

AML3D Limited

[Formerly AML Technologies (AMLT) Pty Ltd and AML3D Pty Ltd]

ACN 602 857 983

Interim Report - 31 December 2019

**AML3D Limited
Directors' report
31 December 2019**

The directors present their report, together with the financial statements of the Group, being the Company and its controlled entity, (referred to hereafter as the 'consolidated entity') consisting of AML3D Limited (referred to hereafter as the 'Company' or 'parent entity') and the entity it controlled at the end of, or during, the half-year ended 31 December 2019.

Directors

The following persons were directors of AML3D Limited during the financial half-year and up to the date of this report, unless otherwise stated:

Names	Appointed
Andrew Sales [Managing Director]	14 November 2014
Stephen Gerlach AM [Chairman]	30 August 2019
Sean Ebert	30 August 2019
Len Piro	30 August 2019
Kevin Reid	3 December 2019

Principal activities

The principal activity of the Company during the financial period was to design and construct 3D parts using Wire Additive Manufacturing technology, and to develop that technology.

Review of operations

The loss for the consolidated entity after providing for income tax amounted to \$1,837,631 (31 December 2018: Loss \$243,494).

During the half-year, the Company completed the first milestone associated with the delivery of an Arcemy unit to a Singaporean customer. The delivery will be made in the second half. The Company also built a product for another Singaporean customer for delivery in the second half. The Company successfully completed fatigue testing on its Aluminium capabilities. A second robotic arm was installed and commissioned for the Adelaide production cell. Research and development continued, working with a leading public sector research organisation and an Adelaide university.

Significant changes in the state of affairs

During the period the Company converted to a public company and continued to incur costs related to its growth phase. Additional capital was raised to assist with the Company's growth.

Subsequent events

Subsequent to the end of the period the Company issued a prospectus dated 10th February 2020 for the issue of 45,000,000 shares at \$0.20 per share to raise \$9,000,000.

On 8th February 2020, the Company issued 950,000 shares to two directors for services rendered during the financial period. 700,000 shares were issued at \$0.15 per share and 250,000 shares were issued at \$0.20 per share.

Subsequent to the end of the period the company issued on the 30th January 2020, the remaining shares (736,666) and options (368,333) relating to the final receipts (\$110,500) of pre-IPO seed capital raised.

The Company received a letter dated 2nd March 2020 from the ASX advising that the ASX has considered the Company's application and decided to admit AL3 (AML3D Limited) to the Official List of ASX and to quote its securities, subject to the satisfaction of certain conditions precedent.

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 immediately after this directors' report.

AML3D Limited
Directors' report
31 December 2019

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors



Stephen Gerlach AM
Chairman

6 March 2020
Adelaide

AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF AML3D LIMITED

I declare that, to the best of my knowledge and belief, during the half-year ended 31 December 2019 there have been:

- no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and
- no contraventions of any applicable code of professional conduct in relation to the review.

William Buck

William Buck
ABN 38 280 203 274

M. D. King

M. D. King
Partner

Dated at Adelaide this 6th day of March, 2020.

ACCOUNTANTS & ADVISORS

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General information

The financial statements cover AML3D Limited as a consolidated entity consisting of AML3D Limited and the entity it controlled at the end of, or during, the half-year. The financial statements are presented in Australian dollars, which is AML3D Limited's functional and presentation currency.

AML3D Limited is an unlisted public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

Registered office

14 Pentland Road
Salisbury South SA 5106

Principal place of business

14 Pentland Road
Salisbury South SA 5106

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 6th March 2020.

AML3D Limited
Consolidated Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2019

		Consolidated	
	Note	31 Dec 2019	31 Dec 2018
		\$	\$
Revenue	3	86,999	33,165
Cost of goods sold		46,725	47,232
Gross Profit (Loss)		40,274	(14,067)
Other income	3	-	232,881
Interest income		726	-
Expenses			
Employee benefits expense		(339,457)	(250,632)
Share based payments	4	(775,882)	-
Depreciation and amortisation expense		(78,322)	(42,435)
Directors' fees		(32,850)	-
Consulting fees	5	(563,159)	(109,075)
Other expenses		(88,961)	(60,166)
Loss before income tax expense		(1,837,631)	(243,494)
Income tax expense		-	-
Loss after income tax expense for the half-year		(1,837,631)	(243,494)
Other comprehensive income			
Other comprehensive income for the half-year, net of tax		-	-
Total comprehensive loss for the half-year		(1,837,631)	(243,494)
Earnings per Share:			
- Basic loss per share (cents)		(3.1)	(2.0)
- Diluted loss per share (cents)		(3.1)	(2.0)

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

AML3D Limited
Consolidated Statement of financial position
As at 31 December 2019

		Consolidated	
	Note	31 Dec 2019	30 Jun 2019
		\$	\$
Assets			
Current assets			
Cash and Cash equivalents		2,057,887	1,158,109
Trade and other receivables		456,840	306,415
Inventories		2,247	-
Other assets	6	176,579	2,225
Total current assets		<u>2,693,553</u>	<u>1,466,749</u>
Non-current assets			
Plant and equipment		347,999	308,069
Intangibles		36,588	35,839
Right of use Asset	7	53,030	-
Total non-current assets		<u>437,617</u>	<u>343,908</u>
Total assets		<u>3,131,170</u>	<u>1,810,657</u>
Liabilities			
Current liabilities			
Trade and other payables		711,229	145,740
Unearned income		36,000	-
Borrowings	8	512,353	1,759,931
Employee benefits		9,049	18,652
Lease Liabilities	9	38,228	-
Total current liabilities		<u>1,306,859</u>	<u>1,924,323</u>
Non-current liabilities			
Lease liabilities	9	15,371	-
Total non-current liabilities		<u>15,371</u>	<u>-</u>
Total liabilities		<u>1,322,230</u>	<u>1,924,323</u>
Net assets/(Net liabilities)		<u>1,808,940</u>	<u>(113,666)</u>
Equity			
Issued capital	10	4,193,787	1,063,130
Share option reserve		629,580	-
Accumulated losses		(3,014,427)	(1,176,796)
Total equity/(deficiency)		<u>1,808,940</u>	<u>(113,666)</u>

The above Consolidated statement of financial position should be read in conjunction with the accompanying notes

AML3D Limited
Consolidated Statement of changes in equity
For the half-year ended 31 December 2019

Consolidated	Issued Capital \$	Share Option Reserve \$	Accumulated Losses \$	Total Equity \$
Balance at 1 July 2018	976,105	-	(495,960)	480,145
Loss after income tax expense for the half-year	-	-	(243,494)	(243,494)
Total comprehensive income for the half-year	-	-	(243,494)	(243,494)
Shares issued during the half-year, net of transaction costs	215,000	-	-	215,000
Balance at 31 December 2018	<u>1,191,105</u>	<u>-</u>	<u>(739,454)</u>	<u>451,651</u>

Consolidated	Issued Capital \$	Share Option Reserve \$	Accumulated Losses \$	Total Equity \$
Balance at 1 July 2019	1,063,130	-	(1,176,796)	(113,666)
Loss after income tax expense for the half-year	-	-	(1,837,631)	(1,837,631)
Total comprehensive income for the half-year	-	-	(1,837,631)	(1,837,631)
Shares issued during the half-year, net of transaction costs	3,130,657	-	-	3,130,657
Share options issued	-	629,580	-	629,580
Balance at 31 December 2019	<u>4,193,787</u>	<u>629,580</u>	<u>(3,014,427)</u>	<u>1,808,940</u>

The above Consolidated statement of changes in equity should be read in conjunction with the accompanying notes

AML3D Limited
Consolidated Statement of cash flows
For the half-year ended 31 December 2019

	Consolidated	
Note	31 Dec 2019	31 Dec 2018
	\$	\$
Cash flows from operating activities		
Receipts from customers (inclusive of GST)	21,663	6,572
Payments to suppliers and employees (inclusive of GST)	(797,297)	(484,104)
	(775,634)	(477,532)
Interest received	727	-
Grant income	-	245,622
Interest and finance costs paid	(1,946)	(3,303)
Net cash used in operating activities	(776,853)	(235,213)
Cash flows from investing activities		
Payments for investments	-	(660)
Payments for plant and equipment	(133,538)	(133,904)
Net cash used in investing activities	(133,538)	(134,564)
Cash flows from financing activities		
Proceeds from issue of new shares	1,769,354	215,000
Deposits from investors	90,500	-
Proceeds from issue of convertible notes	-	150,000
Payment of principal on leased assets	(17,107)	-
Repayment of borrowings	(32,578)	(48,252)
Net cash provided by financing activities	1,810,169	316,748
Net increase/(decrease) in cash and cash equivalents	899,778	(53,029)
Cash and cash equivalents at the beginning of the financial half-year	1,158,109	404,136
Cash and cash equivalents at the end of the financial half-year	2,057,887	351,107

The above Consolidated statement of cash flows should be read in conjunction with the accompanying notes

Note 1. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2019 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual financial statements for the year ended 30 June 2019, and the Company's prospectus dated 10th February 2020.

The annual financial report of the entity as at and for the year ended 30 June 2019 is available on request.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the policies stated below.

New or amended Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

AASB 16 Leases

The consolidated entity has adopted AASB 16 from 1 July 2019. The standard replaces AASB 117 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results improve as the operating expense is now replaced by interest expense and depreciation in profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

Impact of adoption

The Company entered into a new lease for its premises on the 29th July 2019. Therefore under the modified retrospective approach of adoption there is no impact on opening accumulated losses.

Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any re-measurement of lease liabilities.

Note 1. Significant accounting policies (continued)

Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Note 2. Going Concern

Going Concern

Subsequent to the half year end the Company has lodged a prospectus to raise \$9m and applied to the Australian Securities Exchange ("ASX") for admission to the official list of ASX Limited. The Company has received notification from the ASX that it will admit the Company to the official list subject to the satisfaction of certain conditions precedent. These conditions include the issue of 45,000,000 ordinary fully paid shares at an issue price of \$0.20 per share. The Company has received firm commitments to raise the required \$9m and accordingly the Directors have prepared the half year accounts on a going concern basis.

Note 3. Revenue

	Consolidated	
	31 Dec 2019	31 Dec 2018
	\$	\$
Sale of goods and services	86,999	33,165
Revenue	<u>86,999</u>	<u>33,165</u>
<i>Timing of revenue recognition</i>		
Goods transferred at a point in time	12,133	33,165
Services transferred at a point in time	74,866	-
	<u>86,999</u>	<u>33,165</u>
Other Income:		
Research and Development Tax Offset	-	103,288
Accelerating Commercialisation grant received	-	127,413
Other	-	2,180
	<u>-</u>	<u>232,881</u>

Note 4. Share-based payments

During the financial half-year, the Company issued the following shares and options in satisfaction of services provided by suppliers and directors.

- (a) The Company issued 2,750,000 Shares at an issue price of \$0.10 per Share to suppliers on 30 July 2019 in consideration for services rendered. The cost of \$275,000 was calculated using a directors' valuation of \$0.10 per Share and has been expensed in the Company's consolidated statement of profit and loss as a Share-based payment.

The Company also issued Options during the financial half-year as follows:

- (b) The Company issued 2,000,000 Options on 30 July 2019 to suppliers as consideration for services rendered. The options are exercisable at \$0.30 each on or before four years from the date of issue. The Black Scholes valuation method determined a fair value of \$49,474, which has been expensed in the Company's consolidated statement of profit and loss as a Share-based payment.
- (c) The Company issued 7,500,000 Options to the Directors and Company Secretary, which are exercisable at \$0.30 each on or before five years from the date of issue (5 December 2019). The Black Scholes valuation method determined a fair value of \$451,408, which has been expensed in the Company's consolidated statement of profit and loss as a Share-based payment.
- (d) The Company issued 6,297,846 Options to Investors in a pre-IPO capital raising on the basis of 1 Option for every two shares issued. The options are exercisable at \$0.30 each on or before 30 June 2021 from the date of issue (5 December 2019). The Black Scholes valuation method determined a fair value of \$128,698, which has been offset against contributed equity in the Company's consolidated statement of financial position. This cost is directly related to the Pre-IPO fundraising.

Number of Shares	Grant date	Expiry date	Share Price at Grant Date	Exercise Price	Expected volatility	Risk free rate	Fair value at grant date	Value \$
2,750,000	30 July 2019	-	\$0.10	-	-	-	-	275,000

Number of Options

2,000,000	30 July 2019	29 July 2023	\$0.10	\$0.30	68%	0.81%	\$0.025	49,474
7,500,000	5 December 2019	5 December 2024	\$0.15	\$0.30	68%	0.81%	\$0.060	451,408

Share based payments as per consolidated statement of profit and loss for the financial half-year **775,882**

Offset against contributed equity

Number of Options

6,297,846	5 December 2019	30 June 2021	\$0.15	\$0.30	68%	0.81%	\$0.020	128,698
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Note 5. Consulting Fees

	Note	Consolidated	
		31 Dec 2019 \$	31 Dec 2018 \$
Accounting		8,650	7,431
Audit		7,000	12,699
Listing fees		137,452	50,000
Consulting		159,418	33,018
Consulting - Directors		185,000	-
Legal fees		64,337	5,927
ASIC and ASX fees		1,302	-
		<u>563,159</u>	<u>109,075</u>

Note 6. Other assets

	Consolidated	
	31 Dec 2019 \$	30 Jun 2019 \$
Goods purchased for resale- deposits paid	170,033	-
Bond on property rent	2,225	2,225
Prepayments	4,321	-
	<u>176,579</u>	<u>2,225</u>

Note 7. Non-current assets - right-of-use assets

	Consolidated	
	31 Dec 2019 \$	30 Jun 2019 \$
Land and buildings - right-of-use	70,706	-
Less: Accumulated depreciation	(17,676)	-
	<u>53,030</u>	<u>-</u>

Additions to the right-of-use assets during the half-year were \$70,706.

The consolidated entity leases land and buildings for its office and factory under an agreement of less than two years. On renewal, the terms of the leases are renegotiated.

AML3D Limited
Notes to the consolidated interim report
31 December 2019

Note 8. Current liabilities - borrowings

	Consolidated	
	31 Dec 2019	30 Jun 2019
	\$	\$
Convertible Loan Agreements	511,000	1,726,000
Related Party Payable – Managing Director	1,353	33,931
	<u>512,353</u>	<u>1,759,931</u>

Convertible notes automatically convert to Shares on listing of the Company on the ASX, at a rate of \$0.10 per share if not elected to do so prior by the note holder.

Note 9. Lease liabilities

Current		
Lease liabilities	<u>38,228</u>	<u>-</u>
Non-current		
Lease liabilities	<u>15,371</u>	<u>-</u>

Note 10 Equity

(a) Share capital

	31 Dec 2019 Shares	30 June 2019 Shares	31 Dec 2019 \$	30 June 2019 \$
Fully paid	79,669,497	12,320,250	4,193,787	1,063,130

(b) Movement in Share Capital

		Number of Shares	\$
Balance as at 1 July 2019		12,320,250	1,063,130
Issue resulting from a share split of 4.2348	29-07-2019	39,853,546	-
Issue at \$0.10 to suppliers in lieu of cash	30-07-2019	2,750,000	275,000
Issue at \$0.10 conversion of Converting Loan Agreements	06-12-2019	12,150,000	1,215,000
Issue at \$0.15 pre-IPO seed capital raise	19-12-2019	12,595,701	1,889,355
Less: Transaction costs arising on share issue (pre-IPO seed capital raise)			(120,000)
Less: Transaction costs on issuing shares (Pre-IPO seed capital raise non cash)			(128,698)
Balance at 31 December 2019		79,669,497	4,193,787

Note 11. Related Party Transactions

During the financial half year, a number of related party transactions occurred, and are summarised below:

Name	Director fees \$	Consulting fees \$	Share based payments \$	Options granted Number
Stephen Gerlach	10,950	-	150,468	2,500,000
Sean Ebert	7,300	80,000	120,376	2,000,000
Leonard Piro	7,300	105,000	120,376	2,000,000
Kevin Reid	7,300	-	30,094	500,000
Total	32,850	185,000	421,314	7,000,000

The share based payments listed above are based on the Black Scholes methodology and are consistent with the disclosure in Note 4. The variance of \$30,094 to the amount shown in Note 4 (c) is related to the 500,000 options issued to the Company Secretary.

Note 12. Contingent liabilities

In the opinion of the Directors, the Company did not have any contingencies at 31 December 2019 (30 June 2019: None).

Note 13. Events after the reporting period

Subsequent to the end of the period the Company issued a prospectus dated 10th February 2020 for the issue of 45,000,000 shares at \$0.20 per share to raise \$9,000,000.

On 8th February 2020, the Company issued 950,000 shares to two directors for services rendered during the financial period. 700,000 shares were issued at \$0.15 per share and 250,000 shares were issued at \$0.20 per share.

Subsequent to the end of the period the company issued on the 30th January 2020, the remaining shares (736,667) and options (368,333) relating to the final receipts (\$115,500) of Pre-IPO seed capital raised.

The Company received a letter dated 2nd March 2020 from the ASX advising that the ASX has considered the Company's application and decided to admit AL3 (AML3D Limited) to the Official List of ASX and to quote its securities, subject to the satisfaction of certain conditions precedent.

AML3D Limited
Directors' declaration
31 December 2019

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2019 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors



Stephen Gerlach AM
Chairman

6 March 2020
Adelaide

AML3D LIMITED

Independent auditor's review report to members

Report on the Review of the Half-Year Interim Report

Conclusion

We have reviewed the accompanying half-year interim report of AML3D Limited (the Company) and the entities it controlled at the half-year's end or from time to time during the half year (the consolidated entity) on pages 6 to 16, which comprises the consolidated statement of financial position as at 31 December 2019, 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 and other explanatory information 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 half-year interim report of AML3D Limited on pages 6 to 16 is not in accordance with the Corporations Act 2001 including:

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and of its performance for the half year ended on that date; and
- b) complying with Australian Accounting Standard 134 Interim Financial Reporting and the Corporations Regulations 2001.

Responsibilities of the Directors for the Half-Year Interim Report

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

ACCOUNTANTS & ADVISORS

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Auditor's Responsibilities for the Review of the Half-Year Interim Report

Our responsibility is to express a conclusion on the half-year interim 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 interim report is not in accordance with the Corporations Act 2001 including:

- giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and its performance for the half-year ended on that date; and
- complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

As the auditor of AML3D Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001.



William Buck
ABN: 38 280 203 274



M.D. King
Partner

Dated at Adelaide this 6th day of March, 2020.