

ASX CODE: AL3

CAPITAL STRUCTURE

Share Price *	\$0.26
Shares on Issue	132m
Market Capitalisation	\$34m

* as at close of trade 11/8/20

MAJOR SHAREHOLDERS

Andrew Sales	30.0%
Perennial Value Mgmt	8.0%
Global Asset Solutions	5.3%

BOARD & MANAGEMENT

Stephen Gerlach AM
Non-Executive Chairman

Andrew Sales
Managing Director

Sean Ebert
Executive Director

Kevin Reid
Non-Executive Director

Len Piro
Non-Executive Director

Christine Manuel
Company Secretary

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LETTER TO SHAREHOLDERS

Attached is a copy of a letter from Andrew Sales, Managing Director of AML3D Limited (ASX: AL3), which will be distributed to shareholders today.

Christine Manuel
Company Secretary

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

For further information, please contact:

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About AML3D Limited

AML3D Limited is an Australian public company incorporated on 14 November 2014 and currently operates out of its Adelaide Manufacturing Centre. The Company specialises in providing commercial large-scale "Additive Metal Layering" 3D printing services to Defence, Maritime, Automotive and Resources customers. The Company has commercialised its technology under the trademark WAM® and proprietary software WAMSoft® which combines metallurgical science and engineering design to fully automate the 3D printing process utilising advanced robotics technology.

12 August 2020

Dear valued shareholder,

Let me begin by saying that I am humbled to be writing this letter to you as Managing Director of AML3D. The support shown by all shareholders, including those who were with us in our infancy, reflects a great level of trust placed in us, and for that I am profoundly grateful. This, along with strong support from our experienced Board, has allowed the company to evolve into what it is today. You have our commitment that we will continue pursuing our strategic objectives to deliver sustainable and long-term value creation for the benefit of all stakeholders.

As many of you may know, we have been developing our wire arc additive manufacturing (WAM®) technology for 6 years now. I honestly believe that WAM® is a disruptive technology that will materially transform the metal manufacturing and fabrication landscape.

‘Disruptive’ is certainly a buzz word these days. It describes change that is transformational to an industry, turning it on its head in a short space of time. An excellent example is Uber and its effect on the traditional taxi transportation model.

We see WAM® technology as the new disruptor for traditional metal fabrication processes, which include forging and casting. Traditional processes require a significant infrastructure footprint, high levels of raw material and energy inputs, and are time and labour intensive. These traditional manufacturing and fabrication methods have served industry well for more than a century, however, today society is rightfully demanding businesses operate innovatively and sustainably with smaller environmental footprints.

Enter WAM®, a cheaper, faster and more environmentally friendly approach to metal fabrication. WAM® is a 3D metal printing process that melts wire feedstock via an electric-arc plasma, then shapes and refines it to produce high specification metal components. This process is undertaken by our own ARCEMY® module that is driven by our proprietary WAM® software (WAMSoft®). This process has received ISO9001 Quality Management Certification, along with AML3D becoming the world’s first accredited Wire-feedstock Additive Manufacturing Facility through Lloyd’s Register (Singapore).

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There are numerous competitive advantages of ARCEMY®, WAM® and WAMSoft®, but key is the ability to promptly deliver an array of high-quality, large-scale, custom built components to customers at competitive prices. All of this can be done with significantly shorter lead times, less raw inputs and waste, and greater end product strength. In fact, when compared with traditional fabrication processes, WAM® delivers cost savings of up to 70%, while the manufacturing process is 75% faster and reduces waste by up to 80%.

We are now taking domestic orders for components that were previously sourced overseas. The driver of this shift is two-fold. Firstly, supply chains are changing due to COVID-19, with a desire and need for businesses to now source locally if they can. Secondly, traditional fabrication costs in Australia were higher than most, mainly driven by labour costs. Our WAM® technology keeps labour costs to a minimum, which is a monumental shift in terms of our ability to outperform competition from a pricing and time perspective, both internationally and here at home.

It is because of these compelling statistics that I believe WAM® will ultimately be viewed as a disruptor which drives the fourth industrial revolution, and AML3D is uniquely positioned as a leader in this fast growing sector. According to the Wolhers Report of 2019, *“the industry is expected to grow by nearly 3.6 times to \$US 35.6 billion in 2024”*, which represents a tremendous opportunity for AML3D.

Progress since IPO

To say that we have been busy of late is a major understatement. The dedicated team at AML3D has been working hard to position us ahead of our peers as we continue to serve customer needs and seek out new market opportunities.



We recently manufactured and delivered a 1.4 tonne Panama Chock to a shipbuilder based in Singapore. The chock was recently independently confirmed as stronger than cast equivalents by DNV-GL in Singapore.



We also delivered our first ARCEMY® module to ST Engineering in Singapore, and we look forward to supporting their transition to this new manufacturing process.

In Australia, we relocated our manufacturing facility, as promised, with cost savings to the business already evident.

As you are no doubt aware, AML3D's main revenue streams are:

1. Contract manufacturing: fulfilling manufacturing orders for customers using our ARCEMY® module;
2. ARCEMY® rent-to-buy: customers acquiring the ARCEMY® module for their own fabrication needs; and
3. Licencing – annual software licences, technical support and maintenance agreements.

We are already seeing good momentum growing these revenue streams as we raise our profile here and abroad. To this end, we continue to invest in sales and marketing initiatives, as well as in research and development focused on the application of new alloys and exotic metals in the WAM® process.



Outlook for FY21

The new financial year is shaping up as a very exciting one for AML3D and will no doubt be a foundation year for the company. The main areas of focus for us in FY21 will be:

- Establishing a Contract Manufacturing Centre in Singapore, to expand on our existing customer base;
- Pursuing global business opportunities, focusing initially on creating customer and industry partnerships in high margin industries such as the defence sector;
- Expanding our contract manufacturing base to drive long-term repeat customers;
- Building ARCEMY® modules for customers looking to establish in-house 3D printing capability;
- Growing recurring revenue via annual software licencing, service and maintenance agreements, and sale of wire feedstock; and
- Research and development for ongoing refinement and advancement of our products and processes.

AML3D now has the only diversified large-scale WAM® metal fabrication and manufacturing facility in the Southern Hemisphere that is capable of producing finished parts and components to a Global certified standard under an accredited Quality Management System. This is a clear first mover advantage that we will look to capitalise on. Our pipeline of opportunities continues to build in an industry with exponential growth forecast over the coming years.

The result of all this is that we are well positioned to sensibly grow our presence in the global market. I believe that our proprietary software and equipment will not only attract new customers to work with us, but will help us to retain these customers over the longer-term as we pursue sustainable value creation for all stakeholders.

In closing, I must make a special mention of our very capable team that has worked tirelessly through these challenging times to ensure AML3D continues on its path to success. Furthermore, none of this would be possible without the encouraging support that I have received from our shareholder base. As I said before, I am humbled by the trust that has been instilled in me, by you, and I will do my very best to ensure that AML3D delivers on its strategic objectives.

Yours sincerely

A handwritten signature in black ink that reads "Andrew Sales".

Andrew Sales
Managing Director