

AML3D Limited

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

ACN 602 857 983

Financial Statements

For the Year Ended 30 June 2018

AML3D Limited
ACN 602 857 983

Contents

For the Year Ended 30 June 2018

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Directors' Report

30 June 2018

The directors present their report on AML3D Limited ("the Company") for the financial year ended 30 June 2018.

(a) General information

Directors

The names of the directors in office at any time during, or since the end of, the year are:

Names	Appointed	Resigned
Andrew Sales [Managing Director]	14 November 2014	
Karla Sales	20 March 2017	28 May 2018
Graham Durtanovich	4 January 2019	28 February 2019
Stephen Gerlach [Chairman]	30 August 2019	
Sean Ebert	30 August 2019	
Len Piro	30 August 2019	
Kevin Reid	3 December 2019	

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Principal activities

The principal activity of AML3D Limited during the financial year was to design and construct 3D parts using Wire Additive Manufacturing technology and to develop that technology.

No significant changes in the nature of the Company's activity occurred during the financial year.

(b) Operating results and review of operations for the year

Operating results

The loss of the Company after providing for income tax amounted to \$ (50,301) (2017: \$ (352,496)).

Review of operations

A review of the operations of the Company during the financial year show minimal trading activity as the Company continues to put in place its plans for future growth.

(c) Other items

Significant changes in state of affairs

There have been no significant changes in the state of affairs of the Company during the year.

Directors' Report

30 June 2018

Other items

Events after the reporting date

The following matters have occurred subsequent to the end of the reporting period:

- At a General Meeting of the Company held on 16 July 2019, shareholders resolved:

- to approve a change of name of the Company from AML Technologies (AML) Pty Ltd to AML3D Pty Ltd;
- to repeal the existing constitution of the Company and adopt a new constitution in its place; and
- to convert all the fully paid ordinary shares of the Company into a larger number on the basis that every 1 share be divided into 4.2348 shares;

- The change of name of the Company from AML Technologies (AML) Pty Ltd to AML3D Pty Ltd became effective on 29 July 2019;

- At a General Meeting of the Company held on 25 October 2019, shareholders resolved:

- to convert the Company from a proprietary company limited by shares to a public company limited by shares, with a corresponding name change from AML3D Pty Ltd to AML3D Limited, to take effect from the date of conversion of company type; and
- to repeal the Company's existing constitution and adopt a new constitution suitable to a public company subject to the conversion of company type becoming effective;

- The change of company type to a public company and corresponding change of name to AML3D Limited was gazetted by ASIC on 5 November 2019 and took effect on 6 December 2019;

- The Shareholders Agreement was terminated effective 5 August 2019 by mutual agreement in writing of all shareholders in the Company;

- Subsequent to the end of the reporting period, the Company has issued further share capital to new and existing investors amounting to \$215,000;

- Subsequent to the end of the reporting period, the Company entered into a series of Convertible Loan Agreements (CLAs) with Lenders to the value of \$1,726,000 in the 2019 financial year. Conversion of the CLAs to shares is triggered upon a liquidity event, with the liquidity event referring to the Company being admitted to the official list of the ASX pursuant to the terms of the IPO, before the end of the 12-month term of the CLAs. The conversion to shares at IPO is automatic with the issue of such number of shares as is determined by dividing the loan amount by the issue price. In the event that the IPO does not occur before the repayment date, which is 12 months after the execution date of the CLAs, then the loan amount must be repaid by the Borrower on receipt of notice from the lender. On receipt of notice, the Company must within 10 days repay the loan amount at a premium of 110% of the original loan amount;

- Subsequent to the end of the reporting period, variations have been made to the CLAs. Lenders have executed variations except in respect of CLAs totaling \$95,000. Variations made to the original agreements include the following:

- Extension of the terms of the CLAs to 30 June 2020;
- Ability for the lender to elect to convert the CLA to shares at any time prior to the IPO, by providing to the Company a notice to convert. Notices to convert pre-IPO totaling \$1,215,000 have to date been received from CLA holders. No action to issue these shares has yet been taken and it is anticipated that these shares will be issued in December 2019; and
- Definition of the issue price for conversion to shares prior to the IPO being set at \$0.10;

- On 30 July 2019, the Company issued 2,750,000 fully paid ordinary shares and 2,000,000 options at an exercise price of \$0.30 each in respect of agreements for termination of mandates;

Directors' Report

30 June 2018

Other items

Events after the reporting date

- Effective on 3 December 2019, the Company issued 7,000,000 options at an exercise price of \$0.30 each to Directors and Management;
- On 10 July 2019, the Company renewed its operating lease for a further 2 year period, with a total annual rental cost of \$36,800 [excl. GST];
- Subsequent to the end of the reporting period, the Company repaid on the 1st August 2018, an amount of \$50,000 which had been borrowed from a private lender on the 22nd March 2018;
- Subsequent to the end of the reporting period, the Company is in the process of a pre-IPO capital raise which is expected to be completed in December 2019 and is expected to raise up to \$2,000,000 in consideration for the issue of fully paid ordinary shares at \$0.15 each with 1:2 attached options with an exercise price of \$0.30 each; and
- The Company is currently carrying out a due diligence process in preparation for an IPO and admission to the official list of the ASX. The listing process is expected to be finalised in the 2020 financial year.

Except for the above, no other matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company in future financial years.

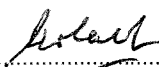
Future developments and results


Likely developments in the operations of the Company and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the Company.

Auditor's independence declaration

The lead auditor's independence declaration in accordance with section 307C of the *Corporations Act 2001*, for the year ended 30 June 2018 has been received and can be found on page 4 of the financial report.

Signed in accordance with a resolution of the Board of Directors:

Director:

Stephen Gerlach [Chairman]

Director:

Andrew Sales [Managing Director]

Dated 23 December 2019


**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 year ended 30 June 2018 there have been:

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

William Buck

William Buck
ABN 38 280 203 274

A handwritten signature in black ink, appearing to read 'M. D. King'.

M. D. King
Partner

Dated this 23rd day of December, 2019.

**CHARTERED ACCOUNTANTS
& ADVISORS**

Level 6, 211 Victoria Square
Adelaide SA 5000
GPO Box 11050
Adelaide SA 5001
Telephone: +61 8 8409 4333
williambuck.com

Statement of Profit or Loss and Other Comprehensive Income
For the Year Ended 30 June 2018

		2018	2017
	Note	\$	\$
Revenue	4	307,579	23,040
Other income	4	103,288	-
Workshop expenses		(46,293)	-
Salaries and wages		(100,689)	-
Amortisation and depreciation	8, 9	(24,003)	(37,010)
Professional fees		(189,068)	(30,225)
Share-based payment expense	12	-	(300,000)
Other expenses	5	(101,115)	(8,301)
Loss before income tax		(50,301)	(352,496)
Income tax expense		-	-
Loss for the year		(50,301)	(352,496)
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		(50,301)	(352,496)

Statement of Financial Position
As At 30 June 2018

	2018	2017
Note	\$	\$
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	6 404,136	25,344
Trade and other receivables	7 119,613	43
TOTAL CURRENT ASSETS	523,749	25,387
NON-CURRENT ASSETS		
Other financial assets	2,225	-
Plant and equipment	8 181,343	-
Intangible assets	9 27,876	-
TOTAL NON-CURRENT ASSETS	211,444	-
TOTAL ASSETS	735,193	25,387
LIABILITIES		
CURRENT LIABILITIES		
Trade and other payables	10 61,718	18,200
Borrowings	11 185,569	142,846
Employee benefits	7,761	-
TOTAL CURRENT LIABILITIES	255,048	161,046
TOTAL LIABILITIES	255,048	161,046
NET ASSETS	480,145	(135,659)
EQUITY		
Issued capital	12 976,105	310,000
Accumulated losses	(495,960)	(445,659)
TOTAL EQUITY	480,145	(135,659)

The accompanying notes form part of these financial statements.

Statement of Changes in Equity
For the Year Ended 30 June 2018

2018

	Issued Capital	Accumulated Losses	Total
Note	\$	\$	\$
Balance at 1 July 2017	310,000	(445,659)	(135,659)
Loss attributable to members of the entity	-	(50,301)	(50,301)
Shares issued during the year	666,105	-	666,105
Balance at 30 June 2018	976,105	(495,960)	480,145

2017

	Issued Capital	Accumulated Losses	Total
Note	\$	\$	\$
Balance at 1 July 2016	400	(93,163)	(92,763)
Loss attributable to members of the entity	-	(352,496)	(352,496)
Shares issued during the year	309,600	-	309,600
Balance at 30 June 2017	310,000	(445,659)	(135,659)

Statement of Cash Flows
For the Year Ended 30 June 2018

	2018	2017
Note	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	4,472	-
Receipts from Government grants	315,955	31,954
Payments to suppliers and employees	(417,241)	(22,116)
Net cash (used in) / provided by operating activities	15 <u>(96,814)</u>	<u>9,838</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Payment for intangible assets	(34,909)	(2,955)
Payments for plant and equipment	(198,313)	-
Net cash (used in) investing activities	<u>(233,222)</u>	<u>(2,955)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issue of shares	666,105	9,600
Proceeds from borrowings, net	42,723	8,861
Net cash provided by financing activities	<u>708,828</u>	<u>18,461</u>
Net increase in cash and cash equivalents held	378,792	25,344
Cash and cash equivalents at beginning of year	25,344	-
Cash and cash equivalents at end of financial year	6 <u>404,136</u>	<u>25,344</u>

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

For the Year Ended 30 June 2018

The financial report covers AML3D Limited ("the Company") as an individual entity. AML3D Limited is a for-profit proprietary Company, incorporated and domiciled in Australia.

The functional and presentation currency of AML3D Limited is Australian dollars. Comparatives are consistent with prior years, unless otherwise stated.

1 Basis of Preparation

In the Directors' opinion, the Company is not a reporting entity since there are unlikely to exist users of the financial statements who are not able to command the preparation of reports tailored so as to satisfy specifically all of their information needs. The financial statements are therefore special purpose financial statements that have been prepared to meet the requirements of the *Corporations Act 2001*. The Company is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

The financial statements have been prepared in accordance with the recognition and measurement requirements specified by all Australian Accounting Standards and Interpretations, and the disclosure requirements that are mandatory under the Australian Accounting Standards applicable to entities reporting under the *Corporations Act 2001* and the significant accounting policies disclosed below, which the directors have determined are appropriate to meet the needs of members. Such accounting policies are consistent with the previous period unless stated otherwise.

The financial statements, except for the cash flow information, have been prepared on an accrual basis and are based on historical costs unless otherwise stated in the notes. The amounts presented in the financial statements have been rounded to the nearest dollar.

2 Summary of Significant Accounting Policies

(a) Going concern

This financial report has been prepared on the going concern basis which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business. This basis has been adopted as the Company has as at 30 June 2018 a net current asset position of \$268,071 (2017: deficiency of net current assets of \$135,659) and net assets of \$480,145 (2017: net liabilities of \$135,569) as well as the following:

- The Company has received a letter of financial support from the Managing Director that Director loans owing will not be called on in full within 12 months of the date of signing this financial report;
- As disclosed in Note 16, the Company has issued further share capital to new and existing investors subsequent to the end of the reporting period which has improved the Company's working capital position. Upon listing on the ASX, convertible notes will be converted to equity with the Directors confident that the listing will occur in the 2020 financial year;
- The Company is in the process of a pre-IPO capital raise which is expected to be completed in December 2019 and is expected to raise up to \$2,000,000 in additional capital;
- The Company intends to list on the ASX in the 2020 financial year. The Company is currently undertaking a due diligence process and at which time, once completed, the Company will lodge the required documents with the ASX. Listing will provide the Company with additional financial flexibility and access to capital to pursue growth opportunities.

(b) Income Tax

The income tax expense recognised in the statement of profit or loss and other comprehensive income comprises current income tax expense plus deferred tax expense.

Current tax is the amount of income taxes payable (recoverable) in respect of the taxable profit (loss) for the year and is measured at the amount expected to be paid to (recovered from) the taxation authorities, using the tax rates and laws that have been enacted or substantively enacted by the end of the reporting period. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Notes to the Financial Statements

For the Year Ended 30 June 2018

2 Summary of Significant Accounting Policies

(b) Income Tax

Deferred tax is not provided for the following: The initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss). A taxable temporary difference arises on the initial recognition of goodwill or to any temporary differences related to investment in subsidiaries, associates and jointly controlled entities to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and losses can be utilised.

Current and deferred tax is recognised as income or an expense and included in profit or loss for the period except where the tax arises from a transaction which is recognised in other comprehensive income or equity, in which case the tax is recognised in other comprehensive income or equity respectively.

(c) Leases

Lease payments for operating leases, where substantially all of the risks and benefits remain with the lessor, are charged as expenses on a straight-line basis over the life of the lease term.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

(d) Revenue and other income

Revenue is recognised when the amount of the revenue can be measured reliably, it is probable that economic benefits associated with the transaction will flow to the Company and specific criteria relating to the type of revenue as noted below, have been satisfied.

Revenue is measured at the fair value of the consideration received or receivable and is presented net of returns, discounts and rebates.

Sale of goods

Revenue is recognised on transfer of goods to the customer as this is deemed to be the point in time when risks and rewards are transferred and there is no longer any ownership or effective control over the goods.

All revenue is stated net of the amount of goods and services tax.

Grant revenue

Government grants are recognised at fair value where there is reasonable assurance that the grant will be received and all grant conditions will be met. Grants relating to expense items are recognised as income over the periods necessary to match the grant to the costs they are compensating.

Notes to the Financial Statements

For the Year Ended 30 June 2018

2 Summary of Significant Accounting Policies

(d) Revenue and other income

Other income

Income from the Research & Development (R&D) Tax Offset is recognised on an accruals basis in profit before tax once the Company is entitled to it.

(e) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset. All other borrowing costs are recognised as an expense in the period in which they are incurred.

(f) Goods and services tax (GST)

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payable are stated inclusive of GST.

Cash flows in the statement of cash flows are included on a gross basis and the GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

(g) Financial instruments

Financial instruments are recognised initially using trade date accounting, i.e. on the date that the Company becomes party to the contractual provisions of the instrument.

On initial recognition, all financial instruments are measured at fair value plus transaction costs (except for instruments measured at fair value through profit or loss where transaction costs are expensed as incurred).

Financial assets

Financial assets are divided into the following categories which are described in detail below:

- loans and receivables;
- financial assets at fair value through profit or loss;
- available-for-sale financial assets; and
- held-to-maturity investments.

Financial assets are assigned to the different categories on initial recognition, depending on the characteristics of the instrument and its purpose. A financial instrument's category is relevant to the way it is measured and whether any resulting income and expenses are recognised in profit or loss or in other comprehensive income.

All income and expenses relating to financial assets are recognised in the statement of profit or loss and other comprehensive income in the 'finance income' or 'finance costs' line item respectively.

Notes to the Financial Statements

For the Year Ended 30 June 2018

2 Summary of Significant Accounting Policies

(g) Financial instruments

Financial assets

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

Financial assets at fair value through profit or loss

Financial assets are classified at "fair value through profit or loss" when they are held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying amount included in profit or loss.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity. Investments are classified as held-to-maturity if it is the intention of the Company's management to hold them until maturity.

Held-to-maturity investments are subsequently measured at amortised cost. In addition, if there is objective evidence that the investment has been impaired, the financial asset is measured at the present value of estimated cash flows. Any changes to the carrying amount of the investment are recognised in profit or loss.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that do not qualify for inclusion in any of the other categories of financial assets or which have been designated in this category. The Company's available-for-sale financial assets comprise listed securities.

All available-for-sale financial assets are measured at fair value, with subsequent changes in value recognised in other comprehensive income.

Gains and losses arising from financial instruments classified as available-for-sale are only recognised in profit or loss when they are sold or when the investment is impaired.

In the case of impairment or sale, any gain or loss previously recognised in equity is transferred to the profit or loss.

Financial liabilities

Non-derivative financial liabilities other than financial guarantees are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

Notes to the Financial Statements

For the Year Ended 30 June 2018

2 Summary of Significant Accounting Policies

(g) Financial instruments

Impairment of Financial Assets

At the end of the reporting period the Company assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets at amortised cost

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial assets original effective interest rate.

Impairment on loans and receivables is reduced through the use of allowance accounts, all other impairment losses on financial assets at amortised cost are taken directly to the asset.

Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

(h) Impairment of assets

At the end of each reporting period the Company determines whether there is any evidence of an impairment indicator for assets.

Where an indicator exists and regardless for indefinite life intangible assets and intangible assets not yet available for use, the recoverable amount of the asset is estimated.

Where assets do not operate independently of other assets, the recoverable amount of the relevant cash-generating unit (CGU) is estimated.

The recoverable amount of an asset or CGU is the higher of the fair value less costs of disposal and the value in use. Value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Where the recoverable amount is less than the carrying amount, an impairment loss is recognised in profit or loss.

(i) Intangibles

Patents and trademarks

Patents and trademarks are recognised at cost of acquisition. Patents and trademarks have a finite life and are carried at cost less any accumulated amortisation and any impairment losses.

Amortisation

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Notes to the Financial Statements

For the Year Ended 30 June 2018

2 Summary of Significant Accounting Policies

(i) Intangibles

Software

Software has a finite life and is carried at cost less any accumulated amortisation and impairment losses. It has an estimated useful life of between one and three years.

(j) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term investments which are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

(k) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options which vest immediately are recognised as a deduction from equity, net of any tax effects.

(l) Plant and equipment

Each class of plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment.

Depreciation

Plant and equipment is depreciated on a straight-line basis over the assets useful life to the Company, commencing when the asset is ready for use.

(m) New accounting standards and Interpretations

The AASB has issued new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods. The Company has decided not to early adopt these Standards.

3 Critical Accounting Estimates and Judgments

The Directors make estimates and judgements during the preparation of these financial statements regarding assumptions about current and future events affecting transactions and balances.

These estimates and judgements are based on the best information available at the time of preparing the financial statements, however as additional information is known then the actual results may differ from the estimates.

Key estimate - provision for R&D

Where the Company receives the Australian Government's Research and Development Tax Incentive, the Company accounts for the amount refundable on an accruals basis. In determining the amount of the R&D provision at year-end, there is an estimation process utilising a conservative approach. Any changes to the estimation are recorded in the subsequent financial year.

Notes to the Financial Statements
For the Year Ended 30 June 2018

4 Revenue and Other Income

Revenue from continuing operations

	2018	2017
	\$	\$
Revenue		
- Government Grant	303,514	23,040
- Sales	4,065	-
	307,579	23,040
Other income		
- R&D Rebate	103,288	-
Total Revenue	410,867	23,040

5 Result for the Year

The result for the year includes the following specific expenses:

Other expenses:

Audit fees	6,000	5,000
Fees and permits	2,800	100
Insurance	3,065	182
Travel	12,078	1,869
Rent	24,740	-
Machinery audits	9,124	-
Computer costs	2,764	-
Marketing	6,875	-
Training	11,636	-
Legal costs	8,673	-
Net loss on write-off of intangible assets	-	1,115

6 Cash and Cash Equivalents

Cash at bank	404,136	25,344
	404,136	25,344

Notes to the Financial Statements
For the Year Ended 30 June 2018

7 Trade and Other Receivables

	2018	2017
	\$	\$
CURRENT		
Trade receivables	3,080	-
GST receivable	13,245	43
Provision for R&D receivable	103,288	-
Total current trade and other receivables	119,613	43

The carrying value of trade receivables is considered a reasonable approximation of fair value due to the short-term nature of the balances.

8 Plant and equipment

PLANT AND EQUIPMENT		
Plant and equipment		
Cost	198,313	-
Accumulated depreciation	(16,970)	-
Total plant and equipment	181,343	-

9 Intangible Assets

Software		
Cost	92,909	58,000
Accumulated amortisation and impairment	(65,033)	(58,000)
Net carrying value	27,876	-
Website		
Cost	10,000	10,000
Accumulated amortisation and impairment	(10,000)	(10,000)
Net carrying value	-	-
Total Intangibles	27,876	-

Notes to the Financial Statements
For the Year Ended 30 June 2018

10 Trade and Other Payables

	2018	2017
	\$	\$
Current		
Trade payables	21,845	18,200
Sundry payables	19,199	-
Accrued expenses	20,674	-
Total Trade and Other payables	61,718	18,200

Trade and other payables are unsecured, non-interest bearing and are normally settled within 30 days. The carrying value of trade and other payables is considered a reasonable approximation of fair value due to the short-term nature of the balances.

11 Borrowings

CURRENT

Unsecured liabilities:

Third party loan

50,000 -

Related party payable - Managing Director

135,569 142,846

Total current borrowings

185,569 142,846

The third party loan agreement is based on normal commercial terms with interest payable at a rate of 18% per annum and is due for repayment on or before 22 December 2018.

No formal agreement is in place and no interest is payable in relation to the related party payable between the Company and the Managing Director. The Managing Director has provided a letter of support that Director loans owing will not be called on in full within 12 months of the date of signing this financial report.

12 Issued Capital

11,782,750 (2017: 10,050,000) Ordinary shares

976,105 310,000

Total

976,105 310,000

(a) Ordinary shares

Ordinary shares participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held. The Company does not have authorised capital or par value in respect of its shares.

Notes to the Financial Statements

For the Year Ended 30 June 2018

13 Leasing Commitments

(a) Operating leases

	2018	2017
	\$	\$
Minimum lease payments under non-cancellable operating leases:		
- not later than one year	29,000	-
- between one year and five years	-	-
- later than five years	-	-
	<u>29,000</u>	<u>-</u>

The operating lease is in place for the business premises and has a remaining term of 1 year. Lease payments are increased on an annual basis to reflect market rentals.

14 Contingencies

In the opinion of the Directors, the Company did not have any contingencies at 30 June 2018 (30 June 2017: None).

15 Cash Flow Information

(a) Reconciliation of result for the year to cash flows from operating activities

Reconciliation of net income to net cash provided by operating activities:

Loss for the year	(50,301)	(352,496)
Cash flows excluded from loss attributable to operating activities		
Non-cash flows in loss:		
- amortisation & depreciation	24,003	37,010
- write-off of intangible assets	-	1,115
- share based payments	-	300,000
Changes in assets and liabilities:		
- (increase)/decrease in trade and other receivables	(119,570)	6,009
- (increase) in other financial assets	(2,225)	-
- increase in trade and other payables	43,518	18,200
- increase in employee benefits	7,761	-
Cash flows from operations	<u>(96,814)</u>	<u>9,838</u>

Notes to the Financial Statements

For the Year Ended 30 June 2018

16 Events Occurring After the Reporting Date

The following matters have occurred subsequent to the end of the reporting period:

- At a General Meeting of the Company held on 16 July 2019, shareholders resolved:

- to approve a change of name of the Company from AML Technologies (AMLT) Pty Ltd to AML3D Pty Ltd;
- to repeal the existing constitution of the Company and adopt a new constitution in its place; and
- to convert all the fully paid ordinary shares of the Company into a larger number on the basis that every 1 share be divided into 4.2348 shares;

- The change of name of the Company from AML Technologies (AMLT) Pty Ltd to AML3D Pty Ltd became effective on 29 July 2019;

- At a general meeting held on 25 October 2019, shareholders resolved:

- to convert the Company from a proprietary company limited by shares to a public company limited by shares, with a corresponding name change from AML3D Pty Ltd to AML3D Limited, to take effect from the date of conversion of company type; and
- to repeal the Company's existing constitution and adopt a new constitution suitable to a public company subject to the conversion of company type becoming effective;

- The change of company type to a public company and corresponding change of name to AML3D Limited was gazetted by ASIC on 5 November 2019 and took effect on 6 December 2019;

- The Shareholders Agreement was terminated effective 5 August 2019 by mutual agreement in writing of all shareholders in the Company;

- Subsequent to the end of the reporting period, the Company has issued further share capital to new and existing investors amounting to \$215,000;

- Subsequent to the end of the reporting period, the Company entered into a series of Convertible Loan Agreements (CLAs) with Lenders to the value of \$1,726,000 in the 2019 financial year. Conversion of the CLAs to shares is triggered upon a liquidity event, with the liquidity event referring to the Company being admitted to the official list of the ASX pursuant to the terms of the IPO, before the end of the 12-month term of the CLAs. The conversion to shares at IPO is automatic with the issue of such number of shares as is determined by dividing the loan amount by the issue price. In the event that the IPO does not occur before the repayment date, which is 12 months after the execution date of the CLAs, then the loan amount must be repaid by the Borrower on receipt of notice from the lender. On receipt of notice, the Company must within 10 days repay the loan amount at a premium of 110% of the original loan amount;

- Subsequent to the end of the reporting period, variations have been made to the CLAs. Lenders have executed variations except in respect of CLAs totaling \$95,000. Variations made to the original agreements include the following:

- Extension of the terms of the CLAs to 30 June 2020;
- Ability for the lender to elect to convert the CLA to shares at any time prior to the IPO, by providing to the Company a notice to convert. Notices to convert pre-IPO totaling \$1,215,000 have to date been received from CLA holders. No action to issue these shares has yet been taken and it is anticipated that these shares will be issued in December 2019; and
- Definition of the issue price for conversion to shares prior to the IPO being set at \$0.10;

Notes to the Financial Statements

For the Year Ended 30 June 2018

16 Events Occurring After the Reporting Date

- On 30 July 2019, the Company issued 2,750,000 fully paid ordinary shares and 2,000,000 options at an exercise price of \$0.30 each in respect of agreements for termination of mandates;
- Effective on 3 December 2019, the Company issued 7,000,000 options at an exercise price of \$0.30 each to Directors and Management;
- On 10 July 2019, the Company renewed its operating lease for a further 2 year period, with a total annual rental cost of \$36,800 [excl. GST];
- Subsequent to the end of the reporting period, the Company repaid on the 1st August 2018, an amount of \$50,000 which had been borrowed from a private lender on the 22nd March 2018;
- Subsequent to the end of the reporting period, the Company is in the process of a pre-IPO capital raise which is expected to be completed in November 2019 and is expected to raise up to \$2,000,000;
- Subsequent to the end of the reporting period, the Company is in the process of a pre-IPO capital raise which is expected to be completed in December 2019 and is expected to raise up to \$2,000,000 in consideration for the issue of fully paid ordinary shares at \$0.15 each with 1:2 attached options with an exercise price of \$0.30 each; and
- The Company is currently carrying out a due diligence process in preparation for an IPO and admission to the official list of the ASX. The listing process is expected to be finalised in the 2020 financial year.

Except for the above, no other matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company in future financial years.

17 Statutory Information

The registered office and principal place of business of the Company is:

AML3D Limited
14 Pentland Road
Salisbury South SA 5106

Directors' Declaration

The Directors have determined that the Company is not a reporting entity and that this special purpose financial report should be prepared in accordance with the accounting policies described in Note 2 to the financial statements.


The Directors of the Company declare that:

1. The financial statements and notes, as set out on pages 5 to 20, are in accordance with the *Corporations Act 2001* and:
 - (a) comply with selected Australian Accounting Standards; and
 - (b) give a true and fair view of the Company's financial position as at 30 June 2018 and of its performance for the year ended on that date in accordance with the accounting policies described in Note 2 to the financial statements.
2. In the directors' opinion, there are reasonable grounds to believe that the Company 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 the Board of Directors.

Director

Stephen Gerlach [Chairman]

Director

Andrew Sales [Managing Director]

Dated 23 December 2019

AML3D Limited

Independent auditor's report to members

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of AML3D Limited (the Company), which comprises the statement of financial position as at 30 June 2018, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies and other explanatory information and the directors' declaration.

In our opinion, the accompanying financial report of the Company, is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Company's financial position as at 30 June 2018 and of its financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards to the extent described in Note 1 and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit 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* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Basis of Accounting

We draw attention to Note 2 to the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the directors' financial reporting responsibilities under the *Corporations Act 2001*. As a result, the financial report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

CHARTERED ACCOUNTANTS & ADVISORS

Level 6, 211 Victoria Square
Adelaide SA 5000

GPO Box 11050
Adelaide SA 5001

Telephone: +61 8 8409 4333

williambuck.com

Material Uncertainty Related to Going Concern

We draw attention to Note 2(a) in the financial report, which indicates that the Company incurred a net loss of \$50,301 during the year ended 30 June 2018. These events or conditions, along with other matters as set forth in Note 2(a), indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of these financial statements is located at the Auditing and Assurance Standards Board website at:

http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf

This description forms part of our independent auditor's report.

A handwritten signature in black ink that reads 'William Buck'.

William Buck
ABN 38 280 203 274

A handwritten signature in black ink that reads 'M.D. King'.

M.D. King
Partner

Dated this 23rd day of December, 2019.