

Amaero International Ltd

Appendix 4D

Half-year ended 31 December 2023

Name of entity: Amaero International Ltd
ABN: 82 633 541 634
Half-year ended: 31 December 2023

Results for announcement to the market

\$

Revenue for ordinary activities	Up	(5.4)%	to	682,880
Loss before interest and taxation (EBIT)	Up	22.8%	to	(8,154,044)
Net loss for the period attributable to members	Up	22.8%	to	(8,154,044)

Distributions

No dividends have been paid or declared by the Company for the current financial period. No dividends were paid for the previous financial period.

Explanation of results

Please refer to the review of operations and activities for explanation of the results.

This information should be read in conjunction with the 2023 Annual Report. Additional information supporting the Appendix 4D disclosure requirements can be found in the review of operations and activities, directors' report and the financial statements for the half-year ended 31 December 2023.

Net tangible assets per security

	31 December 2023 Cents	31 December 2022 Cents
Net tangible asset backing (per share)	3.73	4.42

Changes in controlled entities

Amaero Advanced Metals & Manufacturing, Inc. USA was incorporated on 12 July 2023. The entity contributed a loss before tax of \$3,242,561 for the half year ended 31 December 2023.

There have been no other changes in controlled entities during the half-year ended 31 December 2023.

Amaero International Ltd
Appendix 4D
For the half-year ended 31 December 2023
(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:

Name of associate/ joint venture entity	Reporting entity's percentage holding	
	31 December 2023	31 December 2022
Strategic Alloys Pty Limited	% 45	% 45

- d. Other information
Interim review N/A

The financial statements have been reviewed by the group's independent auditor and the review report is attached as part of the Interim financial report.

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Amaero International Ltd
Interim financial report
for the half-year 31 December 2023

ABN 82 633 541 634

Amaero International Ltd

ABN 82 633 541 634

Interim report - 31 December 2023

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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 2023 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 directors 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 2023.

Directors

The following persons held office as directors of Amaero International Ltd during the financial period and up to the date of the report, unless otherwise stated:

Mr Hank J Holland (Executive Chairman)

Mr Eric Bono (appointed as President & CTO in August 2023, and subsequently appointed as Executive Director on 14 September 2023)

Mr David Hanna (resigned as Non - Executive Director on 31 October 2023)

Ms Lucy Robb Vujcic (Non-Executive Director)

Mr Omer Granit (Non-Executive Director)

Mr Erik Levy (appointed Non-Executive Director 31 March 2023)

Mr Robert Latta (appointed Non-Executive Director 4 September 2023)

Mr Jamie Levy (appointed Non-Executive Director 31 October 2023)

Principal activities

Amaero is uniquely positioned as a United States based, agile and scalable producer of Niobium C103 alloy ("Nb C103" or "C103"), specialty alloy and Ti-64 powder for additive manufacturing ("AM") of mission-critical components for the defence, space and aviation industries. Amaero's strategic focus on specialty alloy production positions it at the intersection of national security and economic interests.

Based in McDonald, TN, and using next generation Electrode Induction Melting Inert Gas Atomiser (EIGA Premium) technology, the Company will produce powder for powder bed fusion ("PBF") applications utilized in AM.

The Company also utilises Hot Isostatic Pressing (HIP) to produce custom near net shape parts for use in demanding, critical applications. Our collaborative HIP process combines our extensive knowledge of numerical modelling with the expertise of powder metallurgy. This allows us to produce premium quality parts for the defence and aviation industries with precision and efficiency.

Review of operations

Amaero International Ltd has reported a loss for the period of \$8,154,044, with net assets amounting to \$18,128,920 as at 31 December 2023, including cash reserves of \$11,701,743.

Relocation to Tennessee Facility in the U.S

During the period, Amaero announced that the Board had resolved to commence the cessation of its operations in Australia. The decision reflects the Company's commitment to focus its executive team on flagship operations in the U.S. and to prudently manage operating expenses. As part of the cessation of Australian operations, the Company terminated its leases at its South Australian and Victorian premises and any ongoing commercial contracts in Australia will be ended. In November 2023, the Company announced that the powder and equipment at Amaero's Adelaide facility was sold for \$460,000, and additional inventory held in Australia may be shipped to the Tennessee facility or will be sold.

Amaero will continue to evaluate commercial opportunities in Australia that include adjacency opportunities in mining critical minerals, as well as advanced manufacturing for the aerospace & defence, space and energy sectors.

The Company's Principal Place of Business address changed from the Victorian premises to the Tennessee facility in the U.S. at the following address:

130 Innovation Drive McDonald, Tennessee, 37353.

Review of operations (continued)

Purchase of Second Atomiser

In December 2023, Amaero executed a binding purchase order for its second atomiser, the next generation Electrode Induction Melting Inert Gas Atomiser (EIGA Premium).

The next generation atomiser is expected to produce industry-leading yields of the highest value powder that's utilised for AM / 3D printing components for the defence, space and aerospace industries. Moreover, the atomiser is capable of producing the highest quality, spherical powder for C-103, refractory alloys and other specialty alloys with high melting points. The atomiser projects annual capacity of 200+ tonnes of powder with yields exceeding 50% for Powder Bed Fusion (PBF) spectrum powder. The atomiser has a build time of approximately 14 months and the Company expects powder production to commence in the December 2025 quarter. An initial payment will be made during the March 2024 quarter with subsequent progress payments through final commissioning.

Upon successful installation, the Company's next generation atomisers will be the 1st and 2nd to be commissioned in the United States and only the 2nd and 3rd to be commissioned in the world. The first atomisers will have annual capacity of 400+ tonnes of spherical powder and 200+ tonnes of PBF spectrum powder. Amaero will prioritize the production of C-103, refractory alloy and other high-value, specialty alloy powders that are essential to the supply chain for the AM of mission-critical components for the defence, space, aerospace and nuclear energy sectors.

A\$10 million Placement

In the Reporting Period, Amaero announced it raised A\$10 million through a two-tranche placement ("Placement") priced at A\$0.1600 for 1 fully paid ordinary share in the capital of the Company ("Share") with 1 free attaching option for every 1 Share issued.

The Placement took place in two tranches:

Under Tranche 1, 21,110,580 Shares were issued under the Company's 15% placement capacity under ASX Listing Rule 7.1 raising a total sum of A\$3,377,693.

Under Tranche 2, subject to shareholder approval which was received December 2023 (in accordance with ASX Listing Rules 7.1 and 10.11), investors subscribed for an additional 41,389,420 Shares raising a total of an additional sum of A\$6,622,307.

Subject to shareholder approval, which was received in December 2023, free attaching unlisted options exercisable at A\$0.2400 per Share and expiring on the date that is 3 years from the issue of those options, were issued under Tranche 1 and Tranche 2 of the Placement ("Options").

A total of 62,500,000 Shares and 62,500,000 Options were issued pursuant to the Placement.

The lead investor under the Placement was Pegasus Growth Capital, an approximate 39% shareholder of the Company and an entity associated with two directors of the Company (being Hank Holland and Bob Latta) with an investment of A\$4 million.

A\$7.31 million Secured in Corporate Financing

In December, Amaero announced that the Company secured a corporate credit facility from Western Alliance Bank (NYSE: WAL). As Amaero expects to maintain prudent cash balances, the credit facility may be used to supplement cash liquidity for funding working capital and capital expenditures.

The key terms of the corporate credit facility are as follows:

- Credit Facility: US\$5 million (approximately A\$7.31 million).

Review of operations (continued)

A\$7.31 million Secured in Corporate Financing (continued)

- Borrowing Formula: Amaero may advance up to the Credit Facility Amount subject to 110% of amount advanced being held in cash deposit at Western Alliance Bank.
- Repayment: Interest-only payable monthly through Maturity.
- Maturity: 24 months.
- Interest Rate: Wall Street Journal ("WSJ") Prime Rate + 0.0%, floating.
- Collateral: Cash deposits.
- Banking Relationship: The Company will utilise Western Alliance Bank as its primary banking relationship for USD deposits and business banking services. Amaero will receive a deposit rate of 5.0% in an Insured Cash Sweep account; the deposit rate is subject to change.

In February 2024, the Company announced Fairmont Consulting Group LLC ("Fairmont") completed a comprehensive market study, commissioned by Amaero, of C103 and other high-value specialty materials used in mission-critical defence and space applications. Fairmont is a leading specialist providing Aerospace and Defence ("A&D") and government market insights/ Fairmont was engaged by Amaero to provide a detailed independent market assessment evaluating the current C103 market landscape and anticipated future demand.

The 72-page comprehensive market study and accompanying proprietary market model provides key details and analysis for 550 discrete programs in hypersonics, strategic missiles, space launch and satellite programs. The study and supporting analysis provide Amaero with a granular, program-by-program study of demand signals, market supply powder pricing and feedstock costs, as well as an analysis of Amaero market positioning and go-to-market recommendations.

Amaero has carefully reflected the market study in its updated production planning and key financial assumptions.

Executive Hires

During the period, Amaero appointed Steve Kachur as Chief Commercial Officer, bringing a wealth of experience and knowledge in both business development and procurement. He will be instrumental as Amaero further develops its commercial and go to market strategy whilst simultaneously helping to structure the procurement department. He will collaborate internally and externally to help position Amaero as the leader in refractory and high-value specialty alloy powders, as well as the manufacturing of large as-HIP near-net shapes.

Also, during the reporting period, Jay Chandran was promoted to Chief Operating Officer and will continue to oversee operations at Amaero. Mr Chandran has been instrumental in advancing the design and fit out of Amaero's 9,300m² flagship manufacturing facility in McDonald, Tennessee. Prior to joining Amaero, he served in key roles at leading industrial companies, Consolidated Precision Products and Precision Castparts, where he led highly complex castings operations, as well as pre-development, development, and commissioning of greenfield manufacturing operations.

Dr. Ronald Aman joined the Company in November 2023, and was appointed as Director of Manufacturing, an established leader with breadth of experience and knowledge in powder metallurgy and AM. His technical background, coupled with his manufacturing experience will further establish Amaero as a leader in large HIP manufactured components. In addition to leading the HIP manufacturing business, Dr. Aman will be a primary resource and point of contact for contracts with the United States government, Department of Defence, Department of Energy and related parties. He will lead applied research & development collaborations with government and industrial partners, and he will assist with material and AM component qualifications.

Events since the end of the financial period

Subsequent to the reporting period, Amaero engaged Guggenheim Securities to Explore Strategic Financing Alternatives, with the objective of maximizing shareholder value while positioning Amaero to be the largest and preferred supplier in the United States of C-103, specialty alloy and Ti-64 powder for AM.


No other matter or circumstance has arisen since 31 December 2023 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 6.

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

Mr Hank J. Holland
Chairman and Chief Executive Officer



28 February 2024

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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 2023, 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: 28 February 2024
Melbourne, Victoria

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Amaero International Ltd
Condensed consolidated statement of profit or loss and other comprehensive income
For the half-year 31 December 2023

	Notes	31 December 2023	31 December 2022
Continuing operations		\$	\$
Revenue from contracts with customers	2	116,478	68,116
Cost of sales		<u>(45,163)</u>	<u>(49,377)</u>
Gross profit		71,315	18,739
Other income		32,574	36,600
Other gains/(losses)	3(a)	(304,439)	49,330
Distribution costs		(123,802)	(6,124)
General and administrative expenses	3(b)	(3,551,575)	(1,493,803)
Restructuring costs		(35,918)	(1,560,391)
Research and development expenses		(1,631,702)	(1,213,645)
Selling and marketing expenses		(832,186)	(86,805)
Operating loss		(6,375,733)	(4,256,099)
Finance income		13,302	20,908
Finance expenses		(31,838)	(118,740)
Finance costs - net		(18,536)	(97,832)
Loss before income tax from continuing operations		(6,394,269)	(4,353,931)
Income tax expense		-	-
Loss after income tax from continuing operations		(6,394,269)	(4,353,931)
Loss after income tax from discontinued operations	8(b)	(1,759,775)	(2,286,917)
Loss for the period		(8,154,044)	(6,640,848)
Other comprehensive income			
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translation of foreign operations continuing	7(b)	8,872	32,590
Exchange differences on translation of foreign operations discontinued	7(b)	27,614	-
Other comprehensive income for the period, net of tax		-	-
Other comprehensive income for the period, net of tax		36,486	32,590
Total comprehensive loss for the period		(8,117,558)	(6,608,258)
Total comprehensive loss for the period is attributable to:			
Continuing operations		(6,385,397)	(4,321,341)
Discontinued operations		<u>(1,732,161)</u>	<u>(2,286,917)</u>
		(8,117,558)	(6,608,258)

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 statement of profit or loss and other comprehensive income
For the half-year 31 December 2023
(continued)

		Cents	Cents
Loss per share for loss attributable to the ordinary equity holders of the Company:			
From continuing operations		(1.52)	(1.57)
From discontinued operations		(0.41)	(0.82)
Basic/diluted loss per share	12	<u>(1.93)</u>	<u>(2.39)</u>

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 2023

	Notes	31 December 2023 \$	30 June 2023 \$
ASSETS			
Current assets			
Cash and cash equivalents		11,701,743	8,833,468
Trade and other receivables	4(a)	134,210	155,763
Inventories		678,091	1,026,757
Other current assets	4(b)	450,850	117,455
Non-current assets classified as held for sale	8(c)	88,500	-
Total current assets		13,053,394	10,133,443
Non-current assets			
Investments accounted for using the equity method	5(c)	-	209,099
Property, plant and equipment	5(a)	5,940,145	7,657,940
Other assets		558,703	245,981
Total non-current assets		6,498,848	8,113,020
Total assets		19,552,242	18,246,463
LIABILITIES			
Current liabilities			
Trade and other payables	4(c)	1,019,539	826,247
Employee benefit obligations		99,192	269,520
Lease liabilities	5(b)	287,907	674,177
Provision for restructuring	5(d)	-	469,240
Total current liabilities		1,406,638	2,239,184
Non-current liabilities			
Employee benefit obligations		16,684	80,205
Lease liabilities	5(b)	-	968,464
Total non-current liabilities		16,684	1,048,669
Total liabilities		1,423,322	3,287,853
Net assets		18,128,920	14,958,610
EQUITY			
Share capital	7(a)	58,093,783	48,271,499
Other reserves	7(b)	1,561,267	59,197
Accumulated losses		(41,526,130)	(33,372,086)
Total equity		18,128,920	14,958,610

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 2023

	Notes	Attributable to owners of Amaero International Ltd			Total equity \$
		Share capital \$	Other reserves \$	Accumulated losses \$	
Balance at 1 July 2022		35,254,248	888,594	(21,471,860)	14,670,982
Loss for the period		-	-	(6,640,848)	(6,640,848)
Other comprehensive income/(loss)		-	32,590	-	32,590
Total comprehensive income/ (loss) for the half-year		-	32,590	(6,640,848)	(6,608,258)
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs and tax		12,743,269	-	-	12,743,269
Employee share schemes - value of employee services		194,796	(278,137)	-	(83,341)
Options lapsed/expired		-	(627,550)	627,550	-
		12,938,065	(905,687)	627,550	12,659,928
Balance at 31 December 2022		48,192,313	15,497	(27,485,158)	20,722,652
Balance at 1 July 2023		48,271,499	59,197	(33,372,086)	14,958,610
Loss for the period		-	-	(8,154,044)	(8,154,044)
Other comprehensive income/(loss)		-	36,486	-	36,486
Total comprehensive income/ (loss) for the half-year		-	36,486	(8,154,044)	(8,117,558)
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs and tax	7(a)	9,822,072	-	-	9,822,072
Options issued/expensed	7(b)	-	1,465,584	-	1,465,584
Options exercised		212	-	-	212
		9,822,284	1,465,584	-	11,287,868
Balance at 31 December 2023		58,093,783	1,561,267	(41,526,130)	18,128,920

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 2023

	Notes	31 December 2023	31 December 2022
		\$	\$
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		761,073	495,690
Payments to suppliers and employees (inclusive of GST)		(7,031,568)	(6,667,748)
Interest received		17,899	216
Interest paid		-	(113,916)
R&D tax incentive and other grants received		32,574	73,200
Net cash outflow from operating activities		(6,220,022)	(6,212,558)
Cash flows from investing activities			
Payments for property, plant and equipment		(10,918)	(1,374,626)
Payments for joint ventures		-	(10,000)
Net cash outflow from investing activities		(10,918)	(1,384,626)
Cash flows from financing activities			
Proceeds from issue of shares and other equity securities		10,000,000	10,500,000
Share issue transaction costs		(190,928)	(670,819)
Repayment of principal portion of leases		(371,028)	(134,812)
Net cash inflow from financing activities		9,438,044	9,694,369
Net increase in cash and cash equivalents		3,207,104	2,097,185
Cash and cash equivalents at the beginning of the financial year		8,833,468	11,117,957
Effects of exchange rate changes on cash and cash equivalents		(338,829)	(14,691)
Cash and cash equivalents at end of the half-year		11,701,743	13,200,451

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

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 2023	31 December 2022
	\$	\$
Sale of goods and services – continuing operations		
Component sales	116,478	68,116
	116,478	68,116

3 Income/ Expense items

(a) Other income

	31 December 2023	31 December 2022
	\$	\$
Other grants	32,574	36,600
	32,574	36,600

(b) General and administrative expenses

	31 December 2023	31 December 2022
	\$	\$
General and administrative expenses		
Accounting and audit	74,239	101,977
Contracting and consulting	198,901	121,672
Depreciation	382,899	458,158
Employee benefits	246,949	71,268
Equipment expenses	89,202	39,448
Insurance	160,374	121,775
Investor and public relations	143,549	63,764
Legal and company secretarial	71,548	190,647
Listing and share registry	102,519	167,864
Occupancy	132,472	101,259
Share-based payments (net)	1,465,584	(69,876)
Defined contribution plans - Superannuation	13,939	-
Travel	253,360	54,631
Other	216,040	71,216
	3,551,575	1,493,803

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4 Financial assets and financial liabilities

(a) Trade and other receivables

	31 December 2023	30 June 2023
	\$	\$
Trade and other receivables		
Trade receivables	112,572	84,719
Other receivables	<u>21,638</u>	<u>71,044</u>
	<u>134,210</u>	<u>155,763</u>

(b) Other current assets

	31 December 2023	30 June 2023
	\$	\$
Other current assets		
Prepayments	<u>450,850</u>	<u>117,455</u>

(c) Trade and other payables

	31 December 2023	30 June 2023
	\$	\$
Trade and other payables		
Trade payables	686,356	312,577
Accrued expenses	202,550	458,227
Other payables	<u>130,633</u>	<u>55,443</u>
	<u>1,019,539</u>	<u>826,247</u>

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5 Non-financial assets and liabilities

(a) Property, plant and equipment

	Plant and equipment \$	Furniture, fittings and equipment \$	Leasehold improvements \$	Right-of-use assets \$	Assets under construction \$	Total \$
At 1 July 2023						
Opening net book amount	1,992,933	21,631	188,943	1,515,015	3,939,418	7,657,940
Transfers	364,898	-	-	-	(364,898)	-
Additions	10,330	-	-	-	953,111	963,441
Exchange differences	(20,792)	(270)	(4,741)	-	(6,144)	(31,947)
Disposals	(1,117,313)	(10,520)	-	-	-	(1,127,833)
Depreciation charge	(206,316)	(2,239)	(29,672)	(276,618)	-	(514,845)
Lease Terminations	-	-	-	(1,006,611)	-	(1,006,611)
Closing net book amount	<u>1,023,740</u>	<u>8,602</u>	<u>154,530</u>	<u>231,786</u>	<u>4,521,487</u>	<u>5,940,145</u>

(i) *Assets under construction*

Assets under construction relate to gas atomiser for the titanium powder plant and related equipment and costs.

(b) Leases

Due to the cessation of the operations in Australia, the lease for the facilities in Melbourne and Adelaide have been terminated during the period. The lease of office premises in Abu Dhabi, UAE has also been surrendered effective September 2023.

The group leases office and manufacturing facilities in El Segundo, 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. As at 31 December 2023, the management has assessed that the option to extend will not be exercised.

On 12 July 2023, Amaero entered into a lease to be the sole tenant in 9300 square metres manufacturing facility in Cleveland, Tennessee, USA. The lease agreement was amended in September 2023 wherein the lease commences 1 January 2024 and is for an initial term of 15 years with an option to extend for another 5 years. This will result in recognition of right-of-use asset of \$17,837,632 and a corresponding lease liability of \$14,796,432 and make good provision of \$3,041,200 in accordance with AASB 16 *Leases* upon commencement of the lease.

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5 Non-financial assets and liabilities (continued)

(b) Leases (continued)

(i) Amounts recognised in the balance sheet

	31 December 2023	30 June 2023
	\$	\$
Right-of-use assets¹		
Properties	231,786	1,515,015
	231,786	1,515,015
Lease liabilities		
Current	287,907	674,177
Non-current	-	968,464
	287,907	1,642,641

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

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

	31 December 2023	31 December 2022
	\$	\$
Interest expense (included in finance costs)	25,450	100,433

(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) Investments accounted for using the equity method

	31 December 2023	30 June 2023
	\$	\$
Non-current assets		
Interest in joint venture (i)	-	209,099

(i) Interest in joint venture partnership

Amaero has a 45% interest in a Joint Venture Research Agreement (JV) with PPK Group Ltd (45%) and Deakin University (10%). The parties incorporated Strategic Alloys Pty Limited to develop a super strength aluminium alloy. The group's interest in Strategic Alloys Pty Limited is accounted for using the equity method in the financial statements.

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5 Non-financial assets and liabilities (continued)

(d) Provision for restructuring

	31 December 2023	30 June 2023
	\$	\$
Carrying amount at the start of the period	469,240	-
Additional provisions recognised during the period	-	2,911,596
Provisions utilised during the period	(469,240)	(2,442,356)
Carrying amount at the end of the period	-	469,240

The provision represents costs of restructuring operations in Australia, UAE and United States.

6 Borrowings

In December 2023 the Company secured a corporate credit facility from Western Alliance Bank (NYSE:WAL). The Credit facility is US\$5 million (approximately A\$7.31 million) with the following terms:

- Borrowing Formula: Amaero may advance up to the Credit Facility Amount subject to 110% of amount advanced being held in cash deposit at Western Alliance Bank.
- Repayment: Interest-only payable monthly through Maturity.
- Maturity: 24 months
- Interest Rate: Wall Street Journal ("WSJ") Prime Rate + 0.0%, floating.
- Collateral: Cash deposits
- Banking Relationship: The Company will utilise Western Alliance Bank as its primary banking relationship for USD deposits and business banking services. Amaero will receive a deposit rate of 5.0% in an Insured Cash Sweep account; the deposit rate is subject to change.

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7 Equity

(a) Share capital

	31 December 2023	30 June 2023	31 December 2023	30 June 2023
	Shares	Shares	\$	\$
Fully paid	479,346,390	416,845,213	58,093,783	48,271,499

(i) Movements in ordinary shares:

Details	Number of shares	\$
Balance at 1 July 2023	416,845,213	48,271,499
Exercise of options 3DAO (2023-11-15)	1,177	212
Issue at \$0.16 pursuant to tranche 1 (2023-11-27)	21,110,580	3,377,693
Issue at \$0.16 pursuant to tranche 2 (2023-12-27)	41,389,420	6,622,307
Less: Transaction costs arising on share issues	-	(177,928)
Balance at 31 December 2023	479,346,390	58,093,783

7 Equity (continued)

(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.

Notes	Share- based payments reserve \$	Foreign currency translation \$	Total other reserves \$
At 1 July 2023	-	59,197	59,197
Currency translation differences	-	36,486	36,486
Transactions with owners in their capacity as owners			
Issue of options	1,465,584	-	1,465,584
At 31 December 2023	1,465,584	95,683	1,561,267

(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. As at 31 December 2023, 1,757,565 performance rights remain outstanding.

Performance right class	Performance condition	Approximate number of rights
Class C	Performance rights vest on 1 July 2022	21,066
Class D	Performance rights vest on 1 July 2023	240,695
New Class	Performance rights vested on 18 July 2022	1,495,804
	Total	1,757,565

7 Equity (continued)

(b) Other reserves (continued)

(ii) Movements in options:

Details	Notes	Number of options	\$
Opening balance 1 July 2023		214,253,605	-
Issue of unlisted options at \$0.190 (2023-10-31)		3,000,000	454,164
Issue of unlisted options at \$0.186 (2023-10-31)		10,000,000	446,287
Issue of unlisted options at \$0.192 (2023-10-31)		3,000,000	133,101
Issue of unlisted options at \$0.186 (2023-10-31)		2,750,000	144,319
Issue of unlisted options at \$0.191 (2023-10-31)		2,500,000	110,412
Issue of unlisted options at \$0.193 (2023-10-31)		2,000,000	95,413
Issue of unlisted options at \$0.248 (2023-11-08)		3,000,000	81,888
Exercise of listed options at \$0.18 (2023-11-15)		(1,177)	-
Issue of unlisted options at \$0.24 (2023-12-27)(free attaching)		62,500,000	-
Balance at 31 December 2023		303,002,428	1,465,584

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8 Discontinued operations

(a) Description

On 10 October 2023, the Group announced that the Board has resolved to commence with the cessation of its operations in Australia to focus its executive team on flagship operations in the USA. In addition, the Group has wound down its operations in the UAE. Accordingly, the financial results of the Australia and UAE operations have been classified as *Discontinued Operations*.

(b) Financial performance and cash flow information

	31 December 2023	31 December 2022
	\$	\$
<i>Financial performance</i>		
Revenue from contracts with customers	566,402	417,097
Cost of sales	(296,560)	(450,497)
Gross profit / (loss)	269,842	(33,400)
Other income – R&D tax incentive and other grants	-	1,356,228
Other gains/(losses)	(137,449)	(21,066)
Share of losses of joint venture	(215,750)	-
Distribution costs	(1,506)	(48,521)
General and administrative expenses	(960,581)	(1,643,475)
Restructuring costs	-	(1,351,205)
Research and development expenses	(704,762)	(390,629)
Selling and marketing expenses	(22,269)	(149,435)
Operating loss	(1,772,475)	(2,281,503)
Finance income	17,899	216
Finance expenses	(5,199)	(5,630)
Finance costs - net	12,700	(5,414)
Profit/(loss) before income tax of discontinued operations	(1,759,775)	(2,286,917)
Income tax expense	-	-
Profit/(loss) after income tax of discontinued operations	(1,759,775)	(2,286,917)
Other comprehensive income		
Exchange differences on translation of foreign operations	27,614	-
Other comprehensive income net of taxes	27,614	-
Total comprehensive loss for the half-year attributable to discontinued operations	(1,732,161)	(2,286,917)
<i>Cash flow information</i>		
Net cash used in operating activities	(1,412,078)	(2,203,736)
Net cash used in investing activities	-	(301,514)
Net decrease in cash and cash equivalents from discontinued operations	(1,412,078)	(2,505,250)

(c) Non-current assets classified as held for sale

The following assets were reclassified as held for sale in relation to the discontinued operations as at 31 December 2023:

	31 December 2023	30 June 2023
	\$	\$
Assets classified as held for sale		
Office equipment	3,500	-
Equipment	85,000	-
Total	88,500	-

9 Interests in other entities

(a) Material subsidiaries

Name of entity	Place of business/ country of incorporation	Ownership interest held by the group	
		31 December 2023 %	30 June 2023 %
Amaero Engineering Pty Ltd	Australia	100	100
AM Amaero Inc	United States	100	100
Amaero Alloys Pty Ltd	Australia	100	100
Amaero Advanced Metals Ltd	UAE	100	100
Amaero Advanced Metals & Manufacturing Inc* <i>*Incorporated 12 July 2023</i>	United States	100	-

10 Events occurring after the reporting period

Subsequent to the Quarter, Amaero engaged Guggenheim Securities to Explore Strategic Financing Alternatives, with the objective of maximizing shareholder value while positioning Amaero to be the largest and preferred supplier in the United States of C-103, specialty alloy and Ti-64 powder for AM.

No other matter or circumstance has arisen since 31 December 2023 that has significantly affected the group's operations, results or state of affairs, or is likely to do so in future periods.

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11 Related party transactions

(a) Transactions with other related parties

The following transactions occurred with related parties:

(i) Sales and purchases of goods and services

	31 December 2023	31 December 2022
	\$	\$
Purchases of various services from an entity having a significant influence over the group - Innovyz Institute Pty Ltd	-	119,371
Purchases of various services from an entity related to a director - Monash University	160,317	264,106
Purchases of various services from an entity related to a director - Pegasus	-	369,100

(ii) 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.

(iii) 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.

12 Loss per share

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

	31 December 2023	31 December 2022
	\$	\$
<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	(6,394,269)	(4,353,931)
From discontinued operations	(1,759,775)	(2,286,917)
Total	<u>(8,154,044)</u>	<u>(6,640,848)</u>

(b) Weighted average number of shares used as denominator

	2023	2022
	Number	Number
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted loss per share	<u>421,672,380</u>	<u>277,859,749</u>

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.

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13 Basis of preparation of half-year report

This condensed consolidated interim financial report for the half-year reporting period ended 31 December 2023 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 2023 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.

(a) Going concern

The financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of business.

As disclosed in the consolidated financial statements, the Group incurred a loss after income tax of \$8,154,044 and had net cash outflows from operating activities of \$6,220,022 for the half year ended 31 December 2023.

The Directors believe that it is reasonably foreseeable that the Group will continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the financial report after considering the following factors:

- A budget and cash flow forecast for the twelve-month period from the date of signing the consolidated interim financial statements, which has been prepared based on assumptions in relation to certain economic, operating and trading performance, supports the directors' assertion;
- As at 31 December 2023, the Group holds cash and cash equivalents of \$11.7 million and has access to corporate credit facility of \$7.31 million to support its capital expenditure and operating commitments; and
- The Directors believe the Group would be able to access additional funds from existing shareholders and new investors to support working capital and execute its strategic growth initiatives. As disclosed in Note 10 *Events occurring after the reporting period*, the Group has engaged Guggenheim Securities to explore the strategic financing alternatives with the objective of maximising shareholder value.

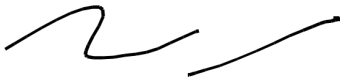
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In the directors' opinion:

- (a) the financial statements and notes set out on pages 1 to 23 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 2023 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 Hank J. Holland
Chairman and Chief Executive Officer



28 February 2024

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INDEPENDENT AUDITOR'S REVIEW REPORT
To the Members of Amaero International Limited

Conclusion

We have reviewed the accompanying half-year financial report of Amaero International Limited ("the Company"), and its subsidiaries (collectively "the Group"), which comprises the consolidated statement of financial position as at 31 December 2023, 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 notes, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of the Group 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 2023 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the Auditor's Responsibilities for the Review of the Financial Report section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual 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 Amaero International Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

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 for the Review of the Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements 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 2023 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*.

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.

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

Date: 28 February 2024

Melbourne, Victoria