

AML3D Limited

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

ACN 602 857 983

Financial Statements

For the Year Ended 30 June 2019

AML3D Limited
ACN 602 857 983

Contents

For the Year Ended 30 June 2019

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Directors' Report

30 June 2019

The directors present their report on AML3D Limited ("the Company") for the financial year ended 30 June 2019.

(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	
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 \$ (680,836) (2018: \$ (50,301)).

Review of operations

A review of the operations of the Company during the financial year show an increase in trading activity as the Company continues to grow in its early stages.

(c) Other items

Significant changes in state of affairs

Other than the costs of taking the Company towards a growth phase, there have been no significant changes in the state of affairs of the Company during the year.

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 (AMLT) Pty Ltd to AML3D Pty Ltd;

Directors' Report

30 June 2019

(c) Other items

Events after the reporting date

- 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, 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;
- 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 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.

Directors' Report

30 June 2019

(c) Other items

Events after the reporting date

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 2019 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 2019 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



M. D. King
Partner

Dated this 23rd day of December, 2019.

**CHARTERED ACCOUNTANTS
& ADVISORS**

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Statement of Profit or Loss and Other Comprehensive Income
For the Year Ended 30 June 2019

		2019	2018
	Note	\$	\$
Revenue	4	204,503	307,579
Other income	4	252,759	103,288
Workshop Expenses		(108,254)	(46,293)
Salaries and wages		(356,959)	(100,689)
Amortisation and depreciation	8,9	(84,870)	(24,003)
Professional fees		(370,287)	(189,068)
Other expenses	5	(217,728)	(101,115)
Loss before income tax		(680,836)	(50,301)
Income tax expense		-	-
Loss for the year		(680,836)	(50,301)
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		(680,836)	(50,301)

The accompanying notes form part of these financial statements.

Statement of Financial Position
As At 30 June 2019

	Note	2019 \$	2018 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	6	1,158,109	404,136
Trade and other receivables	7	306,415	119,613
Other assets		2,225	-
TOTAL CURRENT ASSETS		1,466,749	523,749
NON-CURRENT ASSETS			
Other assets		-	2,225
Property, plant and equipment	8	308,069	181,343
Intangible assets	9	35,839	27,876
TOTAL NON-CURRENT ASSETS		343,908	211,444
TOTAL ASSETS		1,810,657	735,193
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	10	145,740	61,718
Borrowings	11	1,759,931	185,569
Employee benefits		18,652	7,761
TOTAL CURRENT LIABILITIES		1,924,323	255,048
TOTAL LIABILITIES		1,924,323	255,048
NET (LIABILITIES)/ASSETS		(113,666)	480,145
EQUITY			
Issued capital	12	1,063,130	976,105
Accumulated losses		(1,176,796)	(495,960)
TOTAL EQUITY		(113,666)	480,145

The accompanying notes form part of these financial statements.

Statement of Changes in Equity
For the Year Ended 30 June 2019

2019

	Issued Capital	Accumulated losses	Total
Note	\$	\$	\$
Balance at 1 July 2018	976,105	(495,960)	480,145
Loss attributable to members of the entity	-	(680,836)	(680,836)
Shares issued during the year, net	87,025	-	87,025
Balance at 30 June 2019	1,063,130	(1,176,796)	(113,666)

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

Statement of Cash Flows
For the Year Ended 30 June 2019

	2019	2018
Note	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	39,663	4,472
Receipt from Government grants	153,720	315,955
Payments to suppliers and employees	(985,285)	(417,241)
Interest received	759	-
Receipt from R&D tax claim	103,288	-
Net cash (used in) operating activities	15 <u>(687,855)</u>	<u>(96,814)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Payment for intangible assets	(18,848)	(34,909)
Purchase of plant and equipment	(200,711)	(198,313)
Net cash (used in) investing activities	<u>(219,559)</u>	<u>(233,222)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issue of shares, net	87,025	666,105
Proceeds from the issue of convertible loans	1,726,000	-
Proceeds from borrowings	-	42,723
Repayment of borrowings	(151,638)	-
Net cash provided by financing activities	<u>1,661,387</u>	<u>708,828</u>
Net increase in cash and cash equivalents held	753,973	378,792
Cash and cash equivalents at beginning of year	404,136	25,344
Cash and cash equivalents at end of financial year	6 <u>1,158,109</u>	<u>404,136</u>

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

For the Year Ended 30 June 2019

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 notwithstanding the loss of \$680,836 incurred for the year and the Company's deficiency in net assets of \$113,666 at 30 June 2019. This basis has been adopted based on 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 2019

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

The core principle of AASB 15 is that revenue is recognised on a basis that reflects the transfer of promised goods or services to customers at an amount that reflects the consideration the Company expects to receive in exchange for those goods or services. Revenue is recognised by applying a five-step model as follows:

1. Identify the contract with the customer
2. Identify the performance obligations
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations
5. Recognise revenue as and when control of the performance obligations is transferred.

The revenue recognition policies for the principal revenue streams of the Company are:

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.

Notes to the Financial Statements

For the Year Ended 30 June 2019

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

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification

- amortised cost;
- fair value through profit or loss - FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets.

Amortised cost

Assets measured at amortised cost are financial assets where:

Notes to the Financial Statements

For the Year Ended 30 June 2019

2 Summary of Significant Accounting Policies

(g) Financial instruments

Financial assets

- the business model is to hold assets to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows are solely payments of principal and interest on the principal amount outstanding.

The Company's financial assets measured at amortised cost comprise trade and other receivables and cash and cash equivalents in the statement of financial position.

Subsequent to initial recognition, these assets are carried at amortised cost using the effective interest rate method less provision for impairment.

Interest income and impairment are recognised in profit or loss. Gain or loss on derecognition is recognised in profit or loss.

Financial assets through profit or loss

All financial assets not classified as measured at amortised cost as described above are measured at FVTPL. Net gains or losses, including any interest or dividend income are recognised in profit or loss.

Impairment of financial assets

Impairment of financial assets is recognised on an expected credit loss (ECL) basis for the following assets:

- financial assets measured at amortised cost.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Company's historical experience and informed credit assessment and including forward looking information.

The Company uses the presumption that an asset which is more than 30 days past due has seen a significant increase in credit risk.

The Company uses the presumption that a financial asset is in default when:

- the other party is unlikely to pay its credit obligations to the Company in full, without recourse to the Company to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

Credit losses are measured as the present value of the difference between the cash flows due to the Company in accordance with the contract and the cash flows expected to be received. This is applied using a probability weighted approach.

Trade receivables

Impairment of trade receivables have been determined using the simplified approach in AASB 9 which uses an estimation of lifetime expected credit losses. The Company determines the probability of non-payment of the receivable and multiplied this by the amount of the expected loss arising from default.

Notes to the Financial Statements

For the Year Ended 30 June 2019

2 Summary of Significant Accounting Policies

(g) Financial instruments

Financial assets

The amount of the impairment is recorded in a separate allowance account with the loss being recognised in finance expense. Once the receivable is determined to be uncollectable then the gross carrying amount is written off against the associated allowance.

Where the Company renegotiates the terms of trade receivables due from certain customers, the new expected cash flows are discounted at the original effective interest rate and any resulting difference to the carrying value is recognised in profit or loss.

Other financial assets measured at amortised cost

Impairment of other financial assets measured at amortised cost are determined using the expected credit loss model in AASB 9. On initial recognition of the asset, an estimate of the expected credit losses for the next 12 months is recognised. Where the asset has experienced significant increase in credit risk then the lifetime losses are estimated and recognised.

Financial liabilities

The Company measures all financial liabilities initially at fair value less transaction costs, subsequently financial liabilities are measured at amortised cost using the effective interest rate method. The financial liabilities of the Company comprise trade payables, loans and finance lease liabilities.

(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. Reversal indicators are considered in subsequent periods for all assets which have suffered an impairment loss, except for goodwill.

Notes to the Financial Statements

For the Year Ended 30 June 2019

2 Summary of Significant Accounting Policies

(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.

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) 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.

(l) 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.

(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.

Notes to the Financial Statements
For the Year Ended 30 June 2019

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 estimates - 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.

4 Revenue and Other Income

Revenue from continuing operations

	2019	2018
	\$	\$
Revenue		
- Government Grant	168,446	303,514
- Sales	36,057	4,065
	204,503	307,579
Other income		
- Interest Received	759	-
- R&D Rebate	252,000	103,288
	252,759	103,288
Total Revenue	457,262	410,867

5 Result for the Year

The result for the year includes the following specific expenses:

Other expenses:		
Audit fees	7,000	6,000
Fees and permits	-	2,800
Insurance	5,034	3,065
Printing and stationery	269	981
Travel	77,006	12,078
Rental outgoing	35,176	24,740
Machinery audits	-	9,124
Computer costs	2,278	2,764
Marketing	14,057	6,875
Training	12,203	11,636

Notes to the Financial Statements
For the Year Ended 30 June 2019

6 Cash and Cash Equivalents

	2019	2018
	\$	\$
Cash at bank	1,158,109	404,136
	<u>1,158,109</u>	<u>404,136</u>

7 Trade and Other Receivables

CURRENT		
Trade receivables	25,190	3,080
GST receivable	29,225	13,245
Provision for R&D receivable	252,000	103,288
Total current trade and other receivables	<u>306,415</u>	<u>119,613</u>

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		
At cost	316,462	198,313
Accumulated depreciation	(72,662)	(16,970)
Total plant and equipment	<u>243,800</u>	<u>181,343</u>
Office equipment		
At cost	2,724	-
Accumulated depreciation	(2,653)	-
Total office equipment	<u>71</u>	<u>-</u>
Computer equipment		
At cost	6,746	-
Accumulated depreciation	(1,231)	-
Total computer equipment	<u>5,515</u>	<u>-</u>
Robotic Equipment		
At cost	73,092	-
Accumulated depreciation	(14,409)	-
Total robotic equipment	<u>58,683</u>	<u>-</u>
Total plant and equipment	<u>308,069</u>	<u>181,343</u>

Notes to the Financial Statements
For the Year Ended 30 June 2019

9 Intangible Assets

	2019	2018
	\$	\$
Patents, trademarks and other rights		
Cost	11,622	-
Accumulated amortisation and impairment	(2,768)	-
Net carrying value	8,854	-
Software		
Cost	92,909	92,909
Accumulated amortisation and impairment	(73,150)	(65,033)
Net carrying value	19,759	27,876
Website		
Cost	17,226	10,000
Accumulated amortisation and impairment	(10,000)	(10,000)
Net carrying value	7,226	-
Total Intangibles	35,839	27,876

10 Trade and Other Payables

Current		
Trade payables	77,561	21,845
Sundry payables	61,615	19,199
Accrued expenses	6,564	20,674
Total trade and other payables	145,740	61,718

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.

Notes to the Financial Statements
For the Year Ended 30 June 2019

11 Borrowings

	2019	2018
	\$	\$
CURRENT		
Unsecured liabilities:		
Convertible loan agreements	1,726,000	-
Related party payable - Managing Director	33,931	135,569
Third party loan	-	50,000
Total current borrowings	<u>1,759,931</u>	<u>185,569</u>
Total borrowings	<u>1,759,931</u>	<u>185,569</u>

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

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

12,320,250 (2018: 11,782,750) Ordinary shares	<u>1,063,130</u>	976,105
Total	<u>1,063,130</u>	<u>976,105</u>

(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.

13 Leasing Commitments

(a) Operating leases

Minimum lease payments under non-cancellable operating leases:
- not later than one year

-	29,000
<u>-</u>	<u>29,000</u>

The operating lease expires on 10 July 2019. As disclosed in Note 16, on 10 July 2019 the lease was renewed for a further two year term.

Notes to the Financial Statements
For the Year Ended 30 June 2019

14 Contingencies

In the opinion of the Directors, the Company did not have any contingencies at 30 June 2019 (30 June 2018: 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:

	2019	2018
	\$	\$
Loss for the year	(680,836)	(50,301)
Cash flows excluded from loss attributable to operating activities		
Non-cash flows in loss:		
- amortisation and depreciation	84,870	24,003
Changes in assets and liabilities:		
- (increase) in trade and other receivables	(186,802)	(119,570)
- (increase) in other assets	-	(2,225)
- increase in trade and other payables	84,022	43,518
- increase in employee benefits	10,891	7,761
Cash flows from operations	<u>(687,855)</u>	<u>(96,814)</u>

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 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;

Notes to the Financial Statements

For the Year Ended 30 June 2019

16 Events Occurring After the Reporting Date

- 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, 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 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 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 2019 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 with the continuing support of creditors.

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 2019, 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 2019 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 \$680,836 during the year ended 30 June 2019, and, as of that date, the Company's total liabilities exceed its total assets by \$113,666. As stated in Note 2(a) 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.