

Amaero International Ltd

Appendix 4D

Half-year ended 31 December 2022

Name of entity: Amaero International Ltd
ABN: 82 633 541 634
Half-year ended: 31 December 2022

Results for announcement to the market

					\$
Revenue for ordinary activities	Up	126.4%	to	485,213	
Loss before interest and taxation (EBIT)	Up	89.4%	to	(6,640,848)	
Net loss for the period attributable to members	Up	89.4%	to	(6,640,848)	

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 2022 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 2022.

Net tangible assets per security

	31 December 2022 Cents	31 December 2021 Cents
Net tangible asset backing (per share)	4.42	4.51

Changes in controlled entities

There have been no changes in controlled entities during the half-year ended 31 December 2022.

Amaero International Ltd
Appendix 4D
For the half-year ended 31 December 2022
(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 2022	31 December 2021
	%	%
Strategic Alloys Pty Limited	45	45

- d. Other information N/A

Interim review

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.

Amaero International Ltd
Interim financial report
for the half-year 31 December 2022

ABN 82 633 541 634

Amaero International Ltd

ABN 82 633 541 634

Interim report - 31 December 2022

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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 2022 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*.

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 2022.

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 (appointed as Director on 1 August 2022, Executive Chairman on 29 September 2022; assumed the role of Chairman and Chief Executive Officer on 1 November 2022)

Mr David Hanna (Non-Executive Chairman until 29 September 2022; Non-Executive Director from 29 September 2022)

Ms Lucy Robb Vujcic (appointed as Non-Executive Director 25 November 2022)

Mr Stuart Douglas (resigned as Non-Executive Director 25 November 2022)

Ms Kathryn Presser (resigned as Non-Executive Director 29 September 2022)

Mr Omer Granit (appointed 12 January 2023)

Principal activities

The principal focus of Amaero is production of titanium powder utilised by the additive manufacturing industry. The Company provides applied engineering and commercialisation services in collaboration with aerospace, defence and other industries that utilise additive manufacturing.

There was a significant change in the nature of these activities during the financial half-year.

Prior to the completion of the first part of a strategic review on 29 September, Amaero was focused on 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.

Review of operations

Amaero International Ltd has reported a loss for the period of \$6,640,848, with net assets amounting to \$20,722,652 as at 31 December 2022, including cash reserves of \$13,200,451.

During the period, the Board completed its strategic review of the business and decided not to proceed with the titanium powder manufacturing facility in Victoria Australia. As part of the restructure, the Group is terminating its lease in respect of the proposed manufacturing facility at 59 Normanby Road, Notting Hill, Victoria.

In December, Amaero signed a binding joint venture agreement with Rabdan Industries PLC, an affiliate of diversified holding company Ethmar Holdings, for additive manufacturing and powder production in Abu Dhabi, the United Arab Emirates. The parties agreed that:

- Amaero and Rabdan will exclusively partner on additive manufacturing and metal powder production in the Middle East.
- the JV will pursue an ambitious strategy to develop projects in order to vertically integrate the titanium supply chain including titanium sponge, melt, mill and forge operations. The JV Company, FALCON Advanced Metals, will be a 50/50 partnership between the two companies; and
- Rabdan has also committed to directly provide capex funding at the project level and/or to indirectly secure funding from Abu Dhabi-based strategic groups on non-participating, non-equity basis. The initial project under consideration by the JV has a capital budget of A\$300 million.

Review of operations (continued)

During the half, the following Board and Management changes occurred:

- Mr Hank J. Holland was appointed as Director on 1 August 2022, Executive Chairman on 29 September 2022 and he subsequently assumed the role of Chairman and Chief Executive Officer on 1 November 2022
- Mr David Hanna was Non-Executive Chairman until 29 September 2022 and then assumed the role of Non-Executive Director from that date
- Ms Lucy Robb Vujcic was appointed as a Non-Executive Director on 25 November 2022
- Mr Stuart Douglas resigned from his role as a Non-Executive Director on 25 November 2022
- Ms Kathryn Presser resigned from her role as a Non-Executive Director 29 September 2022
- Barrie Finnin assumed the role of Chief Technology Officer and Manager of Australian Operations on 1 November 2022
- John McKellar assumed the role of Manager of Middle East Operations on 1 November 2022

On 30 November 2022, Amaero raised approximately \$10.5 million through an Entitlement Offer.

Events since the end of the financial period

In January 2023, Amaero received a letter from Rabdan indicating that it has advanced discussions with key stakeholders for the project. Responses have been strongly positive, with the project aligning with the UAE's priority of industrialisation and economic development initiatives.

On 12 January 2023, Mr Omer Granit was appointed as a Non-Executive Director.

Amaero settled a dispute with Ampro Innovations Pty Ltd relating to a Distribution Agreement dated 9 October 2019, which was terminated on 8 November 2022. As part of the final settlement, Amaero will receive a cash payment of \$750,000 from Ampro.

No other matter or circumstance has arisen since 31 December 2022 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 Hank J. Holland
Chairman and Chief Executive Officer
28 February 2023

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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 2022, 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

Melbourne, Victoria

Dated: 28 February 2023

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Amaero International Ltd
Condensed consolidated statement of profit or loss and other comprehensive income
For the half-year 31 December 2022

	Notes	31 December 2022	31 December 2021
		\$	\$
Revenue from contracts with customers	2	485,213	214,318
Cost of sales		(499,874)	(376,563)
Gross loss		(14,661)	(162,245)
Other income	3(a)	1,392,828	795,479
Other gains/(losses)		28,264	(8,899)
Distribution costs		(54,645)	(32,208)
General and administrative expenses	3(b)	(3,137,278)	(2,586,752)
Restructuring costs	3(c)	(2,911,596)	-
Research and development expenses		(1,604,274)	(1,169,759)
Selling and marketing expenses		(236,240)	(246,356)
Operating loss		(6,537,602)	(3,410,740)
Finance income		21,124	15,123
Finance expenses		(124,370)	(110,907)
Finance costs - net		(103,246)	(95,784)
Loss before income tax		(6,640,848)	(3,506,524)
Income tax expense		-	-
Loss for the period		(6,640,848)	(3,506,524)
Other comprehensive income			
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translation of foreign operations	6(b)	32,590	168,667
Other comprehensive income for the period, net of tax		-	-
Other comprehensive income for the period, net of tax		32,590	168,667
Total comprehensive loss for the period		(6,608,258)	(3,337,857)
		Cents	Cents
Loss per share for loss attributable to the ordinary equity holders of the company:			
Basic/diluted loss per share	10	(2.39)	(1.73)

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

Amaero International Ltd
Condensed consolidated balance sheet
As at 31 December 2022

	Notes	31 December 2022 \$	30 June 2022 \$
ASSETS			
Current assets			
Cash and cash equivalents		13,200,451	11,117,957
Trade and other receivables	4(a)	1,557,068	366,138
Inventories		1,049,600	1,087,860
Other current assets	4(b)	227,774	146,940
Total current assets		16,034,893	12,718,895
Non-current assets			
Investments accounted for using the equity method	5(c)	372,288	351,834
Property, plant and equipment	5(a)	9,503,230	8,593,258
Other assets		195,060	191,832
Total non-current assets		10,070,578	9,136,924
Total assets		26,105,471	21,855,819
LIABILITIES			
Current liabilities			
Trade and other payables	4(c)	878,617	1,443,309
Employee benefit obligations		227,498	232,042
Lease liabilities	5(b)	338,084	282,828
Provision for restructuring	5(d)	1,656,793	-
Total current liabilities		3,100,992	1,958,179
Non-current liabilities			
Employee benefit obligations		76,480	56,481
Lease liabilities	5(b)	2,205,347	2,364,018
Borrowings		-	2,806,159
Total non-current liabilities		2,281,827	5,226,658
Total liabilities		5,382,819	7,184,837
Net assets		20,722,652	14,670,982
EQUITY			
Share capital	6(a)	48,192,313	35,254,248
Other reserves	6(b)	15,497	888,594
Accumulated losses		(27,485,158)	(21,471,860)
Total equity		20,722,652	14,670,982

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

Amaero International Ltd
Condensed consolidated statement of changes in equity
For the half-year 31 December 2022

		Attributable to owners of Amaero International Ltd			
		Share capital	Other reserves	Accumulated losses	Total equity
		\$	\$	\$	\$
Balance at 1 July 2021		27,173,600	824,124	(12,850,371)	15,147,353
Loss for the period		-	-	(3,506,524)	(3,506,524)
Other comprehensive income/(loss)		-	168,667	-	168,667
Total comprehensive income/ (loss) for the half-year		-	168,667	(3,506,524)	(3,337,857)
Transactions with owners in their capacity as owners:					
Employee share schemes		388,352	(454,300)	-	(65,948)
Performance rights issued		79,502	(79,210)	-	292
Issue of shares in lieu of payment for services		60,000	-	-	60,000
		527,854	(533,510)	-	(5,656)
Balance at 31 December 2021		27,701,454	459,281	(16,356,895)	11,803,840
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	6(a)	12,743,269	-	-	12,743,269
Employee share schemes	6(a)	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

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

Amaero International Ltd
Condensed consolidated statement of cash flows
For the half-year 31 December 2022

Notes	31 December 2022	31 December 2021
	\$	\$
Cash flows from operating activities		
Receipts from customers (inclusive of GST)	495,690	261,475
Payments to suppliers and employees (inclusive of GST)	(6,667,748)	(4,585,797)
Interest received	216	55
Interest paid	(113,916)	(103,373)
R&D tax incentive and other grants received	73,200	-
Net cash outflow from operating activities	(6,212,558)	(4,427,640)
Cash flows from investing activities		
Payments for property, plant and equipment	(1,374,626)	(1,994,202)
Payments for joint ventures	(10,000)	(24,062)
Net cash outflow from investing activities	(1,384,626)	(2,018,264)
Cash flows from financing activities		
Proceeds from issue of shares and other equity securities	10,500,000	-
Share issue transaction costs	(670,819)	-
Repayment of principal portion of leases	(134,812)	(109,048)
Net cash inflow/(outflow) from financing activities	9,694,369	(109,048)
Net increase/(decrease) in cash and cash equivalents	2,097,185	(6,554,952)
Cash and cash equivalents at the beginning of the financial year	11,117,957	11,466,845
Effects of exchange rate changes on cash and cash equivalents	(14,691)	55,969
Cash and cash equivalents at end of the half-year	13,200,451	4,967,862

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 2022	31 December 2021
	\$	\$
Sale of goods and services		
Component sales	485,213	214,318
	485,213	214,318

3 Income/ Expense items

(a) Other income

	31 December 2022	31 December 2021
	\$	\$
Research and development tax incentive	1,319,628	795,479
Other grants	73,200	-
	1,392,828	795,479

(b) General and administrative expenses

	31 December 2022	31 December 2021
	\$	\$
General and administrative expenses		
Accounting and audit	133,637	55,490
Contracting and consulting	272,678	292,151
Depreciation	541,339	524,264
Employee benefits	1,109,636	785,833
Equipment expenses	61,833	161,416
Insurance	121,775	124,404
Investor and public relations	63,764	61,170
Legal and company secretarial	188,451	102,686
Listing and share registry	167,864	82,980
Occupancy	134,136	91,946
Share-based payments (net)	(69,876)	(64,652)

3 Income/ Expense items (continued)

(b) General and administrative expenses (continued)

	31 December 2022	31 December 2021
	\$	\$
Superannuation	105,173	60,889
Travel	186,167	55,281
Other	120,701	252,894
	<u>3,137,278</u>	<u>2,586,752</u>

(c) Restructuring costs

During the period, the Board completed its strategic review of the business and decided not to proceed with the titanium powder manufacturing facilities in Victoria Australia and is pursuing alternative opportunities for titanium powder production. As part of the restructure, the Group is terminating its lease in respect of the proposed manufacturing facility at 59 Normanby Road, Notting Hill, Victoria. The management has estimated a provision for restructuring costs of \$2.91 million comprising the direct costs relating to the planned relocation of operations including but not limited to:

- Set up costs in the UAE
- Lease termination and related costs
- Legal Fees
- Research fees
- Employee redundancy costs.

4 Financial assets and financial liabilities

(a) Trade and other receivables

	31 December 2022	30 June 2022
	\$	\$
Trade and other receivables		
Trade receivables	105,394	96,661
Research and development tax incentive receivable	1,319,628	-
Other receivables	132,046	269,477
	<u>1,557,068</u>	<u>366,138</u>

(b) Other current assets

	31 December 2022	30 June 2022
	\$	\$
Other current assets		
Prepayments	227,774	103,549
Others	-	43,391
	<u>227,774</u>	<u>146,940</u>

4 Financial assets and financial liabilities (continued)

(c) Trade and other payables

	31 December 2022 \$	30 June 2022 \$
Trade and other payables		
Trade payables	553,607	1,043,783
Accrued expenses	237,733	333,628
Other payables	87,277	65,898
	878,617	1,443,309

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 2022						
Opening net book amount	2,695,600	28,209	427,875	2,541,554	2,900,020	8,593,258
Additions	301,514	-	-	41,940	1,073,112	1,416,566
Exchange differences	58,297	351	9,462	-	-	68,110
Depreciation charge	(319,575)	(3,677)	(31,228)	(220,224)	-	(574,704)
Closing net book amount	2,735,836	24,883	406,109	2,363,270	3,973,132	9,503,230

(i) Assets under construction

Assets under construction relate to gas atomiser for the titanium powder plant and associated costs. The Group is in the process of establishing a new location in the Middle East for a Titanium Powder Plant where the gas atomiser and associated equipment will be set up.

5 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.

5 Non-financial assets and liabilities (continued)

(b) Leases (continued)

(i) Amounts recognised in the balance sheet

	31 December 2022 \$	30 June 2022 \$
Right-of-use assets¹		
Properties	2,363,270	2,541,554
	2,363,270	2,541,554
Lease liabilities		
Current	338,084	282,828
Non-current	2,205,347	2,364,018
	2,543,431	2,646,846

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 2022 \$	31 December 2021 \$
Interest expense (included in finance costs)	100,433	103,373

(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 2022 \$	30 June 2022 \$
Non-current assets		
Interest in joint venture (i)	372,288	351,834

5 Non-financial assets and liabilities (continued)

(c) Investments accounted for using the equity method (continued)

(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.

5 Non-financial assets and liabilities (continued)

(d) Provision for restructuring

	31 December 2022 \$
Carrying amount at the start of the period	-
Additional provisions recognised during the period	2,911,596
Provisions utilised during the period	<u>(1,254,803)</u>
Carrying amount at the end of the period	<u>1,656,793</u>

The provision represents costs of restructuring operations in Australia and United States. Refer Note 3(c) for further details.

6 Equity

(a) Share capital

	31 December 2022 Shares	30 June 2022 Shares	31 December 2022 \$	30 June 2022 \$
Fully paid	415,460,213	241,347,942	48,192,313	35,254,248

(i) Movements in ordinary shares:

Details	Number of shares	\$
Balance at 1 July 2022	241,347,942	35,254,248
Issue at \$0.185 performance rights shares (2022-07-18)	219,629	40,631
Issue at \$0.168 performance milestone shares (2022-07-18)	432,563	73,060
Issue at \$0.21 pursuant to private placement (2022-08-01)	513,948	107,929
Issue at \$0.21 via conversion of convertible notes (2022-08-09)	13,362,663	2,806,159
Issue at \$0.97 performance milestone shares (2022-10-05)	837,862	81,105
Issue at \$0.067 entitlement offer shares (2022-12-02)	156,716,418	10,500,000
Issue at \$0.071 in lieu of payment for services (2022-12-13)	2,029,188	144,072
Less: Transaction costs arising on share issues	<u>-</u>	<u>(814,891)</u>
Balance at 31 December 2022	<u>415,460,213</u>	<u>48,192,313</u>

6 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 2022	905,687	(17,093)	888,594
Currency translation differences	-	32,590	32,590
Transactions with owners in their capacity as owners			
Share-based payments (net)	(905,687)	-	(905,687)
At 31 December 2022	-	15,497	15,497

(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.

During the half-year, 219,629 Performance Rights Class C were converted into Shares. In addition, 2,022,491 Performance Rights were issued and vested upon the attainment of conditions. 94,124 Performance Rights were subsequently lapsed because the conditions have not been, or have become incapable of being, satisfied. 432,563 Performance Rights were subsequently converted into Shares. As at 31 December 2022, 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

6 Equity (continued)

(b) Other reserves (continued)

(ii) Movements in options:

Details	Notes	Number of options	\$
Opening balance 1 July 2022		3,500,000	627,550
Issue of unlisted options at \$0.42 (2022-07-04)		7,520,439	-
Issue of unlisted options at \$0.42 (2022-08-01)		18,673,464	-
Issue of listed options at \$0.18 (2022-12-02)		188,059,702	-
Lapse of unlisted options at \$1.00 (2022-12-10)		(3,500,000)	(627,550)
Balance at 31 December 2022		214,253,605	-

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 2022	30 June 2022
		%	%
Amaero Engineering Pty Ltd	Australia	100	100
AM Amaero Inc	United States	100	100
Amaero Alloys Pty Ltd	Australia	100	100

8 Events occurring after the reporting period

In January 2023, Amaero received a letter from Rabdan indicating that it has advanced discussions with key stakeholders for the project. Responses have been strongly positive, with the project aligning with the UAE's priority of industrialisation and economic development initiatives.

On 12 January 2023, Mr Omer Granit was appointed as a Non-Executive Director.

Amaero settled a dispute with Ampro Innovations Pty Ltd relating to a Distribution Agreement dated 9 October 2019, which was terminated on 8 November 2022. As part of the final settlement, Amaero will receive a cash payment of \$750,000 from Ampro.

No other matter or circumstance has arisen since 31 December 2022 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:

(i) Sales and purchases of goods and services

	31 December 2022	31 December 2021
	\$	\$
Purchases of various services from an entity having a significant influence over the group - Innovyz Institute Pty Ltd	119,371	120,000
Purchases of various services from an entity related to a director - Monash University	264,106	202,532
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.

10 Loss per share

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

	31 December 2022	31 December 2021
	\$	\$
<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	<u>(6,640,848)</u>	<u>(3,506,524)</u>

(b) Weighted average number of shares used as denominator

	2022 Number	2021 Number
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted loss per share	<u>277,859,749</u>	<u>202,538,750</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.

11 Basis of preparation of half-year report

This condensed consolidated interim financial report for the half-year reporting period ended 31 December 2022 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 2022 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 \$6,640,848 and had net cash outflows from operating activities of \$6,212,558 for the half year ended 31 December 2022.

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 financial statements, which has been prepared based on assumptions in relation to certain economic, operating and trading performance, supports the directors' assertion; 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 should additional capital be required.

In the directors' opinion:

- (a) the financial statements and notes set out on pages 1 to 19 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 2022 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.

Hank J. Holland

Mr Hank J. Holland
Chairman and Chief Executive Officer
28 February 2023

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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 2022, 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 2022 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.

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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 2022 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

Melbourne, Victoria
Date: 28 February 2023