

EXCLUSIVE AGREEMENT SIGNED WITH SHARROW FOR VEEM TO COMMERCIALISE REVOLUTIONARY NEW PROPELLER DESIGN

Highlights:

- Agreement signed with Sharrow Engineering for VEEM and Sharrow to partner together to design and then VEEM to exclusively manufacture and sell Sharrow designed propellers worldwide for inboard powered vessels.
- Sharrow has developed an award-winning propeller design that has made a spectacular impact on the outboard motor market with outstanding improvements in fuel efficiency, noise, vibration and handling. VEEM will now take this technology to the larger inboard propellers.
- Sharrow chose VEEM as VEEM is the only manufacturer globally producing a range of high-performance, fully CNC machined propellers, thereby guaranteeing the accuracy of the propeller every time.
- The total addressable market for inboard propellers is estimated to be US\$2.6 billion with the annual new build market estimated at US\$338 million.
- Progressing with the project is subject to VEEM's acceptance of the performance of the Sharrow design on the VEEM test vessel with the testing to be done in the coming weeks.
- Design work has already commenced and the first SHARROW by VEEM propellers are expected to be available in early 2024 with the full range rolled out by the end of 2024.
- Initial production will be at VEEM's facility in Western Australia with the early adoption rates to determine potential demand and resultant capacity expansion opportunities.

VEEM Limited (ASX: VEE) ('VEEM' or 'the Company'), a designer and manufacturer of disruptive, high-technology marine propulsion and stabilization systems for the global luxury motor yacht, fast ferry, commercial workboat and defence industries, is pleased to announce that it has executed agreements with Sharrow Engineering, LLC ("Sharrow") for VEEM and Sharrow to partner together to design and then VEEM to exclusively manufacture and sell Sharrow propellers worldwide up to 5 metres in diameter for inboard motor vessels.



The key information on the collaboration between VEEM and Sharrow are set out below:

How does the collaboration work?

Sharrow and VEEM will immediately work together to sequentially generate a series of propeller designs for inboard motor vessels that use Sharrow's patented intellectual property. VEEM expects to be able to offer the first SHARROW by VEEM propellers to customers in early 2024 with the remainder being brought to market as they are developed and tested. It is expected that by the end of 2024 the complete suite of propellers for inboard motor vessels will be available to customers.

As with VEEM's current range of propellers, every propeller will effectively be a custom propeller matched to the individual specifications of the customer. VEEM will then manufacture and sell the unique propeller to each customer.

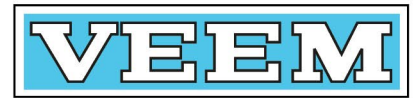
VEEM has the exclusive rights to manufacture and sell the Sharrow propellers worldwide for 17 years (or longer if the patents expire after that date) provided VEEM meets minimum requirements for sales of propellers over the first three-year period and annually thereafter. Should VEEM fail to meet these, Sharrow can remove the exclusivity. VEEM will pay Sharrow a licence fee based on the sales of the SHARROW by VEEM propellers.

Other normal commercial terms and conditions apply to the arrangement.



Progressing with the project is subject to VEEM's acceptance of the performance of the Sharrow design on the VEEM test vessel. The design of these SHARROW by VEEM propellers is underway with the testing scheduled to be done in the coming weeks.

The Sharrow patents protect these designs from being copied by others which, along with VEEM having an exclusive worldwide licence, provides the confidence for VEEM to develop and invest in its processes and methods with the expectation that there will be a strong market for the SHARROW by VEEM products.



What is the benefit of the Sharrow Propeller Design?

The Sharrow Propeller™ was invented by Gregory Sharrow in 2012 and is cited as the first major advancement in propeller technology since the 1830s. Its design has solved the most basic problem of rotary propulsion. Specifically, tip cavitation and vortices have been eliminated or significantly reduced, offering incredible performance gains over traditional propellers.

The Sharrow design has proven with outboards that it can deliver a staggering improvement in fuel efficiency and performance. The global boating industry is working towards a more sustainable and energy-efficient future. These designs are a major step in the right direction. This is alongside the personal benefits to the boat owner of increased comfort through reduced noise and vibration.

Refer to the Sharrow website for further information including on the designs, awards and outboard performance tests - <https://sharrowmarine.com/>

Why did Sharrow choose VEEM?

VEEM is currently the world leader in high-performance fixed pitch propeller manufacturing. It has achieved this standing over years of refining its designs and its processes for casting and machining the perfect propeller. A VEEM propeller is a perfectly machined component.

What is the Target Market?

The overall target market is all propellers below 5 metres in diameter used for inboard vessels. Generally, these vessels start at 30 feet (10m) and can go through to 300 feet (90m) for a superyacht. The main volumes VEEM is targeting initially are in the 30 – 90 feet (10 – 30m) range where there are premium production yacht manufacturers who the Company anticipates will embrace the significantly better product.

Commercial operators are expected to adopt the new SHARROW by VEEM product purely for the economic benefits of less fuel usage.

VEEM engaged an independent consultant to conduct a market study which showed an overall market for this propeller range of 100,000 vessels which would be in the order of US\$2.6 bn*. The new boat market is 15,000 vessels worth in the order of US\$338 million* per annum.

The SHARROW by VEEM propellers will cost more to make in both raw materials and manufacturing time. The selling price will be at a further premium due to the licence fee payable to Sharrow. This will lead to a pricing structure that is at a significant premium to current standard propellers, however the adoption rates for the outboard motor market have shown that customers are prepared to embrace the product at a premium due to the tangible benefits realized.

Where will these be made?

VEEM will be initially manufacturing the SHARROW by VEEM propellers at its plant in Western Australia which has capacity for 450 to 500 propellers a month. Initially these are expected to be taken up by demand from boat manufacturers and commercial operators.

If the adoption rates follow the same patterns as the Sharrow outboard motor propellers, then VEEM expects to be building increased capacity in the next few years.

*The independent market assessment was conducted by EQC Consulting. The market assessment excludes: vessels over 10 years old; non-ocean-going commercial vessels; defence vessels; outboards, jets; stern drives; recreational vessels over 90m and under 10m; and commercial vessels without an IMO number. Valuation is calculated using approximately two times current design prices.

Expansion?

The rates of online pre-orders and the sales of the early-release series will provide evidence of the adoption rates that can be expected when the full range is available. This information will then drive the expansion program.

Any expansion plan would likely involve a new manufacturing facility being built or acquired with the main cost being equipment such as CNC machining centers, robots, laser guided forklifts, furnaces and other foundry equipment and other ancillary equipment.

Outsourcing of some or all of the required equipment/services is an option, provided VEEM can implement its end-to-end software securely and guarantee quality control.

Funding of the above will be decided at the time the expansion is committed to and be appropriate for the options being chosen.

Resourcing?

VEEM's non-executive Chairman, Brad Miocevic, who was responsible for building VEEM's propeller business over the last 20 years, has been managing the negotiation with Sharrow for the last few months through to the execution of this agreement. Mr. Miocevic has agreed to continue to provide executive services to the company during the integration and expansion phase.



Greg Sharrow (left) with VEEM Chairman, Brad Miocevic.

Next Steps

Investors can expect updates from the Company around the following milestones:

1. Completion of VEEM's acceptance testing of the performance of the Sharrow design on the VEEM test vessel. Testing is expected to be done in the coming weeks with results in December 2023.
2. The first SHARROW by VEEM propellers are expected to be available for purchase by customers in early 2024.
3. The full range of SHARROW by VEEM propellers is expected to be completed and rolled out by the end of 2024.



VEEM Chairman, Brad Miocevich said: “The Sharrow propeller technology has revolutionized the outboard motor market, and we are honoured and very excited to have reached agreement with Sharrow to be the exclusive worldwide manufacturer and seller of the SHARROW by VEEM propellers for the inboard motor market. We look forward to demonstrating the significant benefits of this new product to our existing and future customers.”

VEEM Managing Director Mark Miocevich said: “The opportunity to further expand our product superiority in the global propeller market is very exciting. Propeller design technology has not had this kind of leap forward for decades so the opportunity to use our world’s-best manufacturing processes to produce the world’s most innovative design is huge for VEEM.”

Sharrow Engineering Managing Director, Greg Sharrow said: “This is a true collaboration between VEEM and Sharrow to bring a revolutionary product to the inboard market.

“The Sharrow design has proven with outboards that it delivers a staggering improvement in performance. The global boating industry is working towards a more sustainable and energy-efficient future and the Sharrow design is a big step in the right direction. Moreover, it provides significantly increased satisfaction and comfort to boat owners through reduced noise and vibration.

“The Sharrow design will now be matched with VEEM, the globally acknowledged world’s best propeller manufacturer and the only one generating significant volumes of a consistently accurate, fully CNC-machined end product. The end product – SHARROW by VEEM – will dramatically improve the sustainability and enjoyment of boating.”

For further information on the product and the companies involved, click on the link below:

www.sharrowbyveem.com



This ASX announcement was authorised for release by the Board of VEEM Limited.

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ABOUT VEEM LIMITED (ASX: VEE)

VEEM Ltd is a designer and manufacturer of disruptive, high-technology marine propulsion and stabilization systems for the global luxury motor yacht, fast ferry, commercial workboat and defence industries. VEEM's market leading Gyrostabilizers significantly reduce the rolling motion of vessels in waves, increasing on-sea time and improving personnel safety and efficiency in a wide range of ocean conditions.

VEEM is also a successful producer of high-performance propellers, fin systems and specialised components delivering consistent profits, cash flow and dividends while also reinvesting in research and development for new products and processes.

Proudly headquartered in Perth, Western Australia, VEEM operates from a 14,700 sqm purpose-built fabrication and manufacturing facility, including Australia's largest non-ferrous foundry. VEEM employs approximately 200 staff in Australia, including graduates and apprentices, and maintains a highly skilled research and development team in-house. Celebrating its 50th anniversary in business in 2018, VEEM listed on the Australian Securities Exchange in 2016. www.veem.com.au

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ABOUT SHARROW ENGINEERING, LLC

Sharrow Engineering revolutionized propeller technology with the introduction of the Sharrow™ Propeller. Invented by Greg Sharrow, the Sharrow™ Propeller is recognized as the first major advancement in propeller technology since the 1830s. Its design has solved the most basic problem of rotary propulsion. Specifically, tip cavitation and vortices have been eliminated or significantly reduced, offering incredible performance gains over traditional propellers and transforming the entire boating experience.

Sharrow Engineering is a USA-based advanced engineering, design and manufacturing firm dedicated to the research and development of revolutionary, high-performance propulsor and flow control technologies. The company's team of world-class aeronautical, nautical, aerospace, and mechanical engineers are dedicated to reinventing the methodologies and technologies used for propulsion and flow control, and leaving the world better than we found it.

Sharrow Engineering holds over 100 patents around the world and is the parent company for Sharrow Marine, a nautical engineering and manufacturing company that produces and sells the award-winning Sharrow™ Propeller for the maritime industry. Sharrow Marine is headquartered in the Greater Detroit, MI area.

Visit the website here: <https://sharrowmarine.com/>