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AMAERO
ADDITIVE MANUFACTURING



Half Year Report

for the six months ended 31 December 2020
including: Appendix 4D Disclosure

Amaero International Ltd

Amaero International Ltd
Appendix 4D
For the half-year ended 31 December 2020
(continued)

Other information required by Listing Rule 4.2A

- | | |
|--|-----|
| a. Details of individual and total dividends or distributions and dividend or distribution payments: | N/A |
| b. Details of any dividend or distribution reinvestment plans: | N/A |
| c. Details of associates and joint venture entities: | N/A |
| d. Other information | N/A |

Interim review

The financial statements have been reviewed by the group's independent auditor without any modified opinion, disclaimer or emphasis of matter.

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Amaero International Ltd

ABN 82 633 541 634

Interim report - 31 December 2020

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This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report should be read in conjunction with the annual report for the year ended 30 June 2020 and any public announcements made by Amaero International Ltd during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

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Your director's present their report on the consolidated entity (referred to hereafter as the 'group') consisting of Amaero International Ltd and the entities it controlled at the end of, or during, the half-year ended 31 December 2020.

Directors

The following persons held office as directors of Amaero International Ltd during the financial period:

Mr David Hanna
Mr Stuart Douglas
Ms Kathryn Presser

Principal activities

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.

There has been no significant change in the nature of these activities during the financial year.

Review of operations

Amaero International Ltd has reported a loss for the period of \$2,814,667, with net assets amounting to \$13,983,418 as at 31 December 2020, including cash reserves of \$9,159,039.

Amaero is pleased to announce that it has achieved a number of significant milestones towards its strategic plan during half year ended 31 December 2020:

Corporate

- Successfully raised \$9 million via share placement to high quality domestic, international and sophisticated investors.
- Announced and launched a Share Purchase Plan (SPP), partially underwritten up to \$1.5 million by joint venture partner PPK Group Ltd (PPK).
- The Honourable Christopher Pyne appointed to the group's Advisory Board to advise on defence and geopolitical related defence projects and will work closely with Amaero's other international defence advisors, including the former Secretary of Defence of the United States.
- Amaero's senior employees and management opted to take 20% of their salary in equity from August 2020 due to Covid-19 and were issued 269,713 Shares in lieu of cash payments.

Operations

Australia

- Amaero subsidiary, Amaero Alloys Pty Ltd, entered a Joint Venture Research Agreement (JV) with PPK Group Ltd subsidiary, PPK Aust Pty Ltd, and Deakin University, to develop a super strength aluminium alloy.
- Amaero subsidiary, Amaero Engineering Pty Ltd, entered a Teaming Agreement with MEMKO Aviation Aerospace Defence Pty Ltd to jointly market and provide their engineering and manufacturing services to third parties for projects in the fields of design, manufacturing and certification of products for aviation, defence and space applications.
- 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.

United States of America

- Amaero accepted a purchase order from the world's largest aerospace manufacturer, The Boeing Company, for the manufacture of evaluation parts.
- Amaero's El Segundo Facility awarded AS9100 Aerospace Certification, as the Company continues to pursue high value contracts in the Aerospace industry.

Review of operations (continued)

Operations (continued)

United States of America (continued)

- Mr Ken Davis appointed to lead company's North American operations, and reporting to the Group CEO, he will work closely with other Amaero senior executives to develop and implement growth strategies.

Events since the end of the financial year

Subsequent to 31 December 2020 and at the date of this report, Amaero completed the following milestones:

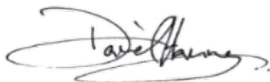
- Amaero closed its Share Purchase Plan (SPP) offer on 22 January 2021. The SPP received strong shareholder support and raised \$4.825 million.
- Amaero accepted a purchase order from Nissan Casting Australia Pty Ltd for a 3D printed tool steel insert for die-casting auto components.
- Amaero accepted a purchase order from Raytheon Intelligence and Space (RI&S), a business of Raytheon Technologies, to produce 3D printed samples in new materials for evaluation.

No other matter or circumstance has arisen since 31 December 2020 that has significantly affected the group's operations, results or state of affairs, or is likely to do so in future periods.

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 4.

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



Mr David Hanna
Non-Executive Chairman

Melbourne
26 February 2021

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of Amaero International Limited and its controlled entities for the half year ended 31 December 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 review; and
- (ii) any applicable code of professional conduct in relation to the review.



RSM AUSTRALIA PARTNERS



M PARAMESWARAN
Partner

Dated: 26 February 2021
Melbourne, Victoria

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AUDIT | TAX | CONSULTING

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RSM Australia Partners ABN 36 965 185 036

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Amaero International Ltd
Condensed consolidated statement of profit or loss and other comprehensive income
For the half-year 31 December 2020

| | Notes | 31 December 2020 \$ | 31 December 2019 \$ |
|--|-------|---------------------------|---------------------------|
| Revenue from contracts with customers | 2 | 119,050 | 27,614 |
| Cost of sales | | <u>(111,441)</u> | <u>(19,276)</u> |
| Gross profit | | <u>7,609</u> | <u>8,338</u> |
| Other income | 3(a) | 657,344 | - |
| Other (losses)/gains | | <u>(49,113)</u> | <u>161,721</u> |
| Distribution costs | | (27,013) | (8,792) |
| General and administrative expenses | 3(b) | (2,333,383) | (2,500,617) |
| Research and development expenses | | (771,048) | (356,037) |
| Selling and marketing expenses | | <u>(186,424)</u> | <u>(13,039)</u> |
| Operating loss | | <u>(2,702,028)</u> | <u>(2,708,426)</u> |
| Finance income | | 287 | 153 |
| Finance expenses | | <u>(112,926)</u> | <u>(50,198)</u> |
| Finance costs - net | | <u>(112,639)</u> | <u>(50,045)</u> |
| Loss before income tax | | <u>(2,814,667)</u> | <u>(2,758,471)</u> |
| Income tax expense | | - | - |
| Loss for the period | | <u>(2,814,667)</u> | <u>(2,758,471)</u> |
| Other comprehensive income | | | |
| <i>Items that may be reclassified to profit or loss:</i> | | | |
| Exchange differences on translation of foreign operations | 5(b) | (410,592) | (87,013) |
| Other comprehensive income for the period, net of tax | | - | - |
| Other comprehensive income for the period, net of tax | | <u>(410,592)</u> | <u>(87,013)</u> |
| Total comprehensive loss for the period | | <u>(3,225,259)</u> | <u>(2,845,484)</u> |
| | | Cents | Cents |
| Loss per share for loss attributable to the ordinary equity holders of the company: | | | |
| Basic/diluted loss per share | 10 | (1.59) | (2.48) |

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

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Amaero International Ltd
Condensed consolidated balance sheet
As at 31 December 2020

| | 31 December 2020 | 30 June 2020 |
|---|---------------------|-------------------|
| Notes | \$ | \$ |
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | 9,159,039 | 4,019,209 |
| Trade and other receivables | 680,023 | 126,646 |
| Inventories | 701,953 | 548,076 |
| Other current assets | 240,045 | 90,888 |
| Total current assets | 10,781,060 | 4,784,819 |
| Non-current assets | | |
| Investments accounted for using the equity method | 4(c) 100,000 | - |
| Property, plant and equipment | 4(a) 6,306,041 | 7,382,211 |
| Other assets | 175,478 | 196,930 |
| Total non-current assets | 6,581,519 | 7,579,141 |
| Total assets | 17,362,579 | 12,363,960 |
| LIABILITIES | | |
| Current liabilities | | |
| Trade and other payables | 398,793 | 816,544 |
| Employee benefit obligations | 104,656 | 116,615 |
| Deferred revenue | 87,500 | 93,656 |
| Other current liabilities | 4(b) 216,949 | 217,907 |
| Total current liabilities | 807,898 | 1,244,722 |
| Non-current liabilities | | |
| Employee benefit obligations | 27,792 | 21,347 |
| Other non-current liabilities | 4(b) 2,543,471 | 2,904,163 |
| Total non-current liabilities | 2,571,263 | 2,925,510 |
| Total liabilities | 3,379,161 | 4,170,232 |
| Net assets | 13,983,418 | 8,193,728 |
| EQUITY | | |
| Share capital | 5(a) 22,497,073 | 14,026,374 |
| Other reserves | 5(b) 161,299 | 27,641 |
| Retained earnings | (8,674,954) | (5,860,287) |
| Total equity | 13,983,418 | 8,193,728 |

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

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Amaero International Ltd
Condensed consolidated statement of changes in equity
For the half-year 31 December 2020

| Notes | Attributable to owners of Amaero International Ltd | | | Total equity \$ |
|--|---|----------------------|-----------------------------|-----------------------|
| | Share capital \$ | Other reserves \$ | Accumulated losses \$ | |
| Balance at 1 July 2019 | 561,542 | - | (82,341) | 479,201 |
| Loss for the period | - | - | (2,758,471) | (2,758,471) |
| Other comprehensive loss | - | (87,013) | - | (87,013) |
| Transactions with owners in their capacity as owners: | | | | |
| Contributions of equity, net of transaction costs and tax | 5(a) 13,464,832 | - | - | 13,464,832 |
| Balance at 31 December 2019 | 14,026,374 | (87,013) | (2,840,812) | 11,098,549 |
| | | | | |
| Balance at 1 July 2020 | 14,026,374 | 27,641 | (5,860,287) | 8,193,728 |
| Loss for the period | - | - | (2,814,667) | (2,814,667) |
| Other comprehensive loss | - | (410,592) | - | (410,592) |
| Total comprehensive income for the half-year | - | (410,592) | (2,814,667) | (3,225,259) |
| | | | | |
| Transactions with owners in their capacity as owners: | | | | |
| Contributions of equity, net of transaction costs and tax | 5(a) 8,515,688 | - | - | 8,515,688 |
| Employee share schemes - value of employee services | 5(a) 354,252 | (83,300) | - | 270,952 |
| Performance rights issued | 5(a) 102,809 | - | - | 102,809 |
| Issue of shares in lieu of payment for services | 5(a) 125,500 | - | - | 125,500 |
| Options issued as part of capital raise | 5(b) (627,550) | 627,550 | - | - |
| | 8,470,699 | 544,250 | - | 9,014,949 |
| Balance at 31 December 2020 | 22,497,073 | 161,299 | (8,674,954) | 13,983,418 |

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

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Amaero International Ltd
Condensed consolidated statement of cash flows
For the half-year 31 December 2020

| | 31 December | 31 December |
|--|--------------------|--------------------|
| | 2020 | 2019 |
| Notes | \$ | \$ |
| Cash flows from operating activities | | |
| Receipts from customers (inclusive of GST) | 161,394 | 42,022 |
| Payments to suppliers and employees (inclusive of GST) | (2,951,087) | (1,468,045) |
| Interest received | 287 | 153 |
| Interest paid | (112,926) | (50,198) |
| Research and development tax incentive and other grants received | 141,040 | - |
| Net cash outflow from operating activities | (2,761,292) | (1,476,068) |
| Cash flows from investing activities | | |
| Payments for property, plant and equipment | (322,920) | (2,214,180) |
| Payments for joint venture | (100,000) | - |
| Net cash outflow from investing activities | (422,920) | (2,214,180) |
| Cash flows from financing activities | | |
| Proceeds from issues of shares and other equity securities | 9,000,000 | 13,500,000 |
| Share issue transaction costs | (484,312) | (1,066,503) |
| Repayment of borrowings | - | (30,000) |
| Repayment of principal portion of leases | (114,404) | (36,651) |
| Net cash inflow from financing activities | 8,401,284 | 12,366,846 |
| Net increase in cash and cash equivalents | 5,217,072 | 8,676,598 |
| Cash and cash equivalents at the beginning of the financial year | 4,019,209 | 169,991 |
| Effects of exchange rate changes on cash and cash equivalents | (77,242) | (80,521) |
| Cash and cash equivalents at end of the half-year | 9,159,039 | 8,766,068 |

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

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1 Segment and revenue 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

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

| | 31 December 2020 | 31 December 2019 |
|----------------------|-----------------------------|---------------------|
| | \$ | \$ |
| Sale of goods | | |
| Component sales | 104,328 | 27,614 |
| Machine hours rental | 6,522 | - |
| Engineering services | 8,200 | - |
| | 119,050 | 27,614 |

3 Expense items

(a) Other income

| | 31 December 2020 | 31 December 2019 |
|--|-----------------------------|---------------------|
| | \$ | \$ |
| Research and development tax incentive | 516,304 | - |
| Other grants | 141,040 | - |
| | 657,344 | - |

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3 Expense items (continued)

(b) Breakdown of expenses by nature

| | 31 December 2020 \$ | 31 December 2019 \$ |
|--|---------------------------|---------------------------|
| General and administrative expenses | | |
| Accounting and audit | 66,952 | 67,551 |
| Contracting and consulting | 250,415 | 298,114 |
| Depreciation | 577,635 | 149,034 |
| Employee benefits | 577,669 | 301,708 |
| Insurance | 84,304 | 67,867 |
| Investor and public relations | 32,991 | 29,120 |
| Legal and company secretarial | 82,928 | 79,172 |
| Listing and share registry | 94,821 | 249,545 |
| Occupancy | 73,770 | 59,929 |
| Share-based payments | 212,216 | 848,000 |
| Superannuation | 42,499 | 13,201 |
| Travel | 23,461 | 218,466 |
| Other | 213,722 | 118,910 |
| | 2,333,383 | 2,500,617 |

4 Non-financial assets and liabilities

(a) Property, plant and equipment

| | Plant and equipment \$ | Furniture, fittings and equipment \$ | Leasehold improvements \$ | Right-of-use assets \$ | Total \$ |
|-------------------------|------------------------------|---|---------------------------------|------------------------------|------------------|
| At 1 July 2020 | | | | | |
| Opening net book amount | 3,469,734 | 53,345 | 487,748 | 3,371,384 | 7,382,211 |
| Additions | 85,090 | 33,330 | - | - | 118,420 |
| Exchange differences | (313,753) | (35,009) | (18,984) | (249,209) | (616,955) |
| Depreciation charge | (345,500) | (8,403) | (24,834) | (198,898) | (577,635) |
| Closing net book amount | 2,895,571 | 43,263 | 443,930 | 2,923,277 | 6,306,041 |

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4 Non-financial assets and liabilities (continued)

(b) 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.

(i) Amounts recognised in the balance sheet

| | 31 December 2020 | 30 June 2020 |
|--|---------------------|------------------|
| | \$ | \$ |
| Right-of-use assets¹ | | |
| Properties | <u>2,923,277</u> | <u>3,371,384</u> |
| | 2,923,277 | 3,371,384 |
| Lease liabilities² | | |
| Current | 216,949 | 217,907 |
| Non-current | <u>2,543,471</u> | <u>2,904,163</u> |
| | 2,760,420 | 3,122,070 |

¹ Included in the line item 'property, plant and equipment' in the condensed consolidated balance sheet.

² Included in the line items 'other current liabilities' and 'other non-current liabilities' in the condensed consolidated balance sheet.

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

| | 31 December 2020 | 31 December 2019 |
|--|---------------------|---------------------|
| | \$ | \$ |
| Interest expense (included in finance costs) | <u>112,926</u> | <u>46,133</u> |

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4 Non-financial assets and liabilities (continued)

(b) Leases (continued)

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

The group's lease agreement does not impose any covenants, but leased assets may not be used as security for borrowing purposes.

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.

(c) Instruments accounted for using the equity method

| | 31 December 2020 \$ | 30 June 2020 \$ |
|---|---------------------------|-----------------------|
| Non-current assets | | |
| Interest in joint venture partnership (i) | 100,000 | - |

(i) Interest in joint venture partnership

Amaero subsidiary, Amaero Alloys Pty Ltd, entered a Joint Venture Research Agreement (JV) with PPK Group Ltd subsidiary, PPK Aust Pty Ltd, and Deakin University in November 2020 to develop super strength aluminium alloy. At 31 December 2020 only \$100,000 has been contributed to the Joint Venture by the group.

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5 Equity

(a) Share capital

| | 31 December 2020 Shares | 30 June 2020 Shares | 31 December 2020 \$ | 30 June 2020 \$ |
|------------|-------------------------------|---------------------------|---------------------------|-----------------------|
| Fully paid | 193,005,009 | 174,853,651 | 22,497,073 | 14,026,374 |

(i) Movements in ordinary shares:

| Details | Number of shares | \$ |
|--|---------------------|-------------------|
| Balance at 1 July 2020 | 174,853,651 | 14,026,374 |
| Issue at \$0.33 performance milestone shares (2020-09-01) | 595,000 | 196,529 |
| Issue at \$0.33 salary sacrifice shares (2020-09-01) | 269,713 | 89,086 |
| Issue at \$0.33 performance rights shares (2020-10-01) | 311,260 | 102,809 |
| Issue at \$0.66 salary sacrifice shares (2020-11-17) | 104,518 | 68,637 |
| Issue at \$0.33 in lieu of payment for services (2020-11-30) | 379,958 | 125,500 |
| Issue at \$0.55 pursuant to placement (2020-12-10) | 16,490,909 | 9,070,000 |
| Less: Transaction costs arising on share issues (Cash) | - | (484,312) |
| Less: Transaction costs arising on share issues (Non-Cash) | - | (697,550) |
| Balance at 31 December 2020 | 193,005,009 | 22,497,073 |

(b) Other reserves

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

| | Share-based payments reserve \$ | Foreign currency translation \$ | Total other reserves \$ |
|--|--|--|-------------------------------|
| At 31 December 2019 | 83,300 | (55,659) | 27,641 |
| Currency translation differences | - | (410,592) | (410,592) |
| Transactions with owners in their capacity as owners | | | |
| Share-based payment expenses | (83,300) | - | (83,300) |
| Issue of options | 627,550 | - | 627,550 |
| At 31 December 2020 | 627,550 | (466,251) | 161,299 |

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5 Equity (continued)

(b) Other reserves (continued)

(i) 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. The number of Retention Performance rights issued on 1 September 2020 was 1,422,883 based on the 5-day VWAP (volume weighted average price) for the period from 24 to 28 August 2020 inclusive. 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. The number of offered Retention Performance rights that each employee is to receive is based on 30% of their salary as at 30 June 2020.

| Performance right class | Performance condition | Approximate number of rights ¹ |
|-------------------------|---|---|
| Class A | Performance rights vest on 1 October 2020 | 311,260 |
| Class B | Performance rights vest on 1 July 2021 | 311,260 |
| Class C | Performance rights vest on 1 July 2022 | 311,260 |
| Class D | Performance rights vest on 1 July 2023 | 311,261 |
| | Total | 1,245,041 |

¹ Due to failure to meet the relevant vesting conditions 177,842 Performance Rights were cancelled.

(ii) Movements in options:

| Details | Notes | Number of options | \$ |
|--|-------|-------------------|----------------|
| Opening balance 1 July 2020 | | - | - |
| Issue of listed options at \$1.00 (2020-12-10) | | 3,500,000 | 627,550 |
| Balance at 31 December 2020 | | 3,500,000 | 627,550 |

6 Share-based payments

The assessed fair value of options at grant date was determined using the Black-Scholes option pricing model that takes into account the exercise price, term of the option, security price at grant date and expected price volatility of the underlying security, the expected dividend yield, the risk-free interest rate for the term of the security and certain probability assumptions.

The model inputs for options re-valued and granted under ESOP during the half-year 31 December 2020 included:

| Grant date | Expiry date | Exercise price (\$) | No. of options | Share price at grant date (\$) | Expected volatility | Dividend yield | Risk-free interest rate | Fair value at grant date per option (\$) |
|------------|-------------|---------------------|------------------|--------------------------------|---------------------|----------------|-------------------------|--|
| 2020-12-10 | 2022-12-10 | 1.00 | 3,500,000 | 0.57 | 87.00% | 0.00% | 627,550 | |
| | | | 3,500,000 | | | | | |

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7 Interests in other entities

(a) Material subsidiaries

| Name of entity | Place of business/ country of incorporation | Ownership interest held by the group | |
|----------------------------|---|--------------------------------------|-------------------|
| | | 31 December 2020 % | 30 June 2020 % |
| Amaero Engineering Pty Ltd | Australia | 100 | 100 |
| AM Aero Inc | United States | 100 | 100 |
| Amaero Alloys Pty Ltd | Australia | 100 | - |

In November 2020, Amaero International Ltd formed a wholly owned subsidiary Amaero Alloys Pty Ltd. 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.

8 Events occurring after the reporting period

Subsequent to 31 December 2020 and at the date of this report, Amaero completed the following milestones:

- Amaero closed its Share Purchase Plan (SPP) offer on 22 January 2021. The SPP received strong shareholder support to raise \$4.825 million.
- Amaero accepted a purchase order from Nissan Casting Australia Pty Ltd for a 3D printed tool steel insert for die-casting auto components.
- Amaero accepted a purchase order from Raytheon Intelligence and Space (RI&S), a business of Raytheon Technologies, to produce 3D printed samples in new materials for evaluation.

No other matter or circumstance has arisen since 31 December 2020 that has significantly affected the group's operations, results or state of affairs, or is likely to do so in future periods.

9 Related party transactions

(a) Transactions with other related parties

The following transactions occurred with related parties:

| | 31 December 2020 \$ | 31 December 2019 \$ |
|---|---------------------------|---------------------------|
| <i>Sales and purchases of goods and services</i> | | |
| Purchases of various services from an entity having a significant influence over the group - Innovy Institute Pty Ltd | 22,946 | 114,468 |
| Purchases of various services from an entity related to a director - Monash University | 320,054 | - |

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9 Related party transactions (continued)

(a) Transactions with other related parties (continued)

(i) *Purchases from entities controlled by key management personnel*

The group acquired the following services from an entity having a significant influence to the group.

- reimbursements for expenses incurred on behalf of the group.

(ii) *Purchases from entities related to key management personnel*

The group acquired the following services from an entity having a significant influence to the group.

- payments for leasing facilities and patent costs.

10 Loss per share

(a) Reconciliation of earnings used in calculating earnings per share

| | 31 December 2020 | 31 December 2019 |
|---|---------------------|---------------------|
| | \$ | \$ |
| <i>Basic and diluted loss per share</i> | | |
| Loss attributable to the ordinary equity holders of the company used in calculating basic earnings per share: | | |
| From continuing operations | (2,814,667) | (2,758,471) |

(b) Weighted average number of shares used as denominator

| | 2020 Number | 2019 Number |
|--|----------------|----------------|
| Weighted average number of ordinary shares used as the denominator in calculating basic and diluted loss per share | 177,547,355 | 111,034,040 |

Performance rights and options issued and outstanding at the end of the reporting period have not been included in the calculation of diluted earnings per share as their inclusion would be anti-dilutive in nature due to the losses incurred during the period.

11 Basis of preparation of half-year report

This condensed consolidated interim financial report for the half-year reporting period ended 31 December 2020 have been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. These financial statements also comply with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

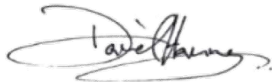
These condensed consolidated financial statements do not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2020 and any public announcements made by Amaero International Ltd during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001* and ASX Listing Rules.

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In the directors' opinion:

- (a) the financial statements and notes set out on pages 1 to 16 are in accordance with the *Corporations Act 2001*, including:
- (i) complying with AASB 134 *Interim Financial Reporting*, 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 31 December 2020 and of its performance for the half-year ended on that date, and
- (b) there are reasonable grounds to believe that the Amaero International Ltd will be able to pay its debts as and when they become due and payable.

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



Mr David Hanna
Non-Executive Chairman

Melbourne
26 February 2021

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INDEPENDENT AUDITOR'S REVIEW REPORT
To The Members Of Amaero International Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Amaero International Limited ("the company") and its controlled entities (together referred to as "the Group") which comprises the consolidated statement of financial position as at 31 December 2020, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the Group, comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2020 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Amaero International Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Amaero International Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Amaero International Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the Group's financial position as at 31 December 2020 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

A handwritten signature in blue ink, appearing to read 'RSM'.

RSM AUSTRALIA PARTNERS

A handwritten signature in blue ink, appearing to read 'M Parameswaran'.

M PARAMESWARAN
Partner

Dated: 26 February 2021
Melbourne, Victoria

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