AMAERO
ADDITIVE MANUFACTURING
ASX:3DA

ASX Release **26 November 2021**

Chairman's Address and Chief Executive Officer's Presentation Annual General Meeting

Chairman's address

Opening remarks

The 2021 Financial Year was a period of advancement for Amaero despite the continued challenges of the ongoing COVID-19 pandemic.

During the year, we secured a number of key commercial agreements with leading global players across the aerospace, defence and tooling markets including Boeing, Fletcher Insulation, Rio Tinto and PPK and also submitted a draft Heads of Agreement for the Middle East 3D printing facility – our key defence offsets project.

Despite these developments, disruptions due to COVID-19 restrictions, ongoing global supply chain issues, international border closures and the floods in Germany in July have meant that progress on some key projects including Fletchers Insulation, Rio Tinto and our strategic alloys joint venture have been delayed. In addition, progress with equipment development has also been affected.

Nevertheless, we continue to work hard on progressing a number of commercial agreements and advancing our key projects.

Just recently, we secured a Heads of Agreement with Gilmour Space Technologies that will lead to a long-term supply agreement for the manufacture of rocket components, and we expect a Heads of Agreement to be secured with Fletcher Insulation before the end of the current quarter.

Just after year end, we announced that we will build an $8 million titanium powder plant here in Melbourne which is expected to position Amaero as a global leader in high-quality titanium alloy powder production and supply.

The project will provide our Company and other users in Australia and overseas with a reliable source of strategically important titanium alloy powder. Importantly, it will also provide Amaero with a strong revenue and profit stream. In August, we upgraded guidance for revenue from the fully operational plant by a third to approximately A$40.8 million per annum, based on the USD/AUD exchange rate as at 31 August 2021. This follows evaluation trials which have confirmed that yields of Amaero's metal powder products are better than the base case for the investment, and therefore, anticipated output from the facility will be higher than previously expected.

Our CEO Barrie Finnin will share more on these and Amaero's operational and strategic update in his presentation.

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Board, management team and staff

During the year, we continued to strengthen both our advisory and management teams.

Former Australian Defence Minister Christopher Pyne was appointed to our Global Advisory Board in December, adding considerable global defence expertise. His expertise will help us to position Amaero as the premium supplier of metal 3D printing equipment and services to the global defence sector.

We also appointed 3D printing industry expert Tuan TranPham to our Global Advisory Board in April. Mr TranPham has many years of experience amongst cutting edge 3D printing companies, having worked for four of the top five 3D printing companies worldwide.

During the year we made two key appointments to our US executive team. Dr Jim Sears was appointed as our Technology Fellow for Quality Systems & Additive Manufacturing and Ken Davis joined as our Vice President of our North American operations. Both appointments bring additional additive manufacturing and aerospace and defence expertise to our US team.

Strategy

The Company's growth strategy remains sound in current market conditions, and we continue to implement the strategy despite the ongoing global economic challenges and issues faced due to COVID-19.

Our strategy has three key focus areas:

- the sale of consumable metal powders and SP series 3D printers for the rapidly growing additive manufacturing industry globally;
- winning and delivering contracts with our aviation defence and space clients, such as Boeing and Gilmour Space Technologies; and
- expanding our presence in the tooling market and in plastic injection tools and die casting moulds.

Our focus is on immediately addressable commercial opportunities, in particular in the powder and tooling markets, whilst still pursuing growth optionality through longer-term projects and R&D with the global defence and aerospace industries.

I want to expand briefly on the powder opportunities as this has become a much more important and exciting focus for the company.

As I noted earlier, we know we have world leading technology in this space that is even more efficient than we initially understood at the time we made the commitment to the titanium plant in Melbourne. This investment will provide the company with critically important revenue and profit and very importantly is not dependent on decisions of others to proceed to full operations.

We can therefore say with considerable confidence that by the next AGM the plant in Melbourne should be operating and producing revenue for the company. On the basis of the known costs and returns we anticipate recovering our investment in less than 6 months of full-scale operation.

There are other opportunities in metal powder production that we are actively exploring, and we are confident that this will prove to be an important and profitable line of business for the company.

Financial performance and remuneration

Amaero increased revenues to $500,000 for the financial year, up 332% on the previous corresponding period due to increased sales of evaluation parts.

Our cash balance at the end of the year was $11.5 million. In part, our healthy cash balance reflects our successful institutional Placement and Share Purchase Plan, conducted in December and January, respectively, which together raised $13.825 million.

Despite this, the prudent management of our cash flows remains an important focus and we continue to implement cost savings measures to achieve this. This includes an agreement by the Directors, subject to shareholder approval today, to reduce salary by 20% in return for shares.

The quality of our staff is a critical part of our offer to our customers and so the Company will continue to manage remuneration to ensure that we are able to attract and retain the staff that we need.

Escrowed shares

On 6 December, just over 85 million fully paid ordinary shares held by Amaero's founders and promoters will be released from mandatory escrow.

Shareholders holding over 90% of these escrowed shares have indicated that they will hold onto these shares.

If you hold escrowed shares and wish to sell them Phil Cawood at PAC Partners is available to assist and his email address is shown on the screen now.

Conclusion

In conclusion, and before I hand over to the CEO, Barrie Finnin to take you through Amaero's performance in the past year, I want to thank my fellow Board members, Kathryn and Stuart for your continued efforts and valuable contribution over the past financial year. Thanks also goes to our Executive Team - led by Barrie - and all our staff for their continued hard work and dedication throughout what has been a both a challenging and rewarding year for our Company.

And finally thank you all, our shareholders for your continued support of Amaero.

I'd now like to hand over to our CEO, Barrie Finnin for his presentation.

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CEO's address

I'd like to just give a quick recap of our progress to date.
Following our listing on the ASX in December 2019, we have established operations in USA and Adelaide, made a number of key Advisory Board appointments and also made good progress in terms of building and installation of machines.
We've also secured a number of agreements, namely with Rio Tinto, Fletcher Insulation, Raytheon, and Boeing and progressed our Heads of Agreement for the printing facility in the Middle East.

Key Projects

Before speaking about our FY21 achievements, I just want to give an overview of our key projects:

Titanium Alloy Powder Plant

- Will enable production of aerospace-grade titanium alloy to the highest standards at approximately half the cost of the nearest competitor.
- Will position Amaero as a reliable source of the strategically important titanium alloy powder, building on the Company's geographic and geopolitical position.
- Stage 1 will generate a strong and highly profitable revenue stream of approximately $40.8 million per annum.
- The capital equipment will be paid back from the proceeds of powder sales within 6 months of commencing full scale operations
- Once established we will grow capacity in terms of range of alloys and volume of output 5-10 fold in the following 3 years

Boeing

- Purchase order with world's largest commercial and military aircraft producer to produce evaluation parts.
- Amaero building out its USA facilities to cater for expanded relationships with Boeing's various divisions.

Rio Tinto

- Collaboration agreement for the development of the supply chain for Amaero's high performance, High Operating Temperature Aluminium Alloy, "Amaero H.O.T. Al" with potentially global applications.
- Rio Tinto providing alloy billets to Amaero for processing into powder for 3D printing and offered to the market for high temperature applications.
- Amaero and Rio Tinto aim to scale out production of Amaero HOT Al in both Australia, USA and internationally.

Middle East project

- It will be the world's largest centre of excellence for metal 3D printing in the Middle East and funded by one of the world's largest defence companies.

Fletcher Insulation project

- Amaero is testing and developing an additive manufacturing tooling application for Fletcher's Glass "pink batts" insulation systems and has built a prototype for a recycled Fletchers Glass spinner and testing and development is continuing.
- Potential global market opportunity.
- Heads of Agreement (HoA) expected to be signed this quarter

FY21 highlights

Fletcher Insulation:

- We completed the successful build of the recycled Fletcher glass spinner with IN718 alloy and finalised the spinner tooling repair patent, with the full specification filed in early June. Subsequently, the production geometry in the production alloy was successfully built.

Boeing Purchase Order:

- Delivery of purchase order in Q4 FY21; Amaero continues to build out its USA facilities to cater for expanded relationships with Boeing's various divisions.

Rio Tinto:

- Received the first batch of ingots manufactured by Rio Tinto

Middle East Facility:

- Draft Heads of Agreement submitted for proposed 3D printing centre in the Middle East

PPK Joint Venture:

- Amaero Alloys Pty Ltd and PPK Group Limited established a Joint Venture company called Strategic Alloys Pty Ltd to focus on the development of new super strength alloys incorporating nano-particles such as Boron Nitride Nanotubes (BNNT) in their formulation, to provide superior grain refining and strengthening, significantly improving mechanical properties.

Strengthened Advisory Board and Management team:

- Christopher Pyne and Tuan TranPham appointed to Global Advisory Board; Ken Davis appointed VP of North American operations.

Placement and SPP raised $13.825 million

Amaero also continues to invest heavily in R&D which is applications focused and equates to around 2.5 times revenues. During the financial year, we received R&D tax refunds totalling more than $500,000.

1H FY22 update

- We announced our titanium alloy powder plant and raised revenue guidance to ~A$40.8m p.a. following evaluation trials confirming yields of metal powder products are better than the base case
- HoA secured and deposit paid on a lease for the facility; select component testing completed, machines being constructed
- The Fletcher Insulation HoA has been delayed due to a variety of causes including lockdowns, travel restrictions, and other COVID-19 related issues affecting agreement negotiations. However, we expect the agreement to be signed before the end of this quarter. .
- We also secured an HoA with Gilmour Space: will lead to a long-term supply agreement for the manufacture of rocket components expected to deliver total revenues of ~ $1.7m
- Our agreement with Rio Tinto is progressing, although freight delays due to ongoing COVID-19 supply chain issues have caused project timing slippage.

- The first batch is being atomised into powder and testing will commence in the current quarter.

Market opportunity

There is a large market opportunity with 3D printing, with adoption being driven by:

- Reduced costs associated with 3D printing equipment,
- Accuracy of construction of advanced designs,
- Parts consolidation, weight reduction and component optimisation, and
- Improved performance and safety of 3D printed components.

Ark Invest estimates that the global 3D printing market will grow at an annual rate of roughly 60% from US$12 billion last year to US$120 billion in 2025, making it the fastest growing sector on earth.

Growth strategy

Our growth strategy is balanced between short term and long-term growth opportunities.

In the short term, we are focused on a number of areas, including:

- Establishment of the Ti Alloy Powder Manufacturing facility
- Assisting countries to establish independent additive manufacturing facilities.
- Expanding manufacture of components, tooling and services (e.g., Fletcher Insulation).
- The development and sale of 3D printing machines (and turnkey packages).

Medium and long term, we are focused on the expansion of powder manufacturing, defence prime contracts, expanding our US facilities and our overall international presence among other initiatives.

Broadly, our growth focus areas are:

- Sale of consumable metal powders consumable metal powders for the rapidly growing additive manufacturing sector globally
- Improve competitiveness and efficiencies in winning and delivering contracts with aviation, defence, and space clients
- Expand presence in the tooling market (especially US) and in plastic injection tools and die casting moulds
- Sale of SP series 3D printers and ancillaries

Outlook

Now, turning to the outlook for the next 6-12 months, we expect to secure an HoA and binding agreement for the Middle East project.

We also expect further progress with key projects – the HoA and a tooling maintenance agreement with Fletcher, additional purchase orders from Boeing and continued progress on the Amaero H.O.T. Al agreement with Rio as well as a number of agreements with various aerospace and defence firms

Construction should also commence on our titanium alloy powder plant and we expect to expand our US facilities as well. I look forward to updating shareholders on our progress over the months ahead.

This ASX release is approved by the Board of Amaero International Limited.

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About Amaero International Limited:

Amaero International Limited is an Australian based company that manufactures large format complex components in metal with laser-based additive manufacturing processes, commonly known as 3D printing.

The principal activity of Amaero is the provision of end-to-end additive manufacturing solutions in terms of materials, services, equipment, and technology to its key clients in the Aviation Defence and Space sectors and the Tool and Die industry.

Amaero has worked with many of the world's leading manufacturers of aerospace and defence products in both an R&D and manufacturing capability and has a demonstrated ability to deliver aviation and military specification 3D printed alloy critical operation components.

Amaero was established with the support of Monash University in 2013 to take advantage of commercial opportunities identified by the Monash Centre for Additive Manufacturing (MCAM). Amaero is co-located with MCAM in Melbourne Australia. It operates two additional facilities, in Adelaide, South Australia, and Los Angeles, California, USA.

For further information, please visit: https://www.amaero.com.au/