



AML3D Limited

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DECEMBER 2022 QUARTERLY ACTIVITIES REPORT AND APPENDIX 4C

AML3D Limited (ASX: AL3) ("**AML3D**" or "**the Company**"), a leader in large-scale Wire Additive Manufacturing technology and 3D metal printing solutions, is pleased to provide the Quarterly Activities Report and Appendix 4C for the quarter ended 31 December 2022 (Q2FY23).

KEY HIGHLIGHTS DURING THE QUARTER

On 5 October 2022, AML3D announced the appointment of Mr. Noel Cornish AM as a Non-executive Director and new Chairman.

Mr Cornish's appointment follows an extensive search process undertaken by the Board with the assistance of a global executive search firm, Stanton Chase, which identified a number of highly qualified candidates. Mr Cornish's extensive industry and governance experience mean, as the Board's new Chairman, he is ideally positioned to support the Company in achieving its strategic goals.

During the quarter, AML3D refocused the Company's multi-phase growth strategy from leveraging its contract manufacturing business to accelerating the sale of ARCEMY[®] systems as a point-of-need manufacturing solution for Original Equipment Manufacturers (OEM). The transition from contract manufacturing to a world-leading manufacturer of advanced wire additive ARCEMY[®] 3D printers is designed to create a sustainable business with a reliable, predictable and expanding revenue base. Recently announced contract wins with global Tier One companies alongside contract and ARCEMY[®] system sales focussing on the Defence and Maritime sectors, demonstrating delivery in line with this growth strategy.

Key activities during the quarter included:

- A continuing focus on US markets, mainly the US Defence sector targeting Navy, Land forces and Aerospace, with AML3D's CEO and Business Development team travelling to the US to solidify relationships with key US customers and brokering additional relationships to develop additional opportunities.
- Ongoing development and production of 3D printed components for an industry-leading, North American Aerospace and Defence Company. These key components have involved extensive printing of high-strength Aluminium and an intensive testing program compliant to aerospace testing programs for "fly" parts. Additionally, the testing of structural components is aligned with the requirements of AS9100D Quality Assurance standards.
- Commencement of the production of high-strength, corrosion-resistant steel subsea pipeline fittings for Chevron Australia Pty Ltd, building on our track record of advanced manufacturing for the Oil and Gas industry.
- Printing of prototype parts for BAE Systems Australia's shipbuilding division to support the Australian Department of Defence's project to build nine Hunter class frigates for the Royal Australian Navy.
- Working with existing owners of ARCEMY[®] systems to improve the utilisation of their units.
- Ongoing work on AS9100D:2016 Quality Systems Accreditation for the Company's proprietary advanced manufacturing technology, WAM[®], essential for the quality requirements needed for certified aerospace components.



Short-term growth phase – optimise contract manufacturing and focus on ARCEMY® sales.

AML3D is rebalancing the Company's growth strategy to focus on ARCEMY® system sales and the recurring, predictable and expanding revenue base they are expected to provide. Over the short term, delivering the ARCEMY® sales and marketing component of the refocussed growth strategy will include leveraging AML3D's current contract manufacturing relationships and inbound contract manufacturing opportunities to build an ARCEMY® sales pipeline. In parallel, AML3D will right size and optimise the Company's contract manufacturing capabilities while continuing to invest in software development and the go-to-market strategy for ARCEMY®.

AML3D's ability to build ARCEMY® sales is being supported by contract manufacturing as we continue to win business with Global Tier One companies in the Oil and Gas, Aerospace and Defence sectors. AML3D's proprietary WAM® advanced metal 3D printing technology is attractive to contract manufacturing clients because of its faster lead times to manufacture, shorter delivery times and use of wire feedstock, which helps avoid the supply chain risks associated with traditional manufacturing.

During the quarter, AML3D signed a purchase contract with BAE System's Australia's ("BAE") maritime division to supply WAM® metal 3D printed prototype parts to support BAE's contract to build nine Hunter class frigates for the Royal Australian Navy. The ability of AML3D's advanced Manufacturing technology to deliver Lloyd's Register-certified parts with improved lead and delivery times helped secure this contract. While the dollar value of the components manufactured under this contract with BAE is not material, it is aligned with AML3D's refocussed growth strategy to develop and leverage contract manufacturing relationships with the defence sector, and in particular maritime defence, to create opportunities to accelerate ARCEMY® system sales at the point of need.

AML3D also signed a purchase contract for approximately \$215,000 with Chevron Australia Pty Ltd to produce two high-strength, corrosion-resistant steel subsea pipeline fittings using WAM®. This contract builds on AML3D's successful 3D metal printing of an 8-tonne commercial pressure vessel, the world's largest certified high-pressure, subsea piping spool. Expanding and deepening our contract manufacturing relationships with global Tier One clients also supports AML3D's ambitions to grow ARCEMY® sales.

Mid to Longer-term value drivers – grow ARCEMY® sales.

The mid to longer-term phases of AML3D's growth strategy have been refocused on transitioning the company from a contract manufacturing first business to a world-leading manufacturer of advanced ARCEMY® industrial metal 3D printers with contract manufacturing capabilities. Over the mid-term, growth will be delivered by leveraging existing Defence and Tier 1 contract manufacturing relationships and expanding sales and marketing efforts into the US market. Longer-term growth will be accessed by rolling out the US go-to-market playbook into key international markets.

During the quarter, a senior business development team, led by CEO Ryan Millar and VP of Global Sales, Kerrye Owen, travelled to the US. This team identified significant demand across the US Defence industrial base, particularly the maritime sector, for on-demand, advanced manufacturing technology solutions at the point of need. To maximise this opportunity, AML3D is building a US sales team, identifying opportunities for US partner-led ARCEMY® sales to create a channel sales model and is working to establish a presence in US additive manufacturing Centers of Excellence at Oak Ridge and Danville, which service the US defence industry and AML3D's existing Tier One US clients.

In addition, AML3D is standardising its ARCEMY® technology to offer the following four ARCEMY® system options.

- **Elite:** Large-scale industrial purpose solution for printing significant-sized components and parts with the maximum size robotic footprint
- **Enterprise:** Medium-level enterprise solution with a larger robotic footprint
- **Essential:** Entry-level enterprise solution with a small robotic footprint at a lower cost
- **Education:** discounted small-scale educational systems. These are supplied with a provision for AML3D to benefit from ARCEMY® data and research outcomes.



Creating a standardised suite of ARCEMY® metal 3D printers will facilitate deployment of the systems into the supply chains of OEMs, at the point of need, across targeted core industries globally. Once deployed, the ARCEMY® systems will deliver annual recurring maintenance revenue across hardware, software and services to create a sustainable business with a reliable, predictable and expanding revenue base.

During the quarter, the initial negotiations, undertaken during the US visit by AML3D's senior business development team, have progressed well and support the decision to refocus AML3D's strategy to ARCEMY® systems sales supported by contract manufacturing. The company has received significant interest from procurement agents within the US navy's industrial base to access AML3D's ARCEMY® systems through the US additive manufacturing Centers of Excellence.

AML3D's Research and Development ("R&D") to enhance the Company's software and technology solutions, as well as the creation of new and innovative materials, is critical to ensuring AML3D's ARCEMY® systems remain at the leading edge of metal 3D printing. AML3D's technology leadership underpins demand for ARCEMY® systems amongst current and future defence and Tier One clients.

During the Quarter, the Company continued to invest in creating more advanced high-quality manufacturing solutions, with even faster lead and delivery times, improving finishing technology that optimises part completion efficiencies and upgrades to our remote automation technology to better support the deployment of ARCEMY® systems at the point of need.

AML3D also continued R&D to develop innovative materials with the potential to create new commercial applications for ARCEMY® across the Aerospace, Maritime, and Defence industries. These R&D initiatives have the potential to support the Company's current expansion into the US market and longer-term ambitions to access the Aerospace, Maritime, and Defence industries across Australia, North America, Asia Pacific (incl. Japan and South Korea) and Europe (Germany, France and the United Kingdom).

AML3D's technology leadership also extends to leading the large-scale metal 3D printing industry on industry accreditations. During the quarter, the company continued to work towards the Aerospace Quality Management System, AS9100D:2016 Accreditation, that will enable the company to manufacture and promote 'fly parts'. When fully implemented, AML3D will be only the world's second 3D wire feedstock additive manufacturing company to achieve the standard. It follows AML3D's recent announcement regarding being awarded the first Additive Manufacturing Facility accreditation with wire-feedstock from DNV, the world's leading Marine and Industrial Classification Society,¹ in addition to being the world's first wire-arc additive manufacturing facility certification by Lloyd's Register.

Legacy contract manufacturing opportunities

As AML3D refocusses on an ARCEMY® system sales and marketing model targeting international expansion to drive long-term growth and profitability, the company has taken the strategic decision to cease work on nonaligned legacy contract manufacturing opportunities. As a result, AML3D is no longer progressing with work to supply titanium body armour components to the Lightforce Group.

In addition, the Company's project to produce a high-strength, aluminium personnel recovery davit arm, in conjunction with Austal, successfully met its primary endpoint of demonstrating AML3D's proprietary WAM® technology can meet and exceed the standards for Maritime parts. The davit arm project established strong relationships between AML3D, Austal and research partner Curtin University, and while these relationships are expected to deliver opportunities in the future for ARCEMY sales, contract manufacturing and additional research projects, in line with AML3D's refocussed growth strategy, the davit arm project has concluded.

¹ <https://annualreport.dnv.com/2021/>



Financial

Cash receipts for the quarter were \$54,000 with a number of large projects carried over the end of the quarter. The total operating cash outflow for the quarter was \$1.3 million, consistent with the prior quarter.

Net operating cash outflow for the quarter was \$1.2 million, with cash on hand, as at 31 December 2022, of \$2.8 million, representing over two-quarters of available funding based on the current quarter's outflow.

Related Party Payments

Pursuant to Listing Rule 4.7C3, the Company confirms the following related party payments made during the quarter:

- The Company engaged the services of a company controlled by AML3D Managing Director, Mr Andrew Sales' sister, to provide IT services. These services were conducted on standard commercial terms. Payments for these services during the quarter totalled \$1,213.

Outlook

AML3D is confident that refocusing the Company's strategy on ARCEMY® system sales, predominantly to the US Defence industrial base, will result in contracts for the deployment of ARCEMY® technology and additional testing scope contracts during FY2024. AML3D's contract manufacturing facility continues to deliver on our current order book and retains the capacity to support additional contract manufacturing wins.

In addition, we are continuing work to secure AS9100D certification, which will add value by making AML3D's technology solution more attractive to our existing global Tier one Aerospace and Defence industry clients and creating opportunities to win new clients within these sectors.

This announcement has been authorised for release by the Board of AML3D.

For further information, please contact:

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About AML3D Limited

AML3D Limited, a publicly listed technology company founded in 2014, utilises new technologies to pioneer and lead metal additive manufacturing globally. Disrupting the traditional manufacturing space, AML3D has developed and patented a Wire Additive Manufacturing (WAM®) process that metal 3D prints commercial, large-scale parts for Aerospace, Defence, Maritime, Manufacturing, Mining and Oil & Gas. AML3D provides parts contract manufacturing from its Technology Centre in Adelaide, Australia, and is the OEM of ARCEMY®, an industrial metal 3D printing system that combines IIoT and Industry 4.0 to enable manufacturers to become globally competitive.

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

AML3D Limited

ABN

55 602 857 983

Quarter ended ("current quarter")

31 December 2022

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	54	158
1.2 Payments for		
(a) research and development	(170)	(346)
(b) product manufacturing and operating costs	(47)	(162)
(c) advertising and marketing	(6)	(25)
(d) leased assets	-	-
(e) staff costs	(706)	(1,169)
(f) administration and corporate costs	(360)	(895)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	19	31
1.5 Interest and other costs of finance paid	(7)	(14)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(1,222)	(2,420)

2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(24)	(46)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	48	51
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	24	5

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	2,685
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	(186)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	(120)	(238)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	(120)	2,261

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	4,097	2,933
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,222)	(2,420)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	24	5

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(120)	2,261
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	2,779	4,097

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	2,779	4,097
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	2,779	4,097

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	1
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.

Quarterly cash flow report for entities subject to Listing Rule 4.7B

7. Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i>		
<i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	-	-
7.5 Unused financing facilities available at quarter end		-
7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.	N/A	

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(1,222)
8.2 Cash and cash equivalents at quarter end (item 4.6)	2,779
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	2,779
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	2
<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
Answer: N/A	
8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
Answer: N/A	
8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
Answer: N/A	
<i>Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.</i>	

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 31 January 2023

Authorised by: the Board
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.