated balance sheet.
2. Included in the line items 'other current liabilities' and 'other non-current liabilities' in the consolidated balance sheet.

In applying AASB 16 for the first time, the group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- reliance on previous assessments on whether leases are onerous
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 July 2019 as short-term leases
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

There was no impact upon adoption of AASB16 *Leases* at 1 July 2019 as there were no leases in effect on that date.

There are no new accounting standards or interpretations that would be expected to have a material impact on the group in the current or future reporting periods and on foreseeable future transactions.

# Notes to the Financial Statements

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## 20 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (iv) Conceptual Framework for Financial Reporting (Conceptual Framework)

The revised Conceptual Framework is applicable to annual reporting periods beginning on or after 1 July 2021 and early adoption is permitted. The Conceptual Framework contains new definition and recognition criteria as well as new guidance on measurement that affects several Accounting Standards. Where the consolidated entity has relied on the existing framework in determining its accounting policies for transactions, events or conditions that are not otherwise dealt with under the Australian Accounting Standards, the consolidated entity may need to review such policies under the revised framework. At this time, the application of the Conceptual Framework is not expected to have a material impact on the consolidated entity's financial statements.

### (v) AASB 2020 - 4 Amendments to Australian Accounting Standards - COVID-19 Related Rent concessions

AASB 2020 - 4 refers to rent relief granted by the government due to the COVID-19 pandemic. At 30 June 2020 the group has not received any rent relief from the government, however if they receive any relief in the future the group will account for it accordingly.

### (b) Principles of consolidation

### (i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the group (refer to Note 20(i)).

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

### (c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. This has been identified as the chief executive officer.

### (d) Foreign currency translation

### (i) Functional and presentation currency

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollar ($), which is Amaero International Ltd's functional and presentation currency.

### (ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings are presented in the consolidated statement of profit or loss and other comprehensive income, within finance costs. All other foreign exchange gains and losses are presented in the consolidated statement of profit or loss and other comprehensive income on a net basis within other gains/(losses).

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as at fair value through other comprehensive income are recognised in other comprehensive income.

## 20 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(iii) Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each consolidated balance sheet presented are translated at the closing rate at the date of that consolidated balance sheet
- income and expenses for each consolidated income statement and consolidated statement of profit or loss and other comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

### (e) Revenue recognition

The accounting policies for the group's revenue from contracts with customers are explained in Note 2.

### (f) Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received, and the group will comply with all attached conditions. Note 3 provides further information on how the group accounts for government grants.

### (g) Income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

### (h) Leases

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the group as lessee are classified as operating leases . Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

The accounting policies for the group's leases are explained in Note 6(e)(iii).

# Notes to the Financial Statements

30 June 2020



## 20 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (i) Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The group recognises any

non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

### (j) Impairment of assets

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets

(cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

### (k) Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the consolidated balance sheet.

### (l) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less loss allowance. See Note 5(b) for further information about the group's accounting for trade receivables and Note 10(b) for a description of the group's impairment policies.

### (m) Inventories

#### (i) Raw materials and stores, work in progress and finished goods

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

## 20 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (n) Investments and other financial assets

#### (i) Classification

From 1 July 2019, the group classifies its financial assets in the following measurement categories:

– those to be measured subsequently at fair value (either through OCI or through profit or loss), and
– those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

#### (ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

#### (iii) Measurement

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

#### Debt instruments

Subsequent measurement of debt instruments depends on the group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the group classifies its debt instruments:

– Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated income statement.
– FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the consolidated statement of profit or loss and other comprehensive income.
– FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

#### (iv) Impairment

The group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

# Notes to the Financial Statements

30 June 2020



## 20 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (v) Income recognition Interest income

Interest income is recognised using the effective interest method. When a receivable is impaired, the group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

### (o) Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

The depreciation methods and periods used by the group are disclosed in Note 6(b).

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 20(j)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

### (p) Trade and other payables

These amounts represent liabilities for goods and services provided to the group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

### (q) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the consolidated balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

### (r) Employee benefits

#### (i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

## 20 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (ii) Other long-term employee benefit obligations

The group also has liabilities for long service leave and annual leave that are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. These obligations are therefore measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period of high-quality corporate bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows. Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in profit or loss.

The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting period, regardless of when the actual settlement is expected to occur.

### (s) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

### (t) Loss per share

### (i) Basic loss per share

Basic loss per share is calculated by dividing:

- the loss attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

### (ii) Diluted loss per share

Diluted loss per share adjusts the figures used in the determination of basic loss per share to take into account:

- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

### (u) Rounding of amounts

The company is of a kind referred to in ASIC Legislative Instrument 2016/191, relating to the 'rounding off' of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with the instrument to the nearest dollar.

### (v) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the consolidated balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

# Directors' Declaration

In the directors' opinion:

(a) the financial statements and notes set out on pages 27 to 57 are in accordance with the *Corporations Act 2001*, including:

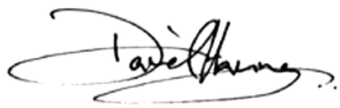
  (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and

  (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2020 and of its performance for the financial year ended on that date, and

(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Note 20(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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



**Mr David Hanna**
Non-Executive Chairman

Melbourne
28 August 2020

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# INDEPENDENT AUDITOR’S REPORT

## To the Members of Amaero International Limited

**Opinion**

We have audited the financial report of Amaero International Limited (“the Company”) and its subsidiaries (together referred to as “the Group”), which comprises the consolidated balance sheet as at 30 June 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.
In our opinion the accompanying financial report of the Group is in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the Group’s financial position as at 30 June 2020 and of its financial performance for the year then ended; and
(ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

**Basis for Opinion**

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

# Independent Auditor's Report

RSM

## Key Audit Matters (Continued)

| Key Audit Matter | How our audit addressed this matter |
|---|---|
| ***Implementation of AASB 16 Leases***<br>Refer to Note 6 and Note 20 in the financial statements | |
| The Group adopted AASB 16 *Leases* with effect from 1 July 2019. The new lease standard modifies the accounting for operating leases and requires recognition of a right-of-use ("ROU") asset and a corresponding lease liability on the lease commencement date.<br><br>This has resulted in recognition of ROU assets of $3.37 Million and lease liabilities of $3.12 Million in the consolidated balance sheet as at 30 June 2020.<br><br>We considered the adoption of the standard as a key audit matter because of the material nature of leases on the financial report and the significance of judgments applied and the estimates made by the management, including the lease term and incremental borrowing rates. | As part of our audit procedures, we:<br><br>• verified the accuracy and completeness of the underlying lease data by agreeing the information used to original contracts, and review of leases register and all lease payments made;<br><br>• assessed the integrity and arithmetical accuracy of the calculations provided by management for the quantification of the ROU assets and lease liability in respect of various leases entered by Group through recalculation of the ROU assets and lease liability;<br><br>• evaluated the assumptions applied by the management including the discount rate and options to extend the leases; and<br><br>• assessed the appropriateness of disclosures in the financial report. |
| ***Share-based payments***<br>Refer to Note 7 and Note 16 in the financial statements | |
| The Company listed on the ASX during the year during which time the Company issued share-based payments in relation to the capital raise and performance rights to employees. The share-based payments expense of $0.93 Million was recognised for the year ended 30 June 2020.<br><br>We considered this area as a key audit matter due to the material amount and the estimates used in determining the valuation of share-based payments. | As part of our audit procedures, we:<br><br>• reviewed agreements and plans relating to share-based payments and assessed the appropriateness of valuation methods used; and<br><br>• assessed the reasonableness of the accounting treatment and appropriateness of disclosures relating to share-based payments in accordance with AASB 2 *Share-based Payments.* |

## Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2020, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

RSM

**Responsibilities of the Directors for the Financial Report (Continued)**

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

**Auditor's Responsibilities for the Audit of the Financial Report**

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar2.pdf. This description forms part of our auditor's report.

**Report on the Remuneration Report**

*Opinion on the Remuneration Report*
We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of Amaero International Limited, for the year ended 30 June 2020, complies with section 300A of the Corporations Act 2001.

*Responsibilities*
The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

RSM

**RSM AUSTRALIA PARTNERS**

**M PARAMESWARAN**
Partner

Dated: 28 August 2020
Melbourne, Victoria

# ASX Additional Information

as at 7 October 2020



The following information was applicable as at 7 October 2020.

## 1. CORPORATE GOVERNANCE STATEMENT

The Corporate Governance Statement can be found at the Company's website at www.amaero.com.au.

## 2. SUBSTANTIAL SHAREHOLDERS

The following holders are registered by Amaero as a substantial holder, having declared a relevant interest in accordance with the *Corporations Act 2001* (Cth), in the voting shares below:

| Holder Name | Date of notice | Number of ordinary shares[1] | % of issued capital[2] |
|---|---|---|---|
| AMAERO INTERNATIONAL LTD | 10 September 2020 | 88,846,379 | 50.562% |
| STUART DOUGLAS | 6 December 2019 | 20,940,495 | 11.980% |
| MONASH INVESTMENT HOLDINGS PTY LTD | 6 December 2019 | 18,315,178 | 10.475% |

1 As disclosed in the last notice lodged with the ASX by the substantial shareholder.
2 The percentage set out in the notice lodged with the ASX is based on the total issued capital of the Company at the date of interest.

## 3. NUMBER OF SECURITY HOLDERS

| Securities | Number of Holders |
|---|---|
| Ordinary Shares | 1260 |
| Performance Rights | 10 |

## 4. VOTING RIGHTS

| Securities | Number of Holders |
|---|---|
| Ordinary Shares | Subject to any rights or restrictions for the time being attached to any class or classes at general meetings of shareholders or classes of shareholders:<br>a. each shareholder is entitled to vote and may vote in person or by proxy, attorney or representative;<br>b. on a show of hands, every person present who is a shareholder or a proxy, attorney or representative of a shareholder has one vote; and<br>c. on a poll, every person present who is a shareholder or a proxy, attorney or representative of a shareholder shall, in respect of each fully paid share held, or in respect of which he/she has appointed a proxy, attorney or representative, is entitled to one vote per share held. |
| Performance Rights | Performance Rights do not carry any voting rights. |

## 5. DISTRIBUTION SCHEDULE

The distribution schedule for Ordinary Shares is as follows:

| Spread of Holdings | Holders | Ordinary Shares | % of Total Ordinary Shares |
|---|---|---|---|
| 1 - 1,000 | 38 | 23,280 | 0.01% |
| 1,001 - 5,000 | 296 | 872,007 | 0.50% |
| 5,001 - 10,000 | 195 | 1,602,438 | 0.91% |
| 10,001 - 100,000 | 522 | 20,150,473 | 11.45% |
| 100,001 - 9,999,999,999 | 209 | 153,381,426 | 87.13% |
| **Totals** | **1,260** | **176,029,624** | **100.00%** |

The distribution schedule for Ordinary Shares is as follows:

| Spread of Holdings | Holders | Performance Rights | % of Total Performance Rights |
|---|---|---|---|
| 1 - 1,000 | 0 | 0 | 0 |
| 1,001 - 5,000 | 0 | 0 | 0 |
| 5,001 - 10,000 | 0 | 0 | 0 |
| 10,001 - 100,000 | 5 | 259,094 | 27.75% |
| 100,001 - 9,999,999,999 | 5 | 674,687 | 72.25% |
| **Totals** | **10** | **933,781** | **100.00%** |

## 6. HOLDERS OF NON-MARKETABLE PARCELS

The distribution schedule for Ordinary Shares is as follows:

| Date | Closing price of shares | Number of holders |
|---|---|---|
| 7 October 2020 | $0.53 | 23 |

# ASX Additional Information

as at 7 October 2020



## 7. TOP 20 SHAREHOLDERS

The top 20 largest fully paid ordinary shareholders together hold 55.92% of the securities in this class and are listed below:

| | Name | Securities | % |
|---|---|---|---|
| 1 | ROSEWOOD ENGINEERING PTY LTD | 20,900,000 | 11.87% |
| 2 | INNOVYZ INVESTMENTS PTY LTD <INNOVYZ INVESTMENTS UNIT A/C> | 18,752,996 | 10.65% |
| 3 | MONASH INVESTMENT HOLDINGS PTY LTD | 18,315,178 | 10.40% |
| 4 | MR PHILLIP JOHN CAWOOD | 6,509,808 | 3.70% |
| 5 | PAC PARTNERS SECURITIES PTY LTD | 4,809,533 | 2.73% |
| 6 | RESILIENT INVESTMENT GROUP PTY LTD | 4,688,249 | 2.66% |
| 7 | THE UNIVERSITY OF ADELAIDE | 3,333,334 | 1.89% |
| 8 | NATIONAL ACCOUNTS PTY LTD <OMAHA INVESTMENTS UNIT A/C> | 2,473,000 | 1.40% |
| 9 | MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED | 2,297,819 | 1.31% |
| 10 | MR PETER HENDRY | 1,820,733 | 1.03% |
| 11 | KIMBERLEY DOUGLAS & STUART DOUGLAS <THE DOUGLAS FAMILY A/C> | 1,749,999 | 0.99% |
| 12 | PETER WADE <WADE SUPERFUND> | 1,656,475 | 0.94% |
| 13 | M & S SKYLEISURE PTY LTD <M SKYLEISURE A/C> | 1,520,984 | 0.86% |
| 14 | M & S SKYLEISURE PTY LTD <S SKYLEISURE A/C> | 1,520,983 | 0.86% |
| 15 | NICHOLAS DERMOTT MCDONALD | 1,511,475 | 0.86% |
| 16 | MRS BARBARA MYRA HOBBS | 1,436,350 | 0.82% |
| 17 | TERRA CAPITAL MANAGEMENT PTY LTD | 1,406,475 | 0.80% |
| 18 | MRS MARGARET LYNETTE HARVEY | 1,375,000 | 0.78% |
| 19 | JABEZ INVESTMENT GROUP PTY LTD <JABEZ A/C> | 1,314,683 | 0.75% |
| 20 | MR NATHAN SCOTT JOHNSON | 1,036,636 | 0.59% |
| | **Total** | **98,429,710** | **55.92%** |

## 8. COMPANY DETAILS

Company secretary: Carolin Darmanin

Registered Address: 13 Normanby Road, Notting Hill VIC 3168

Telephone: 03 9905 9847

Address of where the register is kept: Automic Pty Ltd, Level 5, 126 Phillip Street, Sydney NSW 2000

Telephone of where the register is kept: 1300 288 664

Other stock exchange where the entities equity securities are quoted: N/A

## 9. RESTRICTED SECURITIES

The following shares are subject to mandatory escrow restrictions under ASX Listing Rules Chapter 9:

| Class | Expiry Date | Number of Shares |
|---|---|---|
| Ordinary Shares | 15/10/2020 | 3,333,334 |
| Ordinary Shares | 06/12/2021 | 85,513,045 |
| | | **88,846,379** |

## 10. PERFORMANCE RIGHTS

- There is a total of 933,781 unlisted Performance Rights on issue.
- The number of Performance Right holders is 10.
- The Performance Rights carry no dividend or voting rights.

## 11. SHARE BUY-BACKS

There is no current on-market buy-back scheme.

## 12. BUSINESS OBJECTIVES

The Company has used cash and cash equivalents held at the time of listing in a way consistent with its stated business objectives.

# Corporate Directory



## DIRECTORS

**Mr David Hanna**
Non-Executive Chairman

**Mr Stuart Douglas**
Executive Director

**Ms Kathryn Presser**
Non-Executive Director

## SECRETARY

**Ms Carolin Darmanin**

## REGISTERED OFFICE

13 Normanby Road
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Telephone: +61 (0)3 9905 9847

## PRINCIPAL REGISTERED OFFICE IN AUSTRALIA

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Telephone: +61 (0)3 9905 9847

## SHARE REGISTER

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Sydney NSW 2000 Australia

Telephone: +61 (0)2 9698 5414

## AUDITOR

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Telephone: +61 (0)3 9286 8000

## SOLICITORS

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## WEBSITE

www.amaero.com.au

AMAERO
ADDITIVE MANUFACTURING

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