Innovaero Technologies Limited

ABN 98 638 938 897

Annual Report - For the year ended 30 June 2026

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Innovaero Technologies Limited
Corporate directory
30 June 2026

Directors	Vincenzo (Vince) Di Pietro AM, CSC – Non-Executive Chair Michael (Mike) von Bertouch – Executive Director Michael Hadlow – Non-Executive Director Gavin Martin – Non-Executive Director Rajarshi Ray – Non-Executive Director
Company secretaries	James Timonthy Bahen (appointed 11 May 2026) Rowan Michael Harland (appointed 11 May 2026)
Registered office and principal place of business	20 Weatherburn Way Kardinya WA 6163 AUSTRALIA
Share register	XCEND Pty Ltd Level 2, 477 Pitt Street Haymarket NSW 2000
Auditor	BDO Audit Pty Ltd Level 9, Mia Yellagonga Tower 2 5 Spring Street Perth WA 6000 Australia
Website	www.innov.aero

Innovaero Technologies Limited
Directors' report
30 June 2026

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of Innovaero Technologies Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2026.

Directors
The following persons were directors of Innovaero Technologies Limited during the financial year and up to the date of this report, unless otherwise stated:

Michael Von Bertouch
Gavin Paul Martin
Michael James Hadlow (appointed 25 November 2025)
Vincenzo Di Pietro (appointed 30 January 2026)
Rajarshi Ray (appointed 1 May 2026)

Information on directors

Name:	Vincenzo (Vince) Di Pietro AM, CSC
Title:	Non-Executive Chair (Independent)
Qualifications:	Master of Arts (Strategic Studies) from Deakin University and Graduate Certificate from the Royal Australian Navy Staff College.
Experience and expertise:	Mr Vincenzo (Vince) Di Pietro is an experienced executive, director general and former Royal Australian Navy Commodore with significant high-profile senior leadership experience. Mr Di Pietro's notable achievements include (but are not limited to) commanding one of the largest asset modernisation programs in Navy's Fleet Air Arm history, involving a $6.2 billion investment and 1,400 personnel. Following retirement from the Permanent Navy, Mr Di Pietro was appointed the Chief Executive of Lockheed Martin Australia and New Zealand. Mr Di Pietro oversaw the delivery completion of 24 MH60-R Seahawks, the first deliveries of F35A Joint Strike Fighter and signed contracts for the BYG-1 Combat Data System of Future Submarine, AEGIS Combat Data System in Hunter Class Frigate and AIR 5428 ADF Pilot Training System.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Member of People, Culture and Remuneration Committee
Interests in shares:	111,111 Ordinary Shares
Interests in options:	None

Name:	Michael (Mike) von Bertouch
Title:	Executive Director
Qualifications:	Australian Civil Aviation Safety Authority (CASA) Authorised Person, Bachelor of Engineering (Aerospace) with Honors from Royal Melbourne Institute of Technology and Master of Business Administration (Technology Management) from La Trobe University.
Experience and expertise:	Mr Michael (Mike) von Bertouch is an aerospace and mechanical systems engineer who has been involved in several innovative technology companies in Western Australia. Mr von Bertouch was a key participant in the launch of Nearmap (airborne camera array systems), developing the initial airborne technology and is the founder of Spookfish (now EagleView Australia), which was subsequently bought by US-based Eagleview Technologies in 2018, and the Innovaero Group's OWL family system of loitering munition. Mr von Bertouch is an executive director of the Company and operations director of Eagleview Technologies. Mr von Bertouch was previously a director of ASX listed company Spookfish Ltd (ASX:SFI).
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	None
Interests in shares:	87,420,144 Ordinary Shares
Interests in options:	None

Name:	Michael Hadlow
Title:	Non-Executive Director (Independent)
Qualifications:	Master of International Studies from the University of Sydney, Bachelor of Political Science (Hons) from the University of New South Wales and Advanced Diploma of Management from the Australian Defence College.
Experience and expertise:	Mr Michael Hadlow is a business leader and strategic consultant with over 25 years of experience spanning the Australian Defence Force, global financial institutions, and the defence consulting sector. Mr Hadlow combines operational credibility with executive leadership and an intimate understanding of the Japan–Australia strategic relationships. Mr Hadlow completed over 30 years of service in the Australian Army across a range of assignments to include five operational deployments overseas and three major domestic operations. From 2008 to 2012, Mr Hadlow was the defence attaché to Japan and continues to champion veteran issues and provide niche advice to the current leadership of the ADF. Mr Hadlow founded AMCER Pty Ltd in 2019 and has built a highly successful business that has been instrumental in Japan winning the SEA3000 project to provide General Purpose Frigates to the Royal Australian Navy. As the Principal Consultant of AMCER Pty Ltd, Mr Hadlow has supported a wide range of companies seeking to expand into new markets or improve business practices.
Other current directorships:	AMCER Pty Ltd, AMCER Technologies Pty Ltd
Former directorships (last 3 years):	None
Special responsibilities:	Member of the Audit and Risk Committee and member of People, Culture and Remuneration Committee
Interests in shares:	100,000 Ordinary Shares
Interests in options:	None

Name:	Gavin Martin
Title:	Non-Executive Director
Qualifications:	Bachelor of Commerce (Honours in Finance) from the University of Western Australia.
Experience and expertise:	Mr Gavin Martin is an experienced financial services executive and board director with a career spanning over 30 years in banking, risk management, governance and accounting. Mr Martin currently serves as a director on the Board of Malkara Investments Pty Ltd a private innovative technology investment company, where he provides strategic oversight and governance expertise. In 2025, Mr Martin became a significant shareholder of the Company and managed the transaction which resulted in BAE Systems returning control of 100% ownership of Innovaero Holdings Pty Ltd to the Company. Previously, Mr Martin held senior leadership roles at Credit Suisse for over 27 years, including as IB Strategic Risk Lead, Global Head of Operational Resiliency, Technology, Cyber, and Third-Party Risk, APAC Market and Liquidity Risk and Hong Kong CRO. His expertise covers financial risk, operational resilience, and regulatory compliance across global markets and Global M&A, with experience in Zurich, Hong Kong, Singapore, Tokyo and New York. Earlier in his career, he worked at PwC in audit and insolvency, including the Barings Investigation in Singapore.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Member of the Audit and Risk Committee
Interests in shares:	29,335,792 Ordinary Shares
Interests in options:	None

Name:	Rajarshi Ray
Title:	Non-Executive Director (Independent)
Qualifications:	Bachelor of Information Technology, Grad Certificate (Accounting) and is a Fellow of the Institute of Chartered Accountants; SA Fin and GAICD.
Experience and expertise:	Mr Rajarshi Ray has over 30 years' experience across finance, information technology, education, manufacturing and tourism sectors, having held senior management or CEO roles across Europe, Asia, North America and Australia. In addition to Mr Ray's executive roles, Mr Ray has lectured at a number of Australian universities in IT, Accounting and Law. He has authored and edited text books in accounting, and has been engaged by the Institute of Chartered Accountants and the Financial Services Institute of Australia to set their professional entry exams. Mr Ray has also served in non-executive director roles with Class Ltd (ASX:CL1); CSG Limited (ASX:CSV) and Livehire Ltd (ASX:LVH) and as chair of Kyckr Ltd (ASX:KYK). In addition, Mr Ray has also served as chair of the audit & risk committees, nomination and remuneration committees for these companies. Mr Ray is also involved in a number of not-for-profit boards in Agriculture, Tourism and Education.
Other current directorships:	Rasobi Pty Ltd, Silos Estate Foundation, Kloud Connect Pty Ltd
Former directorships (last 3 years):	Kyckr Pty Limited, Livehire Pty Ltd, CSG Pty Ltd
Special responsibilities:	Chair of the Audit and Risk Committee and chair of People, Culture and Remuneration Committee
Interests in shares:	444,444 Ordinary Shares
Interests in options:	None

Company secretaries
James Timonthy Bahen (appointed 11 May 2026)

Experience and expertise:

Mr James Bahen is a director and equity partner of SmallCap Corporate and chartered secretary who commenced his career in audit and assurance with an international chartered accounting firm.

Mr Bahen is currently a non-executive director and company secretary to a number of ASX-listed companies and has a broad range of corporate governance and capital markets experience, having been involved with public company listings, mergers and acquisitions transactions and capital raisings for ASX-listed companies across the resource industry.

Mr Bahen is a member of the Governance Institute of Australia and holds a Graduate Diploma of Applied Finance and a Bachelor of Commerce degree majoring in accounting and finance.

Rowan Michael Harland (appointed 11 May 2026)

Experience and expertise:

Mr Rowan Harland is a Corporate Advisory Executive at SmallCap Corporate, a boutique corporate advisory firm based in Perth, Western Australia. Mr Harland currently serves as Company Secretary to a number of listed and unlisted companies across Australia and internationally, with experience spanning a broad range of domestic and cross-border transactions and capital raisings.

Mr Harland is a member of the Governance Institute of Australia and holds a Master of Finance and Bachelor of Commerce degree from Curtin University.

Meetings of directors
The number of meetings of directors (including meetings of committees of directors) held during the year ended 30 June 2026, and the number of meetings attended by each director were:

	Directors meetings Attended	Directors meetings Held	People, Culture and Remuneration committee Attended	People, Culture and Remuneration committee Held	Audit and risk committee Attended	Audit and risk committee Held
Michael Von Bertouch	4	4	-	-	-	-
Gavin Paul Martin	4	4	-	-	1	1
Michael James Hadlow	4	4	1	1	1	1
Vincenzo Di Pietro	2	2	1	1	-	-
Rajarshi Ray	2	2	1	1	1	1

Principal activities
The principal activities of the Group during the year were to provide aviation product design, certification and production as well as aircraft overhaul: maintenance and repair operations. There were no significant changes in nature of the activities of the Group during the year.

Dividends
There were no dividends paid, recommended or declared during the current or previous financial year.

Future climate reporting obligations
AASB S2 'Climate-related Disclosures' sets out specific climate related disclosures. It applies to entities required to prepare and lodge a financial report with ASIC under Chapter 2M and is effective for different entities based on certain criteria. This mandatory sustainability reporting may be applicable for the Company for the first time for the year ending 30 June 2027.

Review of operations
The loss for the Group after providing for income tax amounted to $5,917,000 (30 June 2025: loss of $932,000). The Group had net liabilities of $516,000 (30 June 2025: net assets of $2,288,000). The Group progressed preparations for a proposed listing on the Australian Securities Exchange, including conversion to a public company, adoption of the Innovaero Technologies Limited name, appointment of a new Chief Executive Officer, establishment of a broader Board with independent non-executive representation and appointment of experienced company secretaries. These initiatives strengthened the Group's governance, reporting and capital-markets readiness.

Significant changes in the state of affairs
On 11 December 2025, the Company acquired a 51% shareholding in Innovaero Holdings Pty Limited from BAE Systems Australia Limited, increasing the Company's shareholding in Innovaero Holdings Pty Limited from 49% to 100%. Consideration paid for the acquisition comprised cash of $8,000,000. At acquisition date, amounts were also paid by the Company in settlement of Innovaero Holdings Pty Limited pre-existing loans payable of $4,124,014 and costs payable to BAE Systems Australia Limited of $650,000. The acquisition and settlement of loans were financed by a $17,000,000 convertible note issuance.

Goodwill of $11,653,000 was recognised representing the expected synergies, future profitability and workforce from merging the business.

In October 2025, Innovaero Holdings Pty Ltd was awarded an 18-month $20,800,000 Talon Strike contract by ADF's Advanced Strategic Capabilities Accelerator.

Greg Tunny was appointed Chief Executive Officer on 12 December 2025 in preparation for listing on the Australian Securities Exchange.

In preparation for listing on the Australian Securities Exchange, company secretaries James Timonthy Bahen and Rowan Michael Harland were appointed by the Company on 11 May 2026.

The Company converted from a private incorporated company to a public incorporated company on 29 April 2026 and changed its name to Innovaero Technologies Limited from Aerovation Technologies Pty Ltd on 26 May 2026.

A new entity, Innovaero IP Pty Ltd, was incorporated on 29 April 2026, which is 100% directly owned by Innovaero Technologies Limited.

There were no other significant changes in the state of affairs of the Group during the financial year.

Matters subsequent to the end of the financial year
On 18 August 2026, the Group received approval on the Prospectus lodged with ASIC for the offer of 80 million shares at an issue price of $0.50 each to raise $40 million.

Other than outlined above, no other matter or circumstance has arisen since 30 June 2026 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Likely developments and expected results of operations
Key areas of focus over the next financial year are expected to include:

(i) successful progression of OWL-B to production and scaling of manufacturing capacity; the movement of the OWL-B into production including the scaling up production capacity to enable large volumes of systems to be delivered to the Department of Defence;

(ii) continued defence contract funding; for the OWL family of systems to add product capabilities and further develop OWL-X and other OWL derivative systems.

(iii) expansion of the crewed aircraft systems, including MRO and delivery of additional camera systems to Eagleview; and

(iv) expansion of OWL family of systems into International markets, including US, Japan, Europe and the UK.

Environmental regulation
The Group is not subject to any significant environmental regulation under Australian Commonwealth or State law.

Share options
There were no ordinary shares of Innovaero Technologies Limited issued on the exercise of options during the year ended 30 June 2026 and up to the date of this report.

At 30 June 2026 and up to the date of this report, the following share options were under issue:

Description	Exercise price
3,816,794 options	$0.1965

Performance rights
As at the date of this report, there were 1,000,000 unissued ordinary shares under performance rights. Further details of the performance rights are included in note 42 of the financial statements. During the year, no performance rights have been exercised.

Indemnity and insurance of officers
The Company has indemnified the directors and executives of the Company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the year, the Company paid a premium in respect of a contract to insure the directors and executives of the Company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Indemnity and insurance of auditor
The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

Proceedings on behalf of the Company
No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

Non-audit services
Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 31 to the financial statements.

The Directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

Auditor's independence declaration
A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

Rounding of amounts
The Company is of a kind referred to in Corporations Instrument 2026/183, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors

Vincenzo (Vince) Di Pietro AM, CSC	Rajarshi M. Ray
21 September 2026	21 September 2026

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DECLARATION OF INDEPENDENCE BY ASHLEIGH WOODLEY TO THE DIRECTORS OF INNOVAERO TECHNOLOGIES LIMITED

As lead auditor of Innovaero Technologies Limited (the Company) and its subsidiaries (the Group), for the year ended 30 June 2026, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Innovaero Technologies Limited and the entities it controlled during the period.

Ashleigh Woodley

Director

BDO Audit Pty Ltd

Perth

21 September 2026

Innovaero Technologies Limited
Consolidated statement of profit or loss and other comprehensive income
For the year ended 30 June 2026

	Note	Consolidated 2026 $'000	Consolidated 2025 $'000
Revenue	5	10,067	-
Cost of sales		(7,071)	-
Gross profit		2,996	-
Other income		167	-
Share of profits/(losses) of associates accounted for using the equity method		296	(72)
Expenses			
General and administration expenses	6	(5,895)	(764)
Fair value losses on derivative financial instruments	24	(2,156)	-
Remeasurement of previously held interest in associate		(705)	-
Operating loss		(5,297)	(836)
Finance income	7	110	13
Finance costs	7	(730)	(109)
Loss before income tax expense		(5,917)	(932)
Income tax expense	8	-	-
Loss after income tax expense for the year		(5,917)	(932)
Other comprehensive income for the year, net of tax		-	-
Total comprehensive loss for the year		(5,917)	(932)
		$	**$**
Loss per share for loss attributable to the ordinary equity holders of the company:			
Basic loss per share	9	(0.035)	(0.007)
Diluted loss per share	9	(0.035)	(0.007)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Innovaero Technologies Limited
Consolidated statement of financial position
As at 30 June 2026

	Note	Consolidated 2026 $'000	Consolidated 2025 $'000
Assets			
Current assets			
Cash and cash equivalents	10	11,627	71
Trade and other receivables	11	5,170	43
Contract assets	12	94	-
Inventories	13	4,233	-
Income tax receivables		-	11
Other assets	15	1,301	6
Total current assets		22,425	131
Non-current assets			
Investments accounted for using the equity method	14	-	6,322
Property, plant and equipment	17	698	-
Right-of-use assets	16	1,280	-
Intangibles	18	13,990	-
Other assets	15	-	10
Total non-current assets		15,968	6,332
Total assets		38,393	6,463
Liabilities			
Current liabilities			
Trade and other payables	19	2,108	1,181
Contract liabilities	20	11,729	-
Borrowings	21	-	2,994
Lease liabilities	22	347	-
Provisions	23	856	-
Financial liabilities	24	18,844	-
Other financial liabilities	25	3,750	-
Total current liabilities		37,634	4,175
Non-current liabilities			
Lease liabilities	22	1,077	-
Provisions	23	198	-
Total non-current liabilities		1,275	-
Total liabilities		38,909	4,175
Net (liabilities)/assets		(516)	2,288
Equity			
Issued capital	26	6,977	4,841
Reserves	27	1,145	168
Accumulated losses		(8,638)	(2,721)
Total (deficiency)/equity		(516)	2,288

The above consolidated statement of financial position should be read in conjunction with the accompanying notes

Innovaero Technologies Limited
Consolidated statement of changes in equity
For the year ended 30 June 2026

Consolidated	**Issued capital $'000**	**Share-based payments reserve $'000**	**Accumulated losses $'000**	**Total equity $'000**
Balance at 1 July 2024	3,671	168	(1,789)	2,050
Loss after income tax expense for the year	-	-	(932)	(932)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive loss for the year	-	-	(932)	(932)
Transactions with owners in their capacity as owners:				
Shares issued (note 26)	1,170	-	-	1,170
Balance at 30 June 2025	4,841	168	(2,721)	2,288

Consolidated	**Issued capital $'000**	**Share-based payments reserve $'000**	**Accumulated losses $'000**	**Total deficiency in equity $'000**
Balance at 1 July 2025	4,841	168	(2,721)	2,288
Loss after income tax expense for the year	-	-	(5,917)	(5,917)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive loss for the year	-	-	(5,917)	(5,917)
Transactions with owners in their capacity as owners:				
Shares issued (note 26)	2,136	-	-	2,136
Share-based payments (note 42)	-	977	-	977
Balance at 30 June 2026	6,977	1,145	(8,638)	(516)

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes

Innovaero Technologies Limited
Consolidated statement of cash flows
For the year ended 30 June 2026

	Note	Consolidated 2026 $'000	2025 $'000
Operating activities			
Receipts from customers (inclusive of GST)		10,191	-
Payments to suppliers and employees (inclusive of GST)		(12,452)	(416)
Interest received		110	13
Interest paid		(77)	-
Net cash used in operating activities	39	(2,228)	(403)
Investing activities			
Purchase of business, net of cash acquired	36	3,598	-
Purchase of property, plant and equipment	17	(211)	-
Payment for investment in associate		-	(980)
Net cash from/(used in) investing activities		3,387	(980)
Financing activities			
Proceeds from issue of shares	26	900	1,170
Repayment of borrowings	21	(5,448)	-
Proceeds from borrowings		-	216
Repayment of lease liabilities		(130)	-
Transaction costs associated with capital raising		(951)	-
Proceeds from convertible notes issued, net of transaction costs	24	16,026	-
Net cash from financing activities		10,397	1,386
Net increase in cash and cash equivalents		11,556	3
Cash and cash equivalents at the beginning of the financial year		71	68
Cash and cash equivalents at the end of the financial year	10	11,627	71

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes

Note 1. General information

The financial statements cover Innovaero Technologies Limited as a Group consisting of Innovaero Technologies Limited and the entities it controlled at the end of, or during, the year. The financial statements are presented in Australian dollars, which is Innovaero Technologies Limited's functional and presentation currency.

Innovaero Technologies Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

20 Weatherburn Way
Kardinya WA 6163

A description of the nature of the Group's operations and its principal activities is included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 21 September 2026. The directors have the power to amend and reissue the financial statements.

Note 2. Material accounting policy information

The accounting policies that are material to the Group are set out either in the respective notes or below. The accounting policies adopted are consistent with those of the previous financial year, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Basis of preparation

These general purpose consolidated financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with IFRS Accounting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention

The financial statements have been prepared under the historical cost convention except for derivative financial liabilities - measured at fair values.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

Going concern

The financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of business.

As presented in the financial statements, the entity incurred a loss after tax of $5,917,000, and had net cash outflows from operating activities of $2,228,000 for the year ended 30 June 2026. As at that date the entity had net current liabilities of $15,209,000, and net liabilities of $516,000.

Notwithstanding these events and conditions, the Directors believe that the entity will continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the financial report after consideration of the following factors:

Note 2. Material accounting policy information (continued)

- The Group is actively progressing its IPO and has successfully raised $40,000,000. The proceeds will be available in September 2026, subject to completion of the listing conditions. Management's cash flow forecasts indicate that the Group will maintain a positive cash position over the forecast period, including after allowing for committed operating and investment expenditure.

- Convertible note holders are contractually expected to convert their notes into equity as the Group is expected to achieve listing status in September 2026. The conversion into equity will effectively reduce the Group's financial liabilities and future cash servicing requirements related to the convertible notes.

- Management has assessed there to be significant revenue pipeline, including the high likelihood of a Talon Strike production contract post design and certification, which is expected to support future operating cash inflows.

- Management continue to monitor forecast performance, expenditure and available funding and have the ability to defer or reduce discretionary expenditure if required.

Parent entity information
In accordance with the Corporations Act 2001, these financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in note 35.

Rounding of amounts
The Company is of a kind referred to in Corporations Instrument 2026/183, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

New Accounting Standards and Interpretations not yet mandatory or early adopted
Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 30 June 2026. The Group's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Group, are set out below.

AASB 18 Presentation and Disclosure in Financial Statements
This standard is applicable to annual reporting periods beginning on or after 1 January 2027 and early adoption is permitted. The standard replaces AASB 101 'Presentation of Financial Statements', with many of the original disclosure requirements retained and there will be no impact on the recognition and measurement of items in the financial statements. But the standard will affect presentation and disclosure in the financial statements, including introducing five categories in the statement of profit or loss and other comprehensive income: operating, investing, financing, income taxes and discontinued operations. The standard introduces two mandatory sub-totals in the statement: 'Operating profit' and 'Profit before financing and income taxes'. There are also new disclosure requirements for 'management-defined performance measures', such as earnings before interest, taxes, depreciation and amortisation ('EBITDA') or 'adjusted profit'. The standard provides enhanced guidance on grouping of information (aggregation and disaggregation), including whether to present this information in the primary financial statements or in the notes. The consolidated entity will adopt this standard for periods commencing on or after 1 January 2027 and it is expected that there will be a significant change to the layout of the statement of profit or loss and other comprehensive income.

Note 3. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, that management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year, are discussed below.

Note 3. Critical accounting judgements, estimates and assumptions (continued)

Share-based payment transactions
The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using the Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. A key estimate in determining the fair value of equity instruments is the underlying share price used in the valuation, particularly where the Group's shares are not publicly traded and the share price is determined using valuation techniques. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Revenue recognition
The Group accounts for revenue in accordance with AASB 15: *Revenue from Contracts with Customers*. Revenue from certain contracts is recognised progressively over time as costs are incurred, and as risks have been mitigated or retired. The ultimate profitability of contracts is based on estimates of revenue and costs, including allowances for technical and other risks, which are reliant on the knowledge and experience of the Group’s project managers, engineers and finance and commercial professionals. Material changes in these estimates could affect the profitability of individual contracts. Revenue and cost estimates are reviewed and updated at least quarterly, and more frequently as determined by events or circumstances.

Provision for impairment of inventories
In determining the provision for impairment, management considers the age and condition of inventory, historical and forecast usage, remaining useful life, technological or design changes, customer and production requirements, estimated completion or rectification costs, and the availability and market value of comparable items.

Changes in expected production requirements, customer demand, technological specifications or the estimated costs required to bring inventory into a saleable or usable condition may result in a material adjustment to the carrying amount of inventory in a future reporting period.

Fair value measurement hierarchy
The Group is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being: Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date; Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in, can be subjective.

The fair value of assets and liabilities classified as level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs.

Fair value of derivative liabilities
The Group applies judgement in determining whether contracts contain embedded derivatives that require separation from a host contract. In addition, when determining fair value of derivative financial instruments, management applies valuation models and estimates assumptions that market participants would use in pricing the instruments. Where derivatives financial instruments are assessed as Level 3 instruments, significant unobservable inputs are used and changes in these inputs may materially affect the reported fair values and profit and loss recognised during the period.

Estimation of useful lives of assets
The Group determines the estimated useful lives and related amortisation charges for its finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Impairment of goodwill
The Group assesses impairment of goodwill at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

Note 3. Critical accounting judgements, estimates and assumptions (continued)

Income tax
Management exercises judgement in applying the requirements of AASB 112 when assessing the recognition of deferred tax assets arising from carried forward tax losses. Deferred tax assets are recognised only where the relevant recognition criteria are satisfied. At the reporting date, the Group has not recognised deferred tax assets in respect of tax losses.

Business combinations
Business combinations are initially accounted for on a provisional basis. The fair value of assets acquired, liabilities and contingent liabilities assumed are initially estimated by the Group taking into consideration all available information at the reporting date. Fair value adjustments on the finalisation of the business combination accounting is retrospective, where applicable, to the period the combination occurred and may have an impact on the assets and liabilities, depreciation and amortisation reported.

Where a business combination is achieved in stages and control is obtained, the Group is required to remeasure its previously held equity interest to fair value at the acquisition date and recognise any resulting gain or loss in profit or loss. Significant judgement was applied in selecting the appropriate valuation methodology and determining the assumptions that market participants would use in pricing the previously held interest.

Note 4. Segment information

The Group is required to determine and present its operating segments based on the way in which financial information is organised and reported to the chief operating decision-makers (CODM). The CODM have been identified as the Chief Executive Officer (CEO) and Chief Financial Officer (CFO) of the Group on the basis that they make the key operating decisions of the Group and are responsible for allocating resources and assessing performance.

The Group has considered its internal reporting framework, management and operating structure and the Directors' conclusion is that the Group has one operating segment being engineering services, operating in one geographical location, Australia. The Group's key customer is Commonwealth of Australia which is located in Australia.

The Group is reliant on a major external customer within the government sector. For the financial year ended 30 June 2026, revenue generated from a single government department accounted for approximately 76% of the Company's total revenue, amounting to $7,683,915. This revenue is entirely attributable to the one operating segment being, the engineering services segment.

Accounting policies for operating segments
Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance. The Group operates within one operating segment, being engineering services, operating in one geographical location, Australia.

Note 5. Revenue

	Consolidated	
	2026 $'000	2025 $'000
Revenue from rendering of services	10,067	-

Note 5. Revenue (continued)

Disaggregation of revenue
The disaggregation of revenue from contracts with customers is as follows:

	Consolidated	
	2026	**2025**
	$'000	**$'000**
Major product lines		
Uncrewed systems, Loitering Munitions	9,228	-
Crewed Aviation Maintenance and Repair	839	-
	10,067	-
Geographical regions		
Australia	10,067	-
Timing of revenue recognition		
Services transferred at a point in time	870	-
Services transferred over time	9,197	-
	10,067	-

	Consolidated	
	2026	**2025**
	$'000	**$'000**
Assets related to contracts with customers	94	-
Liabilities related to contracts with customers	(11,729)	-

Movements in assets and liabilities related to contracts with customers, and net revenue recognised in relation to contract liabilities arise due to the increase in the Group's shareholding in Innovaero Holdings Pty Limited from 49% to 100% on 11 December 2025.

Contract assets of $94,000 arise primarily due to revenue recognised in advance of the Group obtaining an unconditional right to consideration. Contract liabilities of $11,729,000 arise primarily due to customer consideration received in advance of the satisfaction of performance obligations under long-term customer contracts. The balance will be recognised as revenue as the related services are provided to customers in future reporting periods.

Movement in contract balances during the year was not impacted by any material contract modifications, impairments of contract assets, or cumulative catch-up adjustments.

Net revenue recognised in relation to contract liabilities was $3,344,000 (2025: nil).

Note 5. Revenue (continued)

Accounting policy for revenue recognition

Revenue from contracts with customers

Revenue represents income derived from contracts for the provision of goods and services by the Group to customers in exchange for consideration in the ordinary course of the Group's activities.

Upon approval by the parties to a contract, the contract is assessed to identify each promise to transfer either a distinct good or service or a series of distinct goods or services that are substantially the same and have the same pattern of transfer to the customer. Goods and services are distinct and accounted for as separate performance obligations in the contract if the customer can benefit from them either on their own or together with other resources that are readily available to the customer, and they are separately identifiable in the contract.

At the start of the contract, the total transaction price is estimated as the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods and services to the customer, excluding sales taxes. Variable consideration, such as price escalation, is included based on the expected value or most likely amount only to the extent that it is highly probable that there will not be a reversal in the amount of cumulative revenue recognised.

Revenue is recognised as performance obligations are satisfied and control of the goods and services is transferred to the customer. For each performance obligation within a contract, the Group determines whether it is satisfied over time or at a point in time.

For performance obligations satisfied over time, revenue is recognised progressively as the Group performs under the contract. Where appropriate, revenue is measured using a cost-to-cost input method, being the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs. The directors consider this method to be an appropriate measure of progress towards complete satisfaction of these performance obligations under AASB 15 *Revenue from Contracts with Customers*.

For performance obligations satisfied at a point in time, revenue is recognised when control of the goods or services transfers to the customer, which generally occurs upon delivery, acceptance, or when the customer obtains the ability to direct the use of and obtain substantially all of the remaining benefits from the goods or services.

Note 6. General and administration expenses

	Consolidated	
	2026	**2025**
	$'000	**$'000**
Employee expenses	1,815	-
Professional fees	1,299	761
Other expenses	1,187	2
Share-based payment expense	635	-
Filing and registrations fees	570	1
Depreciation expenses	234	-
Amortisation expenses	155	-
	5,895	764

Note 7. Finance income and finance costs

	Consolidated	
	2026	**2025**
	$'000	**$'000**
Finance income:		
Interest income	110	13

Note 7. Finance income and finance costs (continued)

Finance expense:		
Interest expense - shareholder loans	45	109
Interest expense - lease liabilities	23	-
Interest expense - convertible notes	662	-
	730	109

Accounting policy for interest income
Interest income is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Accounting policy for finance costs
Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

Note 8. Income tax expense

	Consolidated	
	2026	**2025**
	$'000	**$'000**
Income tax expense		
Current tax	-	-
Aggregate income tax expense	-	-
Numerical reconciliation of income tax expense and tax at the statutory rate		
Loss before income tax expense	(5,917)	(932)
Tax at the statutory tax rate of 25% (2025: 30%)	(1,479)	(280)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Non deductible expenses	1,005	24
Temporary differences not brought to account	474	256
Income tax expense	-	-

Note 8. Income tax expense (continued)

	Consolidated 2026 $'000	2025 $'000
Deferred income tax at 30 June relates to the following:		
Deferred tax assets/(liabilities)		
Inventories/stock and work in progress	174	-
Right of use assets	(320)	-
Accrued expenses	160	-
Intangible assets	(603)	-
Revenue losses	589	-
Net deferred tax asset/(liability)	-	-
Unrecognised Deferred Tax Assets at 30 June relates to the following:		
Revenue losses	334	546
Transferred losses	2,154	2,585
Provisions	263	-
Leave liabilities	356	-
Blackhole expenditure	579	162
	3,686	3,293

The Group has tax losses of $3,076,882 (gross $12,307,528 tax effected at 25%) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. The tax losses have not been recognised in the statement of financial position. These tax losses can only be utilised in the future if the continuity of ownership test is passed, or failing that, the same business test is passed.

The benefit of deferred tax assets not brought to account will only be brought to account if:
- future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised;
- the conditions for deductibility imposed by tax legislation continue to be complied with; and
- no changes in tax legislation adversely affect the Group in realising the benefit.

Note 9. Earnings per share

Both the basic and diluted earnings per share have been calculated using the profit or loss attributable to shareholders of the parent company as the numerator (i.e. no adjustments to the loss were necessary in the prior year).

The reconciliation of the weighted average number of shares for the purposes of diluted earnings per share to the weighted average number of ordinary shares used in the calculation of basic earnings per share is as follows:

	2026 $	2025 $
Loss per share		
Basic loss per share from continuing operations	(0.035)	(0.007)
Diluted loss per share		
Diluted loss per share from continuing operations	(0.035)	(0.007)

	Consolidated 2026 $'000	2025 $'000
Loss after income tax	(5,917)	(932)

	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	169,798,010	132,011,018
Weighted average number of ordinary shares used in calculating diluted earnings per share	169,798,010	132,011,018

Note 9. Earnings per share (continued)

Share options have not been included in the diluted EPS calculation because they are anti-dilutive.

Note 10. Cash and cash equivalents

	Consolidated	
	2026 $'000	2025 $'000
Current assets		
Cash at bank	11,627	71

Accounting policy for cash and cash equivalents
Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Note 11. Trade and other receivables

	Consolidated	
	2026 $'000	2025 $'000
Current assets		
Trade receivables	653	-
Grant funds escrow account (i)	3,750	-
Interest receivables in escrow	173	-
GST receivables	-	43
Other receivables	594	-
	5,170	43

(i) The Group is a party to a Financial Assistance Agreement under the Investment Attraction Fund (IAF) – Defence Industry with the Minister for State and Industry Development, Jobs and Trade (Western Australia) whereby the State of Western Australia has provided a grant on an amount of up to $7,500,000 (exclusive of GST) (Grant) to fund the design, construction and fit-out of an engineering, production and operations facility. The Company has drawn down (but not expended) 50% of the Grant which is held in an escrow account (accruing interest each month) pending the Group progressing with the construction of the facility. If the Group does not proceed with the construction of the facility, the Group will be obligated to repay the Grant amount drawn down to the State of Western Australia.

All trade receivables at 30 June 2026 were collected on time. There are no overdue trade receivables.

Accounting policy for trade and other receivables
Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The Group has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

Note 12. Contract assets

	Consolidated	
	2026	**2025**
	$'000	**$'000**
Current assets		
Contract assets	94	-

Reconciliation
Reconciliation of the written down values at the beginning and end of the current and previous financial year are set out below:

Opening balance	-	-
Additions through business combinations (note 36)	3,357	-
Transfer to trade receivables	(3,263)	-
Closing balance	94	-

Accounting policy for contract assets
Contract assets are recognised when the Group has transferred goods or services to the customer but where the Group is yet to establish an unconditional right to consideration. Contract assets are treated as financial assets for impairment purposes.

Note 13. Inventories

	Consolidated	
	2026	**2025**
	$'000	**$'000**
Current assets		
Work in progress	514	-
Stock on hand	4,417	-
Less: Provision for impairment	(698)	-
	4,233	-

Amounts recognised in profit or loss:
Inventories recognised as an expense during the year amounted to $5,356,164 (2025: nil). These were included in cost of goods sold. Write-downs of inventories to net realisable value amounted to nil (2025: nil). These were recognised as an expense during the year and included in cost of goods sold in the statement of profit or loss.

Accounting policy for inventories
Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. The costs of individual items of inventory are determined using weighted average costs. Volume rebates or discounts are taken into account when estimating the cost of inventory if it is probable that they have been earned and will take effect. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Note 14. Investments accounted for using the equity method

	Consolidated	
	2026 $'000	2025 $'000
Non-current assets		
Investment in Innovaero Holdings Pty Ltd	-	6,322

Reconciliation
Reconciliation of the carrying value at the beginning and end of the current and previous financial year are set out below:

	2026 $'000	2025 $'000
Opening carrying value	6,322	5,414
Additions	282	980
Share of profit or loss	296	(72)
Derecognition on consolidation as a subsidiary	(6,900)	-
Closing carrying value	-	6,322

On 11 December 2025, the Company acquired a 51% shareholding in Innovaero Holdings Pty Ltd from BAE Systems Australia Limited, increasing the Company's shareholding in Innovaero Holdings Pty Ltd from 49% to 100%.

Accounting policy for investment in associates
The group holds an investment in an associate accounted for using the equity method.

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

They are initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and OCI of equity accounted investees, until the date on which significant influence ceases.

Note 15. Other assets

	Consolidated	
	2026 $'000	2025 $'000
Current assets		
Prepayments	1,301	-
Other deposits	-	6
	1,301	6
Non-current assets		
Loan to related party (i) (note 34)	-	10

(i) This is an intercompany loan receivable from Innovaero Pty Ltd, which is unsecured and repayable on demand. At 30 June 2026, the intercompany loan receivable is eliminated.

Note 16. Right-of-use assets

	Consolidated	
	2026 $'000	2025 $'000
Non-current assets		
Right-of-use assets	1,280	-

Note 16. Right-of-use assets (continued)

The Group leases buildings for its offices and production purposes under agreements of between 4 to 29 years with, in some cases, options to extend.

Reconciliations
Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Right-of-use assets $'000
Balance at 1 July 2025	-
Additions through business combinations (note 36)	1,399
Depreciation expense	(119)
Balance at 30 June 2026	1,280

Accounting policy for right-of-use assets
A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Group expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The Group has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

Note 17. Property, plant and equipment

	Consolidated 2026 $'000	Consolidated 2025 $'000
Non-current assets		
Leasehold improvements - at cost	464	-
Less: Accumulated depreciation	(319)	-
	145	-
Plant and equipment - at cost	647	15
Less: Accumulated depreciation	(309)	(15)
	338	-
Hardware - at cost	437	-
Less: Accumulated depreciation	(292)	-
	145	-
Motor vehicles - at cost	310	-
Less: Accumulated depreciation	(240)	-
	70	-
Furniture and fittings - at cost	20	-
Less: Accumulated depreciation	(20)	-
	-	-
	698	-

Reconciliations
Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Plant and equipment and motor vehicles $'000	Office furniture and equipment hardware $'000	Leasehold improvements $'000	Total $'000
Balance at 1 July 2024	-	-	-	-
Balance at 30 June 2025	-	-	-	-
Additions	120	91	-	211
Additions through business combinations (note 36)	335	93	174	602
Depreciation expense	(47)	(39)	(29)	(115)
Balance at 30 June 2026	408	145	145	698

Accounting policy for property, plant and equipment
Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Leasehold improvements	2-10 years
Plant and equipment and motor vehicles	2-10 years
Office furniture and equipment hardware	2-10 years

Note 17. Property, plant and equipment (continued)

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

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Group. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

Assets are tested for impairment whenever events and changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Subsequent expenditure
Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Note 18. Intangibles

	Consolidated	
	2026 $'000	**2025 $'000**
Non-current assets		
Goodwill - at cost	11,653	-
Intellectual property - at cost	2,492	-
Less: Accumulated amortisation	(155)	-
	2,337	-
	13,990	-

Reconciliations
Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	**Goodwill $'000**	**Intellectual property $'000**	**Total $'000**
Balance at 1 July 2024	-	-	-
Balance at 30 June 2025	-	-	-
Additions through business combinations (note 36)	11,653	2,492	14,145
Amortisation expense	-	(155)	(155)
Balance at 30 June 2026	11,653	2,337	13,990

Note 18. Intangibles (continued)

Impairment testing of goodwill

Goodwill is monitored by management at the lowest level of the cash-generating unit (CGU) identified for the purpose of impairment testing, which is Innovaero Pty Ltd.

The carrying amount of goodwill allocated to the CGU:

	Consolidated	
	2026 $'000	**2025 $'000**
Goodwill	11,653	-
Total	11,653	-

For the year ended 30 June 2026, the recoverable amount of the CGU was based on its value in use, determined by discounting the future cash flows to be generated from the continuing use of the CGU.

The cash flow projections reflect management's expectations of future production volumes, revenue growth and operating performance, taking into account historical performance, anticipated increases in production capacity and utilisation, domestic market demand and future export opportunities. The cash flow projections cover a five-year period from FY27 to FY31, with FY27 to FY29 based on management's forecasts and FY30 to FY31 reflecting expected annual revenue growth of 10% as the business transitions from development activities into increased production and commercial output.

The key assumptions used in determining value in use were:

	2026	**2025**
Discount rate	14.50%	-
Terminal growth rate	2.50%	-
Forecasted revenue growth rate (average of next five years)	131.61%	-
Forecasted margin growth rate (average of next five years)	10.44%	-

The discount rate was a pre-tax measure based on the rate of 10-year government bonds issued by the Government in the relevant market and in the same currency as the cash flows, adjusted for a risk premium to reflect both the increased risk of investing in equities generally and the systematic risk of the specific CGU.

A long-term growth rate into perpetuity of 2.5% has been determined having regard to long-term Australian inflation expectations and expected long-term economic growth.

The recoverable amount of the CGU exceeded its carrying amount and accordingly no impairment loss was recognised at 30 June 2026.

The estimated recoverable amount of the CGU exceeded its carrying amount by approximately $54,351,000 for the year 2026. Management considered reasonably possible changes in the key assumptions used in the impairment assessment under which the carrying amount can exceed recoverable amount. Under a reasonable sensitivity scenario applied, the estimated recoverable amount would continue to exceed the carrying amount by $6,783,000. Accordingly, management determined that no reasonably possible change in a key assumption would cause the carrying amount of the CGU to exceed its recoverable amount. The following table shows the amount by which relevant key assumptions would need to change individually for the sensitivity scenario to be applied:

	2026 (NPV)	**2025 (NPV)**
Discount rate (+2%/-2%)	40.81m / 70.77m	-
Forecasted revenue growth rate (average of next five years) (+2%/-2%)	66.23m / 40.15m	-
Forecasted margin growth rate (average of next five years) (+2%/-2%)	74.50m / 67.60m	-

Note 18. Intangibles (continued)

Accounting policy for intangible assets
Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Goodwill
Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

The Group performs impairment testing annually on goodwill and considers its market value and other factors to determine if any indicators of impairment exist.

Intellectual property
Significant costs associated with intellectual property are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 8 years.

Management uses judgement to assess whether any impairment indicators exist for intangible assets. The impairment indicators are reviewed at each reporting period. In 2026, no impairment was noted (2025: nil).

Note 19. Trade and other payables

	Consolidated	
	2026	**2025**
	$'000	**$'000**
Current liabilities		
Trade payables	542	488
GST payables	527	-
Other payables	1,039	693
	2,108	1,181

Accounting policy for trade and other payables
These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Note 20. Contract liabilities

	Consolidated 2026 $'000	Consolidated 2025 $'000
Current liabilities		
Contract liabilities	11,729	-

Reconciliation
Reconciliation of the written down values at the beginning and end of the current and previous financial year are set out below:

	2026 $'000	2025 $'000
Opening balance	-	-
Additions through business combinations (note 36)	15,073	-
Net transfer to revenue	(3,344)	-
Closing balance	11,729	-

Unsatisfied performance obligations
The aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied at the end of the reporting period was $11,729,000 as at 30 June 2026 ($nil as at 30 June 2025) and is expected to be recognised as revenue in future periods as follows:

	Consolidated 2026 $'000	Consolidated 2025 $'000
Within 6 months	10,973	-
6 to 12 months	756	-
	11,729	-

Accounting policy for contract liabilities
Contract liabilities represent the Group's obligation to transfer goods or services to a customer and are recognised when a customer pays consideration, or when the Group recognises a receivable to reflect its unconditional right to consideration (whichever is earlier) before the Group has transferred the goods or services to the customer.

Note 21. Borrowings

	Consolidated 2026 $'000	Consolidated 2025 $'000
Current liabilities		
Loan from related parties	-	2,994

Refer to note 28 for further information on financial instruments.

Note 21. Borrowings (continued)

Financing arrangements
Unrestricted access was available at the reporting date to the following lines of credit:

	Consolidated	
	2026 $'000	2025 $'000
Total facilities		
Loans from related parties	-	2,994
Used at the reporting date		
Loans from related parties	-	2,994
Unused at the reporting date		
Loans from related parties	-	-

Related-party borrowings are unsecured, with an interest rate of 3.897% (30 June 2025: 3.897%) and were fully repaid on 2 April 2026. During the year, 8,451,200 ordinary shares were issued to a director owned entity arising from conversion of $1,660,661 of loans on 7 October 2025.

Note 22. Lease liabilities

	Consolidated	
	2026 $'000	2025 $'000
Current liabilities		
Lease liability	347	-
Non-current liabilities		
Lease liability	1,077	-

Refer to note 28 for further information on financial instruments.

Accounting policy for lease liabilities
A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Note 23. Provisions

	Consolidated	
	2026	2025
	$'000	$'000
Current liabilities		
Employee benefits	856	-
Non-current liabilities		
Employee benefits	114	-
Lease make good	84	-
	198	-

Accounting policy for provisions
Provisions are recognised when the Group has a present (legal or constructive) obligation as a result of a past event, it is probable the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

Accounting policy for employee benefits

Short-term employee benefits
Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits
The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Note 24. Financial liabilities

	Consolidated	
	2026	2025
	$'000	$'000
Current liabilities		
Convertible notes - at amortised cost	13,333	-
Derivative financial instruments - embedded derivatives	5,511	-
	18,844	-

Note 24. Financial liabilities (continued)

	Consolidated	
	2026	**2025**
	$'000	**$'000**
Reconciliation table for host liability		
Opening balance of host liability	-	-
Face value of notes issued during the year (i)	17,050	-
Value of derivative conversion feature at issue date	(3,355)	-
Transaction costs	(1,024)	-
Subtotal for host liability	12,671	-
Interest accrued for the year	662	-
Closing balance of host liability at the end of the year	13,333	-

(i) Of this amount $50,453 was received before 1 July 2025 and recognised as Other Payables (note 19) at 30 June 2025.

	Consolidated	
	2026	**2025**
	$'000	**$'000**
Reconciliation table for financial instruments		
Opening balance of derivative financial instruments	-	-
Value of derivative conversion feature at issue date of convertible notes	3,355	-
Fair value movement on derivative financial instruments for the year	2,156	-
Closing balance for derivative financial instruments at the end of the year	5,511	-

The Group issued convertible notes to raise funds for working capital requirements and support the ongoing operations and development of its business. A breakdown of convertible notes issued is set out below:

Tranche	**Issue date**	**Value at $1 per note**
Tranche 1	16 July 2025	$50,453
Tranche 2	11 December 2025	$17,000,000

The convertible notes were offered to existing shareholders on a pro-rata basis, with allocations determined by reference to each shareholder’s holding of fully paid ordinary shares in the Company. Transaction costs relating to the issue of convertible notes during the period were $1,024,693 (30 June 2025: $nil).

The convertible notes are contractually required to convert into ordinary shares upon the occurrence of an IPO Conversion Event. The Company is actively progressing an IPO and presently expects the notes to convert to equity upon completion of the offering. Accordingly, although recognised as financial liabilities at the reporting date, the Company does not currently expect settlement of the notes through repayment of cash principal.

Accounting policy for convertible notes
Convertible notes are treated as hybrid financial instruments and separated into the host liability and embedded derivative components based on the terms of the agreement. On issuance of the convertible notes, the host liability component is initially recognised at the residual value from deducting the fair value of the derivative liability from the amount of financial liabilities. The embedded derivative component is initially recognised at fair value. The host debt is carried at amortised cost using the effective interest method until it is extinguished on conversion or redemption.

Note 24. Financial liabilities (continued)

Embedded derivatives
An embedded derivative is a component of a hybrid instrument that also includes a non-derivative host contract with the effect that some of the cash flows of the combined instrument vary in a way similar to a standalone derivative.

The embedded derivative is separated from the host contract and accounted for as a derivative if the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract. The embedded derivative is measured at fair value with changes in value being recorded in profit or loss.

Terms of Convertible Notes:

Tranche 1
The key terms and conditions of the convertible notes are as follows:
- Each convertible note has a face value of $1.00 and is unsecured and interest-free.
- The notes have a maturity date of three years from the date of issue.
- The notes will convert into ordinary shares (conversion feature) upon the occurrence of specified events as follows:

i) IPO conversion: if the Company is admitted to the official list of the ASX, the notes convert at a price equal to the lower of $0.1965 or 70% of the IPO issue price, based on the face value of the notes.
ii) Maturity conversion (issuer election): the Company may elect to convert the notes at maturity at a price of $0.1965, based on 125% of the face value of the notes.

- Alternatively, if the notes are not converted, the Company may elect to settle the notes in cash at maturity, at 125% of the face value.

Tranche 2
The key terms and conditions of the convertible notes are as follows:
- Each convertible note has a face value of $1.00 and is unsecured and interest-free.
- The notes have a maturity date of two years from the date of issue.
- The notes will convert into ordinary shares (conversion feature) upon the occurrence of specified events as follows:

i) IPO conversion: the notes convert at the lower of (i) the valuation cap per share value (where the enterprise value exceeds the valuation cap), and (ii) 80% of the IPO issue price of the shares.
ii) Third party sale: the notes convert at the lower of (i) the valuation cap per share value (where total consideration exceeds the valuation cap), and (ii) 80% of the implied price per share under the transaction.
iii) Maturity conversion: if no conversion event has occurred by the maturity date, at noteholder’s election, the notes may be converted into shares at a price equal to 70% of the maturity per share value or redeemed at face value.

Note 25. Other financial liabilities

	Consolidated	
	2026 $'000	2025 $'000
Current liabilities		
Grant liabilities (note 11)	3,750	-

Note 26. Issued capital

	Consolidated			
	2026 Shares	2025 Shares	2026 $'000	2025 $'000
Ordinary shares - fully paid	169,798,010	132,011,018	6,977	3,741
Class A shares - fully paid	-	16,134,686	-	1,100
Total issued capital	169,798,010	148,145,704	6,977	4,841

Note 26. Issued capital (continued)

Movements in ordinary share capital

Details	Date	Shares	Issue price	$'000
Balance	1 July 2024	131,654,784		3,671
Shares issued	29 October 2024	178,117	$0.1965	35
Shares issued	13 December 2024	178,117	$0.1965	35
Balance	30 June 2025	132,011,018		3,741
Class A shares converted to ordinary shares	31 August 2025	22,001,844		1,500
Shares issued	7 October 2025	15,785,148	$0.1369	2,161
Capital raise costs		-		(425)
Balance	30 June 2026	169,798,010		6,977

Movements in Class A share capital

Details	Date	Shares	Issue price	$'000
Balance	1 July 2024	-		-
Shares issued	5 February 2025	7,333,948	$0.0682	500
Shares issued	19 February 2025	7,333,948	$0.0682	500
Shares issued	28 May 2025	1,466,790	$0.0682	100
Balance	30 June 2025	16,134,686		1,100
Shares issued	21 July 2025	1,466,790	$0.0682	100
Shares issued	22 July 2025	1,466,790	$0.0682	100
Shares issued	23 July 2025	2,933,578	$0.0682	200
Class A shares converted to ordinary shares	31 August 2025	(22,001,844)		(1,500)
Balance	30 June 2026	-		-

Ordinary shares
Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

A class shares
A class shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held, with priority over ordinary shareholders.

Capital risk management
The Group's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The capital risk management policy remains unchanged from the 30 June 2025 financial statements.

Accounting policy for issued capital
Ordinary shares are classified as equity.

Note 26. Issued capital (continued)

Incremental costs directly attributable to the issue of new shares or share options are shown in equity as a deduction, net of tax, from the proceeds.

Note 27. Reserves

	Consolidated	
	2026	**2025**
	$'000	**$'000**
Share-based payments reserve	1,145	168

Share-based payments reserve
The reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration, and other parties as part of their compensation for services.

Movements in reserves
Movements in each class of reserve during the current and previous financial year are set out below:

Consolidated	**Share-based payments reserve $'000**
Balance at 1 July 2024	168
Balance at 30 June 2025	168
Issue of Advisor Options	922
Issue of Performance Rights	55
Balance at 30 June 2026	1,145

Note 28. Financial instruments

Financial risk management objectives
The Group's activities expose it to various financial risks: foreign exchange (FX) risk, interest rate risk, credit risk and liquidity risk. The Group's overall risk management program focuses on financial market unpredictability and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses different methods to measure the types of risk it faces, including the severity and likelihood of their occurrence.

Senior finance executives carry out risk management through internal assessments which include identifying and analysing the Group's risk exposures and applying control processes to ensure risks remain within the Board-approved risk appetite. The controls and limits are commensurate with the size and complexity of the Group's operations and are periodically calibrated to ensure appropriate management within risk appetite.

Interest rate risk
The Group's main interest rate risk arises from borrowings, based on management's assessment, this exposure is not considered material at the reporting date.

The Group has no supplier finance arrangements at 30 June 2026.

Credit risk
Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The Group does not hold any collateral.

Note 28. Financial instruments (continued)

Generally, trade receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of a debtor to engage in a repayment plan, no active enforcement activity and a failure to make contractual payments for a period greater than 1 year.

Liquidity risk
Vigilant liquidity risk management requires the Group to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The Group manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Remaining contractual maturities
The following tables detail the Group's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

Consolidated - 2026	**Weighted average interest rate %**	**1 year or less $'000**	**Between 1 and 2 years $'000**	**Between 2 and 5 years $'000**	**Over 5 years $'000**	**Remaining contractual maturities $'000**
Non-derivatives						
Non-interest bearing						
Trade payables	-	542	-	-	-	542
Other payables	-	1,039	-	-	-	1,039
Convertible notes	-	-	-	17,050	-	17,050
Interest-bearing - fixed rate						
Lease liability	3.80%	306	327	405	988	2,026
Total		1,887	327	17,455	988	20,657

Consolidated - 2025	**Weighted average interest rate %**	**1 year or less $'000**	**Between 1 and 2 years $'000**	**Between 2 and 5 years $'000**	**Over 5 years $'000**	**Remaining contractual maturities $'000**
Non-derivatives						
Non-interest bearing						
Trade payables	-	488	-	-	-	488
Other payables	-	693	-	-	-	693
Interest-bearing - fixed rate						
Loan from related parties	3.90%	2,994	-	-	-	2,994
Total		4,175	-	-	-	4,175

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

Note 28. Financial instruments (continued)

Fair value of financial instruments
The Group's derivative financial liability is measured at fair value and classified as Level 3 in the fair value hierarchy due to the use of significant unobservable inputs in determining its fair value.

The fair value of the derivative financial liability is determined using a Black-Scholes option pricing model, incorporating the contractual conversion terms of the convertible notes. The significant unobservable inputs used in the valuation are the underlying share price and expected volatility.

The following table summarises the quantitative information about the significant unobservable inputs used in the Level 3 fair value measurement and how a reasonably possible change in each input would affect the fair value of the derivative financial liability:

Significant unobservable input	**Input used**	**Reasonably possible change**	**Sensitivity of the input to fair value**
Underlying share price	$0.226	Range of share price input $0.175 to $0.226	Decreasing the underlying share price would decrease the fair value of the derivative liability by $2,049,089.
Expected volatility	90%	Increase / decrease by 10%	Increasing/(decreasing) the expected volatility would increase/(decrease) the fair value of the derivative liability by $637,211.

Note 29. Fair value measurement

Tranche 2 **Valuation summary**	**30 June 2026**
Scenario 1: IPO	
Valuation Date	30 June 2026
Face Value	17,000,000
Maturity Date	11 December 2027
Volatility	90.00%
Risk Free Rate	4.41%
Time to Maturity (Years)	1.45
Underlying Share Price (AUD)	0.226
Conversion Price (AUD)	0.267
Number of shares on conversion	63,721,108
Value per Conversion Right	0.086
Fair Value of Derivative Financial Liability	5,480,015
Probability	100.00%
Embedded Derivative: Weighted Value	5,480,015
Host Liability	13,378,400

Accounting policy for fair value measurement
When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Note 30. Key management personnel disclosures

Compensation
The aggregate compensation made to directors and other members of key management personnel of the Group is set out below:

	Consolidated	
	2026	**2025**
	$	**$**
Short-term employee benefits	1,161,381	66,786
Post-employment benefits	113,980	-
Long-term employee benefits	17,519	-
Share-based payments	55,454	-
	1,348,334	66,786

Note 31. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by BDO Audit Pty Ltd, the auditor of the Company:

	Consolidated	
	2026	**2025**
	$	**$**
Audit services - BDO		
Audit of the financial statements	321,592	72,500
Other services - BDO		
Other assurance services	253,083	-
	574,675	72,500

Audit fees for the current year include costs associated with the audit of prior period financial information in anticipation of the Group’s IPO.

Note 32. Contingencies

The Group had no contingent assets and contingent liabilities at 30 June 2026 (2025: nil).

Note 33. Commitments

The Group had no commitments for expenditure at 30 June 2026 (2025: nil).

Note 34. Related party transactions

Subsidiaries
Interests in subsidiaries are set out in note 37.

Associates
Interests in associates are set out in note 38.

Key management personnel
Disclosures relating to key management personnel are set out in note 30.

Note 34. Related party transactions (continued)

Transactions with related parties
The following transactions occurred with related parties:

	Consolidated 2026 $	Consolidated 2025 $
Finance costs:		
Interest expense from shareholder loans	44,765	109,073
Service fees:		
Service fees paid to Malkara Investments Pty Ltd	200,000	-
Service fees paid to Joshua von Bertouch	4,500	-
Total	204,500	-

As disclosed in Note 24, the Group raised funds through the issue of convertible notes. $10,000 and $1,780,000 was raised from Executive Director Michael von Bertouch and Non-Executive Director Gavin Martin participating in the convertible note raise.

As disclosed in Note 26, during the year, 22,001,844 Class A shares held by Gavin Martin were converted to 22,001,844 ordinary shares.

Receivable from and payable to related parties
There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

Loans to/from related parties
The following balances are outstanding at the reporting date in relation to loans with related parties:

	Consolidated 2026 $	Consolidated 2025 $
Non-current receivables:		
Loan to related parties - Innovaero Pty Ltd (i)	-	9,678
Current borrowings:		
Amounts owing to related parties - shareholder loans (ii)	-	2,993,970

Terms and conditions
(i) This is an intercompany loan receivable from Innovaero Pty Ltd, which is unsecured and repayable on demand.

(ii) The loans with an entity associated with director Michael von Bertouch were unsecured with an interest rate of 3.897%. The loans were fully repaid on 2 April 2026 through the issue of 8,451,200 shares and the balance of $1,150,518 in cash.

Note 35. Parent entity information

Statement of profit or loss and other comprehensive income

	Parent 2026 $'000	Parent 2025 $'000
Loss after income tax	5,282	928
Total comprehensive loss	5,282	928

Note 35. Parent entity information (continued)

Statement of financial position

	Parent	
	2026 **$'000**	**2025** **$'000**
Total current assets	2,650	119
Total assets	20,127	6,450
Total current liabilities	524	3,523
Total liabilities	19,369	3,523
Equity		
Issued capital	6,977	4,841
Reserves	1,145	168
Accumulated losses	(7,364)	(2,082)
Total equity	758	2,927

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries
The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2026 and 30 June 2025.

Contingent liabilities
The parent entity had no contingent liabilities as at 30 June 2026 and 30 June 2025.

Capital commitments - Property, plant and equipment
The parent entity had no capital commitments for property, plant and equipment as at 30 June 2026 and 30 June 2025.

Material accounting policy information
The accounting policies of the parent entity are consistent with those of the Group, as disclosed in note 2, except for the following:
- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

Note 36. Business combinations

On 11 December 2025, the Company acquired a 51% shareholding in Innovaero Holdings Pty Limited from BAE Systems Australia Limited, increasing the Company's shareholding in Innovaero Holdings Pty Limited from 49% to 100%. Consideration paid for the acquisition comprised cash of $8,000,000. The acquisition was financed by a $17,000,000 convertible note issuance.

Goodwill of $11,653,000 was recognised representing the expected synergies, future profitability and workforce from merging the business. Goodwill will not be deductible for tax purposes.

Assets acquired and liabilities assumed
The provisional fair value of the identifiable assets acquired and liabilities of Innovaero Holdings Pty Ltd at the date of acquisition were:

	Fair value $'000
Assets	
Current assets	
Cash and cash equivalents	11,598
Trade and other receivables	8,044
Inventories	1,938
Other assets	2,752
Non-current assets	
Deferred tax assets	748
Property plant and equipment	602
Right-of-use assets	1,399
Intangible assets	2,492
Other assets	3
Total assets	29,576
Liabilities	
Current liabilities	
Trade and other payables	(1,071)
Contract liabilities	(15,073)
Borrowings	(4,124)
Lease liabilities	(338)
Provisions	(826)
Other financial liabilities	(3,750)
Non-current liabilities	
Lease liabilities	(1,229)
Provisions	(157)
Deferred tax liabilities	(748)
Total liabilities	(27,316)
Total identifiable net assets at fair value	2,260
Goodwill arising on acquisition	11,653
Acquisition-date fair value of the total consideration transferred	13,913
Representing:	
Cash paid or payable to vendor	8,000
Fair value of previously held equity accounted interest	5,913
	13,913

Note 36. Business combinations (continued)

Reconciliation of cash consideration:	
Cash acquired	11,598
Cash paid or payable to vendor	(8,000)
Balance as per statement of cash flows	3,598

Acquisition costs expensed to profit or loss were $100,292.

The fair values identified in relation to the acquisition of Innovaero Holdings Pty Limited are provisional as at 30 June 2026 as the fair values of intangibles, property plant and equipment and deferred tax have yet to be finalised.

The acquired business contributed revenues of $10,066,943 and a net loss of $473,787 to the group for the period from acquisition to 30 June 2026. If the acquisition had occurred on 1 July 2025, consolidated revenue and consolidated profit after tax for the year ended 30 June 2026 would have been $17,589,956 and $914,087 respectively.

Note 37. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2:

		Ownership interest	
Name	**Principal place of business / Country of incorporation**	**2026 %**	**2025 %**
Innovaero Holdings Pty Ltd *	Australia	100%	49%
Structured Design Pty Ltd	Australia	100%	100%
Aerovation Investments Pty Ltd***	Australia	-	100%
5D Systems Pty Ltd	Australia	100%	100%
Corsair Pty Ltd*	Australia	100%	49%
Innovaero Pty Ltd*	Australia	100%	49%
Innovaero Operations Pty Ltd*	Australia	100%	49%
Innovaero IP Pty Ltd**	Australia	100%	-

* On 11 December 2025, the Company acquired the remaining 51% shareholding in Innovaero Holdings Pty Ltd and its controlled entities from BAE Systems Australia Limited, increasing company's shareholding in Innovaero Holdings Pty Ltd from 49% to 100% for the total consideration.

** A new entity, Innovaero IP Pty Ltd, was incorporated on 29 April 2026, which is 100% directly owned by Innovaero Technologies Limited.

***Aerovation Investments Pty Ltd was de-registered on 3 May 2026.

Note 38. Interests in associates

Interests in associates are accounted for using the equity method of accounting. Information relating to associates that are material to the Group are set out below:

		Ownership interest	
Name	**Principal place of business / Country of incorporation**	**2026 %**	**2025 %**
Innovaero Holdings Pty Ltd	Australia	-	49%

The information disclosed reflects the amounts presented in the financial statements of the relevant associate and not the Company's share of those amounts. The amounts have been amended to reflect adjustments made by the entity when using the equity method, including fair value adjustments and modifications for differences in accounting policies

Note 38. Interests in associates (continued)

Summarised financial information

	2026 $'000	2025 $'000
Summarised statement of financial position		
Current assets	-	10,373
Non-current assets	-	2,331
Total assets	-	12,704
Current liabilities	-	14,686
Total liabilities	-	14,686
Net liabilities	-	(1,982)
Summarised statement of profit or loss and other comprehensive income		
Revenue	-	13,638
Expenses	-	(13,848)
Loss before income tax	-	(210)
Income tax benefit	-	138
Loss after income tax	-	(72)
Other comprehensive income	-	-
Total comprehensive loss	-	(72)
Reconciliation of the Group's carrying amount		
Opening net assets	6,322	5,414
Additional investment in Innovaero Holdings Pty Ltd	282	980
Profit/(loss) after income tax for the year	296	(72)
Derecognition on consolidation as a subsidiary	(6,900)	-
Closing net assets	-	6,322

	2026	2025
Group's share in percentage	-	49%
Group's share of net liabilities in dollar amount	-	($971,000)
Goodwill	-	$7,293,000
Carrying amount	-	$6,321,622

Note 39. Reconciliation of loss after income tax to net cash used in operating activities

	Consolidated	
	2026 $'000	2025 $'000
Loss after income tax expense for the year	(5,917)	(932)
Adjustments for:		
Depreciation and amortisation	389	-
Accrual for employee expenses	103	-
Share of (losses)/profit of associates accounted for using the equity method	(296)	72
Share-based payments expense	635	-
Convertible notes change in fair value of derivative liabilities	2,156	-
Convertible notes interest expense	662	-
Remeasurement of previously held interest in associate to fair value	705	-
Changes in operating assets and liabilities, net of effects from business combinations:		
Decrease/(increase) in trade and other receivables	2,917	(38)
Increase in contract assets	(94)	-
Increase in inventories	(2,295)	-
Decrease in other assets	1,457	-
Increase in trade and other payables	622	495
Decrease in contract liabilities	(3,344)	-
Increase in provisions	72	-
Net cash used in operating activities	(2,228)	(403)

Note 40. Non-cash investing and financing activities

	Consolidated	
	2026 $'000	2025 $'000
Loan from related parties (i)	1,661	-

(i) During the year ended 30 June 2026 the loan with related parties was converted to shares issued (see Note 34).

Note 41. Changes in liabilities arising from financing activities

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

	Consolidated	
	2026 $'000	2025 $'000
Net debt		
Borrowings	-	(2,994)
Lease liabilities	(1,424)	-
Financial liabilities	(18,844)	-
Other financial liabilities	(3,750)	-
Net debt	(24,018)	(2,994)

Note 41. Changes in liabilities arising from financing activities (continued)

Consolidated	Borrowings $'000	Financial liabilities $'000	Other financial liabilities $'000	Leases $'000	Total $'000
Balance at 1 July 2024	(2,778)	-	-	-	(2,778)
Financing cashflows	(216)	-	-	-	(216)
Balance at 30 June 2025	(2,994)	-	-	-	(2,994)
Financing cashflows	5,448	(16,026)	-	-	(10,578)
Lease payments	-	-	-	130	130
Other changes					
Net debt from acquisition of business	(4,124)	-	(3,750)	(1,567)	(9,441)
Repayment of borrowings from issue of shares	1,661	-	-	-	1,661
Fair value movement in derivative financial instruments	-	(2,156)	-	-	(2,156)
Interest paid	9	-	-	36	45
Interest expense	-	(662)	-	(23)	(685)
Balance at 30 June 2026	-	(18,844)	(3,750)	(1,424)	(24,018)

Note 42. Share-based payments

The Group operates equity-settled share-based payment arrangements under which options and performance rights over ordinary shares in the Company may be granted to employees, key management personnel and other service providers. During the year, the Group had three share-based payment arrangements comprising Options, Advisor Options and Performance Rights.

Options
The Options were granted under the Employee Securities Incentive Plan to key management personnel of the Group. At 30 June 2026, 3,816,794 Options were outstanding and were held by an entity controlled by the former Chief Financial Officer of the Company.

Each Option entitles the holder to subscribe for one ordinary share in the Company at an exercise price of $0.1965. The options may be exercised at any time prior to their expiry on 31 October 2028 and are settled through the issue of ordinary shares. No Options were granted, exercised, forfeited or expired during the year.

Advisor options
On 30 June 2026, the Company granted 6,000,000 options to an external corporate advisory company and/or its nominees as consideration for services provided under its mandate with the Company.

Each Advisor Option entitles the holder to subscribe for one ordinary share in the Company at an exercise price of $0.3164. The options are equity-settled and expire five years from the date of Admission into ASX, with the only vesting condition relating to the admission of the Group into the ASX. The options can be exercised at any time up to expiry.

Performance rights
The Company issued 1,000,000 Performance Rights to the Chief Executive Officer as part of his remuneration arrangements. Each Performance Right entitles the holder to receive one fully paid ordinary share for nil consideration upon satisfaction of the applicable vesting conditions.

The Performance Rights are divided into tranches subject to specified performance conditions and expiry dates. These conditions include revenue performance hurdles based on the Company's audited financial results. The Performance Rights are equity-settled.

Note 42. Share-based payments (continued)

The Vesting Conditions of the Performance Rights is set out below:

Tranche	Performance right	Vesting conditions	Expiry date
Tranche 1	166,667	The Company achieving audited revenues for the financial year ending 30 June 2027 of two times (100% increase) the audited revenues of the Company as at 30 June 2026, such revenue figure excluding: (a) one-off or extraordinary revenue items; (b) revenue received in the form of government grants, allowances, rebates or other hand-outs; or (c) revenue or profit that has been “manufactured” to achieve the performance milestone.	31 December 2027
Tranche 2	333,333	The Company announcing that it has been awarded supply and/or production contract(s) for an aggregate contracted value of equal to or greater than $100 million on or before 31 December 2027.	1 January 2028
Tranche 3	500,000	The Company achieving audited revenues equal to or greater than $150,000,000 on or before the financial year ending 30 June 2029, such revenue figure excluding: (a) one-off or extraordinary revenue items; (b) revenue received in the form of government grants, allowances, rebates or other hand-outs; or (c) revenue or profit that has been “manufactured” to achieve the performance milestone.	31 December 2029

Movement in share options and performance rights including the weighted average exercise price (WAE) are summarised in the below table:

	2026 Number	2026 WAE price $	2025 Number	2025 WAE price $
Outstanding at beginning of year	3,816,794	0.20	3,816,794	0.20
Granted during the year – Advisor options	6,000,000	0.32	-	-
Granted during the year – Performance rights	1,000,000	0.23	-	-
Outstanding at the end of the year	10,816,794	0.27	3,816,794	0.20
Exercisable at the end of the year	3,816,794	0.27	3,816,794	0.20

The exercise prices of options outstanding at 30 June 2026 range from $0.1965 to $0.3164, and the weighted-average remaining contractual life was 4.26 years (2025: 3.34 years).

Fair value of awards granted during the year
The fair value of equity instruments granted during the year was determined using the following valuation assumptions:

Description	Advisor Options	Performance Rights
Number granted	6,000,000	1,000,000
Grant / measurement date	30-Jun-26	1-May-26
Fair value per instrument	$0.154	$0.226
Share price at measurement date	$0.226	$0.226
Exercise price	$0.320	nil
Expected volatility	91%	nil
Expected life	5 years	Tranche 1 & 2: 1.5 years Tranche 3: 3.5 years
Expected dividend yield	nil	nil
Risk-free interest rate	4.99%	nil
Valuation methodology	Black-Scholes Model	Black-Scholes Model

Note 42. Share-based payments (continued)

Expected volatility was determined based on the average volatility of a selection of comparable ASX listed companies over a 3 year period.

The total share-based payment expense recognised during the year was $635,488 (2025: $nil), of which $635,488 related to equity-settled share-based payment transactions. A further $341,602 of equity settled share-based payments were recognised in equity as capital raising costs.

Accounting policy for share-based payments
Equity-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

Note 43. Events after the reporting period

On 18 August 2026, the Group received approval on the Prospectus lodged with ASIC for the offer of 80 million shares at an issue price of $0.50 each to raise $40 million.

Other than outlined above, no other matter or circumstance has arisen since 30 June 2026 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Innovaero Technologies Limited
Consolidated entity disclosure statement
30 June 2026

This Consolidated Entity Disclosure Statement has been prepared in accordance with the Section 295 (3A) of the Corporations Act 2001 and includes the required information for Innovaero Technologies Limited and the entities it controls in accordance with AASB 10 Consolidated Financial Statements.

Tax residency

S295 (3A) (vi) of the Corporations Act 2001 defines tax residency as having the meaning in the Income Tax Assessment Act 1997. The determination of tax residency may involve judgement as there are different interpretations that could be adopted, and which could give rise to different conclusions regarding residency.

In determining tax residency, the consolidated entity has applied the following interpretations:

Australian tax residency

The consolidated entity has applied current legislation and judicial precedent, including having regard to the Tax Commissioner's public guidance in Tax Ruling TR2018/5.

Foreign tax residency

The consolidated entity has applied current legislation and where available judicial precedent in the determination of foreign tax residency. Where necessary, the consolidated entity has used independent tax advisers in foreign jurisdictions to assist in its determination of tax residency to ensure applicable foreign tax legislation has been complied with.

Entity name	Entity type	Place formed/ Country of incorporation	Ownership interest %	Tax residency
Innovaero Holdings Pty Ltd	Body corporate	Australia	100%	Australia
Structured Design Pty Ltd	Body corporate	Australia	100%	Australia
5D Systems Pty Ltd	Body corporate	Australia	100%	Australia
Corsair Pty Ltd	Body corporate	Australia	100%	Australia
Innovaero Pty Ltd	Body corporate	Australia	100%	Australia
Innovaero Operations Pty Ltd	Body corporate	Australia	100%	Australia
Innovaero IP Pty Ltd	Body corporate	Australia	100%	Australia

Innovaero Technologies Limited
Directors' declaration
30 June 2026

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with IFRS Accounting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 30 June 2026 and of its performance for the financial year ended on that date;
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- the information disclosed in the attached consolidated entity disclosure statement is true and correct.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors

Vincenzo (Vince) Di Pietro AM, CSC	Rajarshi Ray
21 September 2026	21 September 2026

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INDEPENDENT AUDITOR'S REPORT

To the members of Innovaero Technologies Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Innovaero Technologies Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2026, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including material accounting policy information, the consolidated entity disclosure statement and the directors' declaration.

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

i) Giving a true and fair view of the Group's financial position as at 30 June 2026 and of its financial performance for the year ended on that date; and

ii) Complying with Australian Accounting Standards 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 Group 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 (including Independence Standards)* (the Code) that are relevant to our audit of financial reports of public interest entities in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Other information

The directors are responsible for the other information. The other information obtained at the date of this auditor's report is information included in the Directors report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the Financial Report

The directors of the Company are responsible for the preparation of:

a) the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and

b) the consolidated entity disclosure statement that is true and correct in accordance with the Corporations Act 2001, and

for such internal control as the directors determine is necessary to enable the preparation of:

i) the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and

ii) the consolidated entity disclosure statement that is true and correct and is free of misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the group 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 Group 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 the financial report is located at the Auditing and Assurance Standards Board website (http://www.auasb.gov.au/Home.aspx) at:

https://www.auasb.gov.au/media/apzlwn0y/ar3_2024.pdf

This description forms part of our auditor’s report.

BDO Audit Pty Ltd

Ashleigh Woodley

Director

Perth, 21 September 2026