

## **RaaS Interview with Amaero International (ASX:3DA)**

**8 April 2024**

**Duration 14 minutes 14 seconds**

00:00:02:07 - 00:00:25:11

**Finola Burke**

Hello, I am Finola Burke from RaaS Research Group. And today our focus is on specialty alloy additive manufacturing powder manufacturer, Amaero International, (ASX ticker 3DA). And joining me to discuss progress on its flagship Tennessee operation is chairman and CEO Hank Holland. Welcome back, Hank. It's great to have you back on for our interview.

00:00:26:04 - 00:00:28:11

**Hank Holland**

Hello, Finola thanks again for your continued interest.

00:00:29:13 - 00:00:53:12

**Finola Burke**

So, Hank, you have entered into a binding offtake agreement for the supply of C103 additive manufacturing powder with a leading additive manufacturer of C-103 and refractory alloys and they are focused on the defence and space industries. Can you walk us through the steps to production from here and the risk you may encounter along the way?

00:00:55:02 - 00:01:13:03

**Hank Holland**

Absolutely. And I would step back for a moment and I've alluded to this in prior investor briefings and communications, but we, seven weeks ago, when we had an investor briefing relating to the Fairmont study, I made a comment then that we were making good progress and that we were advancing a commercial offtake agreement.

00:01:13:14 - 00:01:51:22

**Hank Holland**

And I suggested to investors when we do eventually announce it, pay particular attention to the counterparty. And albeit we have not announced the counterparty by name. For reasons that I described yesterday, notably, that we want to wait until we have final qualification to do so. We have described them fairly robustly and I think it is one could easily conclude from the description that we've given that this is a very significant and well-respected leading manufacturer when it comes to additive manufacturing of C-103 refractory alloys for defence and space.

00:01:51:22 - 00:02:25:09

**Hank Holland**

And so the offtake agreement, I don't think of as simply a purchase order, I think of it as a strategic collaboration. And part of that strategic collaboration, in addition to the demand on the offtake, is a collaborative qualification and with that collaborative qualification, what this will enable us to do is not only expedite what we expect to be the qualification process, but upon completing that qualification process we will essentially have the gold standard. We will have qualified with the most significant, most important manufacturer in the space.

00:02:25:09 - 00:02:53:20

**Hank Holland**

And so for that reason, I think it is a very, very big deal. On the process in your question, What do I mean by collaborative qualification? Look, at the end of the day, as any third party would, they want to assure the integrity of the process. And there's nothing I'm suggesting that will shortcut that in any manner. Absolutely not. What I am suggesting, though, is that the time period of which we could accomplish this will be truncated.

00:02:53:20 - 00:03:38:16

**Hank Holland**

And so we've developed a flowchart, if you will, a process flow. We will essentially overnight them powder, they will run their test. They will provide a feedback loop of that data. If necessary, we will re optimise our parameter set. We will print powder, will overnight powder. They'll rerun that data. And so there will be this real time feedback loop that will allow us to iterate our parameter optimisation in a much more truncated and expedited manner. The matter of qualifying is not a binary matter of do we qualify or will we not qualify? We are highly, highly, highly confident that we will qualify. It's a matter of timing. So first, why am I so confident we will qualify?

00:03:38:16 - 00:04:02:01

**Hank Holland**

The technology that we're using, the Eiger, is the same technology that is used by ATI, the largest producer in the US. Albeit they had the original generation of the Eiger technology and we have the more advanced or next generation of the Eiger technology. So this exact same technology has qualified C-103 in the past it's capable of operating in a high temperature environment, which most of the other technologies are not.

00:04:02:01 - 00:04:37:13

**Hank Holland**

On top of that, and I can't mention the agency, but one of the US federally funded agencies, ran Tungsten and Moly (Molybdenum) that is refractory alloys through our very Eiger while installed in Germany about a year ago and they had their own trial results from that. They actually concluded this agency did that Eiger was the only technology capable of qualifying refractory alloys. So we're highly confident we will qualify. The question is how long will it take us? We think with this collaborative relationship we have with this offtake partner, that we can truncate that.

00:04:37:13 - 00:05:17:02

**Hank Holland**

What I advised on the investor briefing yesterday that I gave was we expect in the first quarter of the fiscal year, so the July, August, September quarter that we will deliver powder to this counterparty for testing purposes. And I announced yesterday that we expect in the second quarter of the fiscal year or October, November, December quarter that we would achieve qualification.

I also reminded investors that follow this company, we have a pretty good track record of providing conservative guidance, guidance that we're confident we can outperform. Under-promise, over, deliver. And I expect that will be the case with this guidance as well.

00:05:18:00 - 00:05:38:08

**Finola Burke**

And Hank, once you secure qualification, you have a guaranteed buyer of 2.25 tons of C-103 at a fixed price. While there's no commitment to buy beyond that, how should we think about future contracted production? And do you see opportunities sell specialty alloys to this customer as well?

00:05:39:12 - 00:06:00:04

**Hank Holland**

Yeah, so what we've announced on the offtake agreement is, as you suggested, they, the party is contracted for two and a half tonnes. One half ton is essentially for testing purposes that's what's been set aside for qualification purposes and then commercial sales of two tonnes beginning of the first quarter of next year and we would expect they would take delivery over four quarters next year

00:06:00:04 - 00:06:28:20

**Hank Holland**

Okay. That is the only contractual element of offtake that we have announced. What I've also announced is once we qualify, we this becomes a five-year supply agreement and once we qualify, we would expect to announce the to disclose the name of the counterparty as

well as other terms of that supply agreement. So we're not at liberty at this point to disclose that, but we would expect that it would mature and turn into a long term supply agreement.

00:06:32:10 - 00:06:48:23

**Finola Burke**

Right. And you've also raised \$20 million from investors in Australia to deliver working capital and for CapEx commitments. You've indicated that future equity raises would come from strategic U.S. investors. Do you have a sense of timing for future capital requirements?

00:06:50:20 - 00:07:13:17

**Hank Holland**

Yeah, Again, great question. And here to we've tried to be very transparent and quite granular with investors about the capital that we expect to need to have a fully funded capability. And we announced again seven weeks ago in the Fairmont presentation that our total CapEx and I'm going by memory that I'm pretty sure this is right and correct me, you remember.

00:07:14:01 - 00:07:38:01

**Hank Holland**

I believe it was 76 million, but that was through the end of fiscal year 28. Okay. We also excuse me, we've also announced the calendar of 25 we expect to be EBITDA positive and we announced the calendar of 26, we expect to be free cash flow positive. And thus from operations we can fund all of our CapEx. That being said, we do not expect that we will need to raise \$76 million dollars of capital.

00:07:38:06 - 00:08:01:06

**Hank Holland**

It will be something less than that. Really what we need to raise capital for is the balance of calendar year 24. Call that nine months, all of calendar year, 25, 12 months, a little bit less than two years of capital. The recent institutional capital raise that we just closed that you mentioned is a very big deal for a couple of reasons.

00:08:01:06 - 00:08:02:07

**Hank Holland**

A, It is the first institutional capital raise that we've had. \$17.5 million of that \$20 million was spoken for by three cornerstone investors. I'm not at liberty to disclose those investors. We have provided descriptions again that I think many investors can probably conclude who they are. But these are, by any measure world class institutional investors.

00:08:19:05 - 00:08:59:23

**Hank Holland**

And so from my standpoint, this is a really, really big deal right. It's affirmation, if you will, of our strategy of our strategic positioning and the execution to date and I'm enormously grateful of the trust and the confidence these institutional investors have showed in us. On a going forward basis what we would expect and what we've announced is, we will not anticipate having another capital raise in Australia. As we've disclosed, we've retained Guggenheim, a preeminent M&A advisory firm in the US. This was largely prompted by unsolicited inbound interest and I wanted first to conclude the offtake agreement.

00:08:59:23 - 00:09:20:11

**Hank Holland**

Concluded institutional raise in Australia. I will now turn my attention to those discussions. There is your question about timing. There's no timing set in stone. We don't need to raise that capital until much later this year. We'll raise the capital as soon as we have a counterparty in terms which we deem to be attractive.

00:09:20:11 - 00:09:48:08

**Hank Holland**

Right. So we have time. We've got the luxury of time, given this close. At the very same time, I want this business to continue to be very, very well funded. But just as the offtake agreement was typically strategic and just as these institutional investors were particularly strategic, a big part of that decision of when will be who are those partners, the strategic nature of those partners and I think that will drive the process as much as anything.

00:09:49:05 - 00:10:01:02

**Finola Burke**

Hank, you mentioned Guggenheim. Obviously, they're looking at both strategic debt and equity capital for Amaero. Are you in a position to provide an update on how discussions are progressing there?

00:10:02:13 - 00:10:39:11

**Hank Holland**

I would only say that the reception and Guggenheim is now reaching out to really, two sets of parties, what I would call strategic investors. Think of these as investors from industry. So whether it's a prime defence contractor or a prime space contractor, whether it's a first tier supplier slash manufacturer, whether it's a material company, that ecosystem that is central to the industry of which we participate and financial sponsors. As you know, in the US, we've got a very robust private equity set of investors and they have initiated conversation across those subset of investors.

00:10:39:11 - 00:11:41:13

**Hank Holland**

I will tell you that the receptivity has been very well received, very strong. One of the more important decisions that we made over the last nine months was to focus exclusively on high value specialty alloys, be it C-103, be it specialty alloys, be it titanium 6-4. If we are going to market right now candidly and we were a stainless steel powder producer or a nickel powder producer, I think it would be a bit of a yawn. I don't think it would be all that strategically interesting. But because we're at the nexus of this critical reshoring effort in the US and at the nexus of the most critical part of the supply chain, right, i.e. these high value specialty alloy powders. And because it's a predicate condition that we stand up an alternative US domestic supplier to satisfy manufacturing readiness, we're getting a lot of interest and I would expect that will continue.

00:11:41:13 - 00:11:48:16

**Hank Holland**

I think we'll have some very good choices to select from as we proceed down this road with Guggenheim.

00:11:49:13 - 00:11:55:00

**Finola Burke**

And Hank can you remind us what milestones we can expect the company to tick off over the next six months?

00:11:55:20 - 00:12:18:09

**Hank Holland**

Yeah, in many ways I think this is maybe the most important question for investors. So what we've communicated over the last several months is that we expect to commission the first atomizer by 30 June. So by the end of the fiscal year. And we've reiterated that, I think we are confident we are on or ahead of schedule.

00:12:18:09 - 00:12:49:08

**Hank Holland**

By the way, when we commission that first atomizer, mind you, when we ordered this atomizer two years ago, the plan was to make Ti64. So we will the test that we will run for acceptance and commission, we will run. We bought two tons of bar Ti64 so we will run significant powder of Ti64, we'll have inventory of qualification purposes and everything else and that will be done in conjunction with accepting and commissioning the atomizer. We will then immediately turn to setting parameter optimisation for the production of C-103 powder.

00:12:49:24 - 00:13:09:00

**Hank Holland**

I announced in the call again yesterday, we would expect to commence production of C-103 powder and provide test material in that first fiscal, first quarter of the fiscal year. Right, July, August, September and then the next very, very important milestone will be achieving final qualification for C-103.

00:13:10:02 - 00:13:56:13

**Hank Holland**

We've said that would be in the second quarter of the fiscal year. We will report back, but those will be very, very important milestones along the way. One should expect other offtake agreements, other commercial agreements. I've suggested that we have advanced discussions with the Department of Defence funded laboratory. That is at the centre, if you will of the efforts, particularly relating to hypersonics and strategic missiles. I would expect to see that advanced and announced at some point. And there are not a large number, but there are other manufacturers in the sector that are particularly strategic. And so that would really, as I look between now and the end of the year, those will be the high value, significant milestones that investors should expect.

00:13:57:17 - 00:14:03:08

**Finola Burke**

Well, thank you Hank for joining me today. I'm looking forward to catching up with you over the course of the next 12 months to check on Amaero's progress.

00:14:04:02 - 00:14:04:15

**Hank Holland**

Thank you Finola.

# FINANCIAL SERVICES GUIDE

## RaaS Research Group Pty Ltd

ABN 99 614 783 363

Corporate Authorised Representative, number 1248415, of

BR SECURITIES AUSTRALIA PTY LTD; ABN 92 168 734 530; AFSL 456663

Effective Date: 26<sup>th</sup> March 2024

### About Us

BR Securities Australia Pty Ltd (BR) is the holder of Australian Financial Services License ("AFSL") number 456663. RaaS Research Group Pty Ltd (RaaS) is an Authorised Representative (number 1248415) of BR.

This Financial Service Guide (FSG) is designed to assist you in deciding whether to use RaaS's services and includes such things as who we are, our services, how we transact with you, how we are paid, and complaint processes

Contact Details, BR and RaaS

BR Head Office: Level 1, 160 Edward Street, Brisbane, QLD, 4000 [www.brsecuritiesaustralia.com.au](http://www.brsecuritiesaustralia.com.au)

RaaS: c/- Rhodes Docherty & Co Pty Ltd, Suite 1, Level 1, 828 Pacific Highway, Gordon, NSW, 2072.

P: +61 414 354712

E: [finola.burke@raasgroup.com](mailto:finola.burke@raasgroup.com)

RaaS is the entity providing the authorised AFSL services to you as a retail or wholesale client.

**What Financial Services are we authorised to provide?** RaaS is authorised to

- provide general advice to retail and wholesale clients in relation to
- Securities

The distribution of this FSG by RaaS is authorized by BR.

### Our general advice service

Please note that any advice given by RaaS is general advice, as the information or advice given will not take into account your particular objectives, financial situation or needs. You should, before acting on the advice, consider the appropriateness of the advice, having regard to your objectives, financial situation and needs. If our advice relates to the acquisition, or possible acquisition, of a particular financial product you should read any relevant Prospectus, Product Disclosure Statement or like instrument. As we only provide general advice we will not be providing a Statement of Advice. We will provide you with recommendations on securities.

### How are we paid?

RaaS earns fees for producing research reports about companies we like, and/or producing a financial model as well. When the fee is derived from a company, this is clearly highlighted on the front page of the report and in the disclaimers and disclosures section of the report. Sometimes we write reports using our own initiative.

### Associations and Relationships

BR, RaaS, its directors and related parties have no associations or relationships with any product issuers other than when advising retail clients to invest in managed funds when the managers of these funds may also be clients of BR. RaaS's representatives may from time to time deal in or otherwise have a financial interest in financial products recommended to you but any material ownership will be disclosed to you when relevant advice is provided.

### Complaints

If you have a complaint about our service, you should contact your representative and tell them about your complaint. The representative will follow BR's internal dispute resolution policy, which includes sending you a copy of the policy when required to. If you aren't satisfied with an outcome, you may contact AFCA, see below. BR is a member of the Australian Financial Complaints Authority (AFCA). AFCA provide fair and independent financial services complaint resolution that is free to consumers.

Website: [www.afca.org.au](http://www.afca.org.au); Email: [info@afca.org.au](mailto:info@afca.org.au); Telephone: 1800931678 (free call)

In writing to: Australian Financial Complaints Authority, GPO Box 3, Melbourne, VIC, 3001.

### Professional Indemnity Insurance

BR has in place Professional Indemnity Insurance which satisfies the requirements for compensation under s912B of the Corporations Act and that covers our authorized representatives.



#### DISCLAIMERS and DISCLOSURES

This report has been commissioned by Amaero International Ltd prepared and issued by RaaS Research Group Pty Ltd. RaaS Research Group has been paid a fee to prepare this report. RaaS Research Group's principals, employees and associates may hold shares in companies that are covered and, if so, this will be clearly stated on the front page of each report. This research is issued in Australia by RaaS Research Group and any access to it should be read in conjunction with the Financial Services Guide on the preceding two pages. All information used in the publication of this report has been compiled from publicly available sources that are believed to be reliable. Opinions contained in this report represent those of the principals of RaaS Research Group at the time of publication. RaaS Research Group provides this financial advice as an honest and reasonable opinion held at a point in time about an investment's risk profile and merit and the information is provided by the RaaS Research Group in good faith. The views of the adviser(s) do not necessarily reflect the views of the AFS Licensee. RaaS Research Group has no obligation to update the opinion unless RaaS Research Group is currently contracted to provide such an updated opinion. RaaS Research Group does not warrant the accuracy of any information it sources from others. All statements as to future matters are not guaranteed to be accurate and any statements as to past performance do not represent future performance.

Assessment of risk can be subjective. Portfolios of equity investments need to be well diversified and the risk appropriate for the investor. Equity investments in listed or unlisted companies yet to achieve a profit or with an equity value less than \$50 million should collectively be a small component of a balanced portfolio, with smaller individual investment sizes than otherwise. The science of climate change is common knowledge and its impacts may damage the global economy.

Mitigating climate change may also disrupt the global economy. Investors need to make their own assessments and we disclaim any liability for the impact of either climate change or mitigating strategies on any investment we recommend. Investors are responsible for their own investment decisions, unless a contract stipulates otherwise. RaaS Research Group does not stand behind the capital value or performance of any investment. Subject to any terms implied by law and which cannot be excluded, RaaS Research Group shall not be liable for any errors, omissions, defects or misrepresentations in the information (including by reasons of negligence, negligent misstatement or otherwise) or for any loss or damage (whether direct or indirect) suffered by persons who use or rely on the information. If any law prohibits the exclusion of such liability, RaaS Research Group limits its liability to the re-supply of the Information, provided that such limitation is permitted by law and is fair and reasonable. Copyright 2024 RaaS Research Group Pty Ltd (A.B.N. 99 614 783 363). All rights reserved.