

Titomic Limited

Appendix 4E Preliminary Final Report For the Year Ended 30 June 2019

Name of Entity:	Titomic Limited
ABN:	77 602 793 644
Current Financial Period:	30 June 2019
Corresponding Financial Period:	30 June 2018

Results for announcement to the market

Revenue for ordinary activities	Up	450.6%	to	\$1,474,937
Net loss after tax (from ordinary activities) for the period attributable to members	Up	98.8%	to	(\$7,489,077)
Net loss after tax for the period attributable to members	Up	98.8%	to	(\$7,489,077)

Distributions

No dividends were paid since the start of the financial year.

Net Tangible Assets

	30 June 2019	30 June 2018
Net tangible assets per share (cents)	4.82	12.21

Explanation of results

Refer to the Director's Report.

Changes in controlled entities

There have been no changes in controlled entities during the financial year.

Other information required by Listing Rule 4.3A

a. Details of individual and total dividends or distributions and dividend or distribution payments:	N/A
b. Details of any dividend or distribution reinvestment plans:	N/A
c. Details of associates and joint venture entities:	N/A
d. Other information	N/A

Audit

The financial statements accompanying this Appendix 4E have been audited. An audit report is provided with the accompanying financial report.



Annual Report
For the year ended 30 June 2019

Titomic Limited
ABN 77 602 793 644

Titomic Limited

Annual Report

For the Year Ended 30 June 2019

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Corporate Directory

Directors

Mr Philip Vafiadis
Non-Executive Chairman

Mr Jeffrey Lang
Managing Director

Prof Richard Fox
Non-Executive Director

Mr Richard Willson
Non-Executive Director

Company Secretary and Chief Financial Officer (CFO)

Mr Peter Vaughan

Registered Office in Australia

Building 3
270 Ferntree Gully Road
Notting Hill Victoria 3168 Australia
Ph: 1300 108 122

Principal Place of Business

Building 3
270 Ferntree Gully Road
Notting Hill Victoria 3168 Australia
Ph: 1300 108 122

Share Registry

Computershare
GPO Box 3224
Melbourne VIC Victoria 3001

Auditors

Pitcher Partners
Level 13, 664 Collins Street
Docklands Victoria 3008

Solicitors

Holding Redlich
GPO Box 2154
Melbourne Victoria 3001

Bankers

National Australia Bank
Level 2, 330 Collins Street
Melbourne Victoria 3000

Security Quoted

Australian Securities Exchange
Ordinary Fully Paid Shares (Code: TTT)
Listed Options (Code: TTTO)

Website

<http://www.titomic.com/>

The Directors present their reports together with the financial report of Titomic Limited (the Company) for the financial year ended 30 June 2019 and auditors' report thereon.

Directors, Key Management Personnel and Company Secretaries

The following persons held office as Directors and Company Secretary of Titomic Limited during the financial year:

Mr Philip Vafiadis	Non-Executive Chairman	
Mr Jeffrey Lang	Managing Director	
Prof Richard Fox	Non-Executive Director	
Mr Richard Willson	Non-Executive Director	
Mr Peter Vaughan	Company Secretary & Chief Financial Officer (CFO)	
Mr Gilbert Michaca	Chief Executive Officer (CEO)	(resigned 22 October 2018)

Principal Activities

Titomic Limited ('Titomic' or 'Company') is an Australian public listed company specialising in digital manufacturing solutions. From an organisational perspective our business is simple. Titomic is largely based on exclusive IP, manufacturing systems, metal powders and services to assist companies to use these new capabilities for their competitive advantage. It is a powerful testament to the simplicity of our company and our capabilities, that relevance to many industries is now evident in such a short period of time. The details below speak to the diversity of important industries and companies that Titomic is now working with for industrial scale metal additive manufacturing using its three patented Titomic Kinetic Fusion® (TKF) technologies exclusively licensed from the CSIRO.

The TKF technology provides unique capabilities for producing commercially viable additively manufactured metal products competing directly with traditional manufacturing methods. Titomic provides R&D and prototyping services whilst also being able to deliver OEM production from their TKF Smart Production Bureaus to the global Aerospace, Defence, Shipbuilding, Oil & Gas, Mining and Automotive industries. Titomic also provides an extensive range of metal powders for the 3D printing industry especially Titanium and super alloys whilst providing sales and support services for their TKF production systems.

Review of Operations and Significant Events for the Reporting Period

Titomic reported a statutory after-tax loss for the year ended 30 June 2019 of \$7,489,077 (2018: \$3,767,594). At the end of the financial year the Company had net assets of \$8,468,841 (2018: \$15,222,899) and \$1,412,477 in cash and cash equivalents (2018: \$10,347,168).

During the financial year, Titomic focused on commercialising product and manufacturing opportunities across the aerospace, mining, engineering, science, defence and sport sectors using the Titomic Kinetic Fusion process. Key local and global partnerships were established, enabling keys strategic research programs to be initiated together with new patented processes for digital manufacturing solutions for commercially viable production utilising the unique capabilities of Titomic Kinetic Fusion.

Highlights of the year include:

- A successful oversubscribed capital raise, raising \$7 million (before costs)
- 15 commercial and research related partnerships announced to the market
- Commercial OEM production and R&D capacity at the TKF Melbourne Bureau
- New Titomic corporate headquarters established
- Exhibition at key global trade shows
- Development and commissioning of new TKF System - the TKF 1000
- R&D funded project grants from IMCRC, SEAM, CDIC, and Victorian Government
- Recipient of \$900,000 in R&D Tax Concession and EMDG refunds,
- Secured global supply chains for Titanium, Invar36, Copper, Inconel, Stainless Steel, Nickel, and other metal powders
- Two additional exclusively licensed CSIRO global patents secured

- Creation of new intellectual property for two Kinetic Fusion processes (patent pending)
- Establishment of global-leading advanced manufacturing Technical Advisory Committee
- Creation of Titomic Space Division headed up by experienced NASA satellite program lead
- Creation of Titomic Digital Manufacturing Platforms and software development team

Operational Planning

Commercial OEM production and R&D capacity realised at the TKF Melbourne Bureau to facilitate the production and manufacturing strategy for Titomic's digital manufacturing solutions. Titomic continues to improve its capability by investing in both human and digital resources to enhance its Melbourne Bureau as a Smart Factory of the future by utilising agile and industry 4.0 best practices.

Significant events during the period include:

- TKF 1000 | Commissioned, installed & operational
- TKF Robotic Polishing System | Installed for commissioning in Q4 2019
- New TKF spray-head for Automated Robotic Production Line | Commissioned in August 2019
- ISO 9001 | Accreditation & implementation of security protocols for defence projects
- CNC machines & workshop | Commissioned, installed & operational
- TKF Digital platform hardware & software for Industry 4.0 smart factory capability

Titomic's successful implementation of its commercial OEM production and R&D TKF Melbourne Bureau creates a new capability to realise the Company's global expansion strategy for establishing multiple Smart Factory TKF bureaus all integrated into Titomic digital manufacturing global platform.

Titomic is in negotiations with potential partners in the US, Germany, Japan, Singapore, UK, and India to build TKF Bureaus based on its established Melbourne Bureau. These commercially viable TKF Bureaus, in industry strategic geographic locations, will allow customers to access the unique capabilities of Titomic's digital manufacturing solutions for greater production efficiencies, improve affordability and simplified supply chains. Titomic's established work in the field of additive manufacturing and digital technology platforms continues to be a core focus of its operations, maintaining focus on creating sustainable manufacturing processes which are both energy, time and material efficient.

Financial

Capital Raise

Titomic announced on the 4th July, 2019 completion of an oversubscribed \$7 million (before costs) private placement to existing domestic, and new international, Institutional and Sophisticated Investors ("Placement"). Titomic issued 4,117,648 new fully paid ordinary shares at \$1.70 per share with the investors also receiving 2,058,824 unlisted options exercisable at \$2.50 within 2 years raising a further \$5,147,060. Proceeds from the Placement will be used to fund Titomic's international expansion as the Company progresses on existing, and pursues new, revenue-generating contracts as it establishes a strong platform to realise significant revenue growth in 2020 and beyond.

As outlined in the announcement to the ASX on 25th June 2019, Titomic forecasting to receive revenue of between AUD\$3M - AUD\$5M during the period to 31 December 2019 including:

- AUD\$1M - \$3M from potential revenue opportunities in the aerospace sector;
- AUD\$1.5M from potential revenue opportunities in the defence industry; and
- AUD\$2.0m from TKF systems sales.

Commercial Partnerships Secured During the Period

Previously Announced Commercial Manufacturing Agreements

Announced Client Project	Industry	Current Status	Next Phase
TAUV	TKF AM of high-end defence parts	Phase 1 & 2 complete, now signing contract Phase 3 OEM Production	TKF Bureau OEM production & JV TKF License
Boeing	Aerospace	Phase 1 & Phase 2 production trials	TKF Bureau OEM production of parts
Trek	Titanium bike frames	Phase 1 complete, now signing contract for Phase 2 Production trials	TKF Bureau OEM production & JV TKF License
Callaway	Titanium & Super alloy golf clubs	Phase 1 complete, now signing contract for Phase 2 Production trials	TKF Bureau OEM production & JV TKF License
Fincantieri	Turbine parts & anti-fouling coatings	Phase 1 complete, now signing contract for Phase 2 Production trials	TKF Bureau OEM production & JV TKF License
Callidus	Mining, Oil & Gas	Phase 1 & Phase 2 production trials	TKF Bureau OEM production & JV TKF License
RMIT, CSIRO, IMCRC	Titanium Aerospace TKF AM parts testing	6 months into project on schedule & budget	\$2.6M 2 year project
Swinburne, ANSTO	TKF machine design & Material Science	Engaged 3 x PhD Research projects	3 year project
CA Piccard	Plastic Industry	Phase 1 & Phase 2 production trials	TKF Bureau OEM production of parts
FL Smidth	Mining Industry	Phase 1 & Phase 2 production trials	TKF Bureau OEM production of parts

Current Projects - Aerospace

The Aerospace industry continues to engage Titomic for future capability around Titanium Aerospace structural parts made with Titomic Kinetic Fusion (TKF) due to the considerable benefits TKF has over other 3D metal printing limitations of build size and speed. It must be understood that production of Titanium Aerospace structural parts requires considerable validation and testing before being approved for use however, the combination of the various R&D projects with research organisations, combined with major primes as industry partners, means Titomic is likely to receive initial revenue in 2020 forecast to be USD\$3 - \$5M coming from these industry partners.

Revenue opportunities of USD\$100M+ p.a. for the OEM production of Aerospace near-net structural parts is estimated to start within 2-5 years after successful regulatory approvals and validation. Tooling projects currently underway for various Aerospace clients is being fast-tracked due to their up to 17 year backlog on the supply of tooling to complete the anticipated future commercial aeroplane production needs with the USA tooling market estimated to increase to USD\$24B. Titomic's client tooling trials are expected to show a significantly reduced lead time from 6-mths to 6-weeks for a large scale tools for moulding carbon fibre aerospace parts.

Titomic sees the OEM production of tooling as a significant revenue opportunity given the Industry's immediate need for faster production times. As the Tools are only metal moulds easily manufactured with TKF they require much less validation. Should the trials be successful, the potential revenue opportunities for 2019 are estimated to be USD\$1 - \$3M, increasing to US\$10 - \$20M in 2020. We are exploring other projects for Titanium alloy coatings on CFRP composites that are forecast to bring in early revenue in 2020 from Phase 1 & 2 projects with considerable longer-term revenues estimated to start within 2-5 years after successful regulatory approvals and validation.

Clients Requiring Tools	Project	Schedule	Opportunity
USA Aerospace Prime	Mould tooling TKF systems for composite cabin parts	Commenced Phase 1 Project contract	TKF Bureau OEM production of parts
Australian division of major USA Aerospace Prime	Titanium alloy coatings on CFRP composites	Evaluation Phase 1 Project & Signing Contract	TKF Bureau OEM production of parts
European Aerospace Prime	Titanium airframe structural parts	Evaluation Phase 1 Project & Signing Contract	TKF Bureau OEM production of parts
European Aerospace Tier 1	Titanium alloy coatings on CFRP composites	Phase 1 complete & signing contact Phase 2 production trials	TKF Bureau OEM production & JV TKF License
USA Aerospace Prime	Invar mould tooling systems for CFRP structural parts	Evaluation Phase 1 Project & Signing Contract	TKF Bureau OEM production of parts

Current Projects - Defence

Defence Industry continues to engage Titomic for both immediate and future capability around Titanium and other super alloy lightweight parts and coatings made with Titomic Kinetic Fusion. Titomic is working closely with global defence primes to de-risk their R&D projects whilst validating TKF Additive Manufacturing as commercially viable for OEM production.

Significant revenue opportunities exist in the fastest growing sector of Defence industry globally for Soldier systems products, the production of which require less validation processes. The revenue opportunities for Titomic from the Defence Industry is forecast to be AUD\$1.5M for 2019 with this increasing to USD \$5 - \$8M in 2020.

Titomic has been invited to explore significant classified defence projects which we expect to finalise negotiations on in 2019 with large revenue opportunities estimated to be in excess of USD\$10M for 2020 and moving beyond. The TAUUV project has shown the considerable advantages of TKF OEM production to be cost competitive against traditional manufacturing methods as well as superior performance of the products with new unique performance capabilities.

Titomic is working collaboratively with TAUUV to fast track OEM production of some soldier systems products that are currently being tested that could see potential revenue of up to AUD\$1.5M. We have received strong interest from several defence primes to purchase TKF1000 systems for their own research on next generation metal super alloys and various high-performance coatings for ballistic protection. Titomic believes it will finalise the sale of at least one TKF 1000 in 2019 for USD \$1.5M with the sale of another two TKF1000 machines currently being negotiated for finalisation in early CY2020.

Client	Project	Schedule	Opportunity
Australian Marine Company	Titanium high-speed 8-12m boats	Phase 1 complete, moving to contract for Phase 2 production trials	TKF Bureau OEM production
Australian Solider Systems Tier 1	TKF AM of high-end defence parts	Phase 1 & 2 complete, moving toward contract for Phase 3 OEM	TKF Bureau OEM production & JV TKF License
European Defence Prime	Classified	Evaluation Phase 1 Project & Signing Contract	TKF Bureau OEM production of parts
European Naval Defence Prime	Classified	Scoping OEM supply MOU	TKF Bureau OEM production & TKF License
European Naval Defence Prime	Turbine parts & anti-fouling coatings	Phase 1 complete, now signing contract for Phase 2 Production trials	TKF Bureau OEM production & JV TKF License
Singaporean Defence Prime	Classified	Scoping OEM supply MOU	TKF Bureau OEM production of parts

Client	Project	Schedule	Opportunity
Spanish Defence Prime	Classified	Phase 1 & 2 completed.	Verified TKF process
USA - Defence Tier 1	Titomic USA Sales & Distribution	Scoping initial MOU	Titomic USA Sales & Distribution
USA - Defence Tier 1	Classified	Scoping initial MOU	TKF Bureau OEM production & JV TKF License
USA Defence & Aerospace Prime	Space flight hypersonic coatings	Scoping TKF capability & defining projects	TKF Bureau OEM production of parts
USA Defence & Aerospace Prime	High-performance ballistics coatings	Evaluation Phase 1 Project & Signing Contract	TKF Bureau OEM production of parts
USA Defence & Aerospace Prime	Titanium & super alloy structural parts	Evaluation Phase 1 Project & Signing Contract	TKF Bureau OEM production of parts
USA Defence & Aerospace Prime	Various Defence projects	Scoping OEM supply MOU	TKF Bureau OEM production & JV TKF License
USA Defence & Aerospace Prime	Classified	Scoping initial MOU	TKF Bureau OEM production & JV TKF License
USA Defence & Aerospace Prime	Heterogeneous coatings	Evaluation Phase 1 Project & Signing Contract	TKF Bureau OEM production of parts
USA Defence & Aerospace Prime	TKF AM of aerospace manufacturing system parts	Evaluation Phase 1 Project & Signing Contract	TKF Bureau OEM production of parts

Current Projects - Mining

Titomic continues to gain the interest of the Mining industry sector for its various applicable applications with near term revenue opportunities being for the coating of existing mining assets to improve their wear protection and strength.

Opportunities also existing for the repair of worn or damaged parts to reduce the significant downtime and maintenance costs of the large mining organisations. Being able to just-in-time repair or manufacture spare parts using the Titomic Kinetic Fusion (TKF) process will reduce the need for mining organisation to carry a large numbers of spare parts for their critical mining infrastructure thus reducing the level of available cashflow they have tied up in carrying a larger amount of inventory.

Titomic is working with several Mining companies regarding the use of the TKF production process to produce improved wear-resistant coated parts and repair of critical infrastructure which can either be produced by Titomic through an OEM production arrangement, or performed in-the-field by the customer directly using their own TKF system at their sites.

Client	Project	Schedule	Opportunity
European Titanium manufacturing company	Titanium product manufacturing	Evaluation Phase 1 Project	TKF Bureau OEM production & JV TKF License
Major Australian iron-ore producer	Wear resistant coatings & repairs	Evaluation Phase 1 Project & Signing Contract	TKF Bureau OEM production
Mining Equipment & Repair Prime	Wear resistant coatings & repairs	Evaluation Phase 1 Project & Signing Contract	TKF Bureau OEM production
Australian Resource Engineering company	Wear resistant coatings & repairs	Evaluation Phase 1 Project & Signing Contract	TKF Bureau OEM production

Current Projects – Consumer Goods

Titomic has progressed a number of Consumer Goods opportunities to the next level including previously announced projects with Trek Cycles and Callaway Golf. The recently commenced Phase 2 of the Trek project will see Titomic deliver up to 18 different frames to Trek by the end of 2019 for extensive validation and testing by Trek over a 6-12 month period.

The initial samples under the Callaway trial project have been delivered for testing with a sample club to be produced by end of Sept 2019 for validation.

Titomic will have a large presence at EuroBike in Sept 2019 where it will be showcasing a new range of Titomic produced frames as well as announcing a new international partnership with a well-known boutique bicycle company to produce high-end custom-made frames.

Further projects with other car-rim, bike, e-bike, wheelchair and luggage organisations are all progressing.

Client	Project	Schedule	Opportunity
Australian Bike Association	Special Projects - Team race designs	Evaluation Phase 1 Project & Signing Contract	TKF Bureau OEM production
Australian University	Australian Team Track Racing Bikes	Evaluation Phase 1 Project & Signing Contract	TKF Bureau OEM production
European bike company	Titanium Bike Gear Sprocket	Phase 1 Project Underway	TKF Bureau OEM production of parts
European bike company	Titanium Wheel Hub	Phase 1 complete, now signing contract for Phase 2 Production trials	TKF Bureau OEM production of parts
European bike company	Titanium alloy & CFRP composite bikes	Evaluation Phase 1 Project & Signing Contract	TKF Bureau OEM production
European Luxury luggage OEM	Titanium luggage	Phase 1 complete, now signing contract for Phase 2 Production trials	TKF Bureau OEM production of parts
USA bike prime	Titanium bike frames	Phase 1 complete, now signing contract for Phase 2 Production trials	TKF Bureau OEM production & JV TKF License
USA golf prime	Titanium & Super alloy golf clubs	Phase 1 complete, now signing contract for Phase 2 Production trials	TKF Bureau OEM production & JV TKF License
USA Wheelchair company	Lightweight Titanium Frame	Evaluation Phase 1 Project & Signing Contract	TKF Bureau OEM production of parts

Current Projects – Government and R&D

Titomic has been approached by a number of local and international government departments to establish new programs to build TKF Melbourne-style Bureaus bringing TKF production capabilities to their regions to support their manufacturing companies and industries with the unique competitive advantages of the TKF systems.

These bureaus are expected to draw on Titomic's established powder supply chain relationships to fulfil production, whilst also containing on-site powder production facilities to explore new material and alloy capabilities.

We're particularly excited to be working on a significant initiative with the Victorian Government which, with their assistance, will see Titomic establish a major powder production and material science testing capability to develop new Australian sovereign capabilities utilising Australian mineral sands reserves rich in ilmenite (29% of the world's stores) & rutile (44%) to create new feedstock powders.

Client	Project	Schedule	Opportunity
USA DoD & Defence Prime	Top Secret	Evaluation Phase	TKF Bureau & Powder Production Facility
Japan Government	TKF Bureau & Powder Production Facility	Set up of Additive Manufacturing centre	TKF Bureau & Powder Production Facility
Singapore Government	TKF Bureau & Powder Production Facility	Scoping completed. Contract negotiation	TKF Bureau & Powder Production Facility
Victorian Government	Advanced Manufacturing Technology Centre TKF Bureau & Powder Production Facility	Capability evaluation & negotiation	TKF Bureau & Powder Production Facility

Current Projects – Construction, Transport & Automotive

Titomic is currently completing a Phase 1 trial to produce Titanium automotive wheels for luxury cars which is a ground-breaking project as currently there are no manufacturers of Titanium wheels due to the fabrication, time and cost difficulties of using traditional manufacturing processes to make Titanium wheels. The TKF trials have shown some considerable advantages of Carbon Fibre wheels as there is no heat effect from braking and they are the same weight and strength. TKF Titanium wheels production can be fully automated with high revenue opportunities that can be realised in 2020 once testing and regulatory compliance is carried out.

Titomic is currently working on scoping two very significant projects for high performance luxury cars as well as a Formula 1 racing team that if successful will further validate the commercial reality of Titomic Kinetic Fusion as a viable additive manufacturing process for high performance products.

The Titomic sales team is currently working with one of the largest global building companies scoping the TKF capability for producing large infrastructure projects in remote locations that would see Phase 1 and 2 trials commencing in 2020 with significant revenue opportunities.

There are a number of general engineering projects for reducing the machining time of plastic extrusion screws that are currently machined from a solid rod by a large European manufacturer. This project would see a Phase 1 trial, on successful completion move directly into OEM manufacturing from the TKF Melbourne Bureau.

Client	Project	Schedule	Opportunity
Australian automotive wheel company	Titanium wheels	Phase 1 Trials started then move to Phase 2 Production trials	TKF Bureau OEM production
European luxury sports car manufacturer	Titanium fuel tanks, exhausts & wheels	Phase 1 Trials started then move to Phase 2 Production trials	TKF Bureau OEM production
USA Building Prime	Industrial Scale Pipe & Fittings	Evaluation Phase 1 Project & Signing Contract	JV TKF License & TKF Machine Sales
Plastic Extrusion Equipment Prime	Plastic extrusion screws	Evaluation Phase 1 Project & Signing Contract	TKF Bureau OEM production
F1 Race Team	Production of Driver Safety Cage	Evaluation Phase 1 & 2 Project & Signing Contract	TKF Bureau OEM production

Supply Chain & Logistics Agreements

These agreements solidify Titomic's international supply chain of a broad range of cost-effective, purpose engineered powders optimised for Titomic Kinetic Fusion® which further enables versatile manufacturing capabilities at low-cost.

Lasting Titanium | December 2018

China's largest manufacturer of titanium powder will supply price-point titanium powder to Titomic, reducing associated material

costs of TKF to further increase TKF's competitive cost advantage compared to traditional manufacturing methods.

Sino Euro | December 2018

Sino Euro to be a distributor of Titomic Kinetic Fusion® systems in China and engineer aerospace-grade titanium metal powders optimised for Titomic Kinetic Fusion® and use in high-value applications such as aerospace.

Osaka Titanium Technologies (OTC) & Marubeni

Titomic secures aerospace-grade, gas-atomised titanium powder supply from OTC, engineered for high-performance in TKF Systems, while the Marubeni Corporation becomes Titomic's distributor for TKF Systems within Japan and South Korea.

Research and Development

During the period, Titomic generated feasibility and prototyping revenues, both as part of specific R&D projects and as a critical step in broader, sequential customer journeys. During this phase, Titomic explores proof of concept and feasibility for an application.

Once successful, the agreement progressed through prototype manufacture, two-party validation testing, and finally, production or TKF system/s licensing. The process timeframe may vary between 6 and 24 months, dependent upon product complexity, testing requirements and materials used.

Research & Development Partnerships

Core Partner in \$4.9m Research Training Centre Grant | August 2018

This Australian Research Centre will undertake Surface Engineering for Advanced Materials research and development. Titomic will work in conjunction with fellow core partner the Australian Nuclear Science and Technology Organisation (ANSTO).

Joint \$2.6m Research Project for Titomic Kinetic Fusion® Standards | October 2018

Joint research with partners IMCRC and CSIRO to develop new industry standards for TKF. The program focuses on enhancing TKF as a transformational technology for the highest standards of the aerospace and defence industries.

Titomic Technical Advisory Committee – Registration as Research Provider Pending

This initiative joins significant subject matter experts from Australia's most prolific research institutes and commercial organisations. The Committee facilitates interplay between high-level academic research and commercial application, driving sector progress and commercial achievement alike. Titomic's Non-Executive Director, Professor Richard Fox and Managing Director Mr Jeffrey Lang will join the Titomic TAC which sees the joining of the significant subject matter experts from Australia's most prolific material, structural engineering, aerospace and high-performance metals research institutes in Australia.

The TAC considers innovative solutions for industry through collective thought leadership, industry enhancements, and application of research programs whilst maintaining a clear focus on the delivery and adoption of research in line with Titomic's strategic outputs.

In providing independent, external expert advice to Titomic's internal technical and production teams, the TAC resolves technical issues to achieve industry success whilst assisting with designing and overseeing broader research programs and collaborative strategies run both internally at Titomic and externally. The TAC actively explore new patent and research avenues for the Company to explore and exploit within the Industry.

The TAC will continue to be instrumental in;

- addressing the industries broader strategic issues, challenges and opportunities relevant to the positioning TKF process in the Additive Manufacturing (AM) sector as well as any other sectors in which the Company may operate;

- reviewing technical issues, challenges and risks facing AM sector, with a view to providing advice about appropriate solutions and actions;
- reviewing the research and technical needs of Titomic or any of its customers and how Titomic may be able to meet those needs and be better aligned with customers and partners;
- discussing industry and scientific updates and advancements in AM equipment and machinery;
- proposing initiatives to provide direction and guidance in the development of the R&D projects to ensure that Titomic's scientific strategy is relevant, balanced, and can meet the expectations of different industries; and
- identifying any industry risks and recommend the implementation of risk mitigation strategies.

TAC Committee members:

Professor Rhys Jones

Professor Rhys Jones AC is a Companion of the Order of Australia "For eminent service to mechanical and aerospace engineering, and to education as an academic, researcher and author, particularly in the area of aircraft structural mechanics, corrosion repair and airworthiness". This is the highest honour that can be given to an Australian Citizen.



Until 1993 he was employed as the Research Leader (Aircraft Structures) in the Australian Defence Science and Technology Organisation (DSTO). He joined Monash as the Chair Professor of Mechanical Engineering in 1993. Prof Jones retired from Monash at the end of December 2017.

The Vice Chancellor subsequently appointed Rhys as an Emeritus Professor at Monash University. Professor Jones is internationally acknowledged for his pioneering work in aircraft sustainment and extending the operational life of both Military and Civilian aircraft. He is acknowledged as a co-developer, together with staff at DST, of the "cubic rule" which is widely used by the RAAF to assess crack growth in operational aircraft, and is built into both the F/A-18 Structural Assessment Manual and the P3C (Orion) Repair Assessment Manual.

In addition to being made a Companion of the Order of Australia Rhys is a recipient of: 2008 Defence Science Award, from the Australian Chief Defence Scientist, for his seminal paper on thermo-elasticity which was chosen as one of the Top Ten Defence Science publications in the period 1907-2007; The 1982 Institution of Engineers Australia Engineering Excellence Award, for his work on Mirage III aircraft; A Rolls Royce/Qantas Special Commendation, for his work on RAAF F-111 aircraft; The 1989 Sir George Julius Medal, awarded by The Institution of Engineers Australia.

With over 500 publications Professor Jones has a Google Scholar h-index of 44 (not all publications are currently included), and 9,338 citations.

Dr Richard Hannink



Richard has extensive experience, of working in industry, academia and CSIRO, in characterising microstructure-property relationships of metals, ceramics and cements and their relationship to industrial applications and performance. Richard started his career in John Lysaghts (Newcastle, Australia), moving to Richard Thomas and Baldwin (UK), the Cavendish Laboratory in Cambridge University, where he completed a PhD in Physics before moving to CSIRO Tribophysics (Melbourne) in 1973.

Richard was an integral part of the team at CSIRO who developed transformation toughened zirconia, now used extensively in the manufacturing and mining industries and as medical prostheses. Richard is currently an Honorary Fellow at CSIRO Manufacturing and on the Victorian Committee of the Australian Academy of Technology and Engineering along with his other project interests.

Dr Airlie Chapman



Airlie Chapman received the Ph.D. degree from the William E. Boeing Aeronautics and Astronautics Department at the University of Washington, Seattle in 2013. She received the M.S. degree in Mathematics from University of Washington (2013) and the M.S. degree and the B.S. degree from the University of Sydney, Australia (2008 and 2006). She is currently a lecturer in the Department of Mechanical Engineering at the University of Melbourne.

Dr. Chapman was awarded the College of Engineering Dean's Fellowship at the University of Washington and is a two-time recipient of the Amelia Earhart Fellowship. Her research interests are multi-agent dynamics, networked dynamic systems, data-driven control and graph theory with applications to robotics and aerospace systems. She has recently authored the book "Semi-Autonomous Networks" published by Springer in 2015.

Professor Ivan Cole

Prof Ivan Cole combined extensive leadership and research experience. His is currently Enabling Capability Director for Advanced Manufacturing and Fabrication at RMIT. Prior to this he spent 25 years at CSIRO and held positions including Program Director – High Performance Metal Industry and Acting Chief CSIRO Manufacturing and Materials Technology.



He has nearly thirty years' experience and is an internationally recognised leader in the field of life prediction, prognostics and design and fabrication of engineered structures specialising in Computational Materials Modelling (incl. geographical information systems), impact of and adaptation to climate change, Sensor Systems, Corrosion Science and Protective Coatings.

His work has included the development of IT systems for damage prognostics, IT systems to predict flood damage and design guides to minimise such damage, the development of protective coatings for metals and the development of green materials and micro and nano-sensing.

He has led major projects in intelligent vehicle health monitoring for aerospace applications, nano-sensing for water quality, development of new coatings for galvanized steel and aluminum and the relation between building design/climate and component life, as well as the development of performance-based guidance standards and codes for durable buildings. He has made a significant contribution to the application of building and material science to the conservation of cultural artifacts. An extensive publication record with over 160 papers, as well as having been the Chair and keynote speaker of international organizations and conferences in these areas.

Professor Raman Singh



Professor Raman Singh's primary research expertise is in corrosion and corrosion mitigation of steels and light alloys. His interests include the relationship of Nano-/microstructure and Environment-assisted degradation and fracture of metallic and composite materials, and Nanotechnology for advanced mitigation of such degradations. He has also worked extensively on use of advanced materials (e.g., graphene) for corrosion mitigation, stress corrosion cracking, and corrosion and corrosion-mitigation of magnesium alloys (including for the use of magnesium alloys for aerospace, defence and bioimplant applications).

Prof Singh's professional distinctions and recognitions include: Editor of two books (one on Non-destructive Evaluation of Corrosion (Pub: Wiley) and other on Cracking of Welds (Pub: Woodhead/CRC Press)), Editor-in-Chief of a journal, member of the Editorial Boards of a number of journals, leader/chairperson of international conferences and regular plenary/keynote

lectures at international conferences, over 215 peer-reviewed international journal publications, 15 book chapters/books and over 100 reviewed conference publications, and several competitive research grants (that includes 4 Discovery, 7 Linkage and one ITRH grants of Australian Research Council).

Prof Singh has supervised 40 PhD students. His vibrant research group at Monash University comprises of PhD students from different disciplines (Mechanical, Chemical, Materials and Mining Engineering, and Science) as well as from different cultural backgrounds (Australian, Middle-eastern, Chinese, Malaysian, Indian, African, North American and Israeli).

Professor Emad Gad

Emad is the Dean of Engineering, School of Engineering within the Faculty of Science, Engineering and Technology. Prior to this appointment he was the Chair of the Department of Civil and Construction Engineering at Swinburne University of Technology. Earlier he was an Associate Professor at Melbourne University and Research Scientist at CSIRO.



Emad is a civil engineer with extensive experience in structural dynamics, residential construction, structural connections, experimental techniques and finite element modelling. His applied research has contributed to the development of several standards and codes of practice. In addition to his teaching and research contributions, he has completed numerous consulting contracts for local and multinational clients.

He is Chair of the Board of the Australian Engineered Fasteners and Anchors Council (AEFAC), Co-Editor of the Australian Journal of Structural Engineering, appointment member of the Victorian Government Building Advisory Council (BAC), Director on the Board of the Australian Steel Institute (ASI) and Fellow of Engineers Australia.

Systems and Processes

Titomic is continually developing and refining its systems and processes, enabling Titomic to exceed customer expectations. During FY2019, Titomic finalised the implementation of ongoing IT Infrastructure, software developments for Titomic systems, a quality management system, and an automated production line, enabling Titomic to engage in further R&D and prototype projects.

ISO9001

Titomic attained ISO9001:2015, the internationally recognised 'Quality Management System' that ensures process repeatability, quality control and continuous improvement throughout the organisation to deliver consistent repeatable performance for customers.

ISO9001:2015 certification unlocks a number of benefits for Titomic:

- Internationally recognised: ISO 9001 is the quality benchmark required by major international companies for ongoing worldwide procurement and implementation;
- Gateway to high value industries: Many large multinational organisations (eg: aerospace, defence, automotive, construction, and governments) require partners and suppliers to implement and maintain an ISO9001:2015 accreditation which ensures repeatability, but also traceability for all work practiced and products produced;
- Quality assurance: Enables Titomic to continually benchmark, monitor and manage quality across the entire operation to identify process improvements and efficiencies for its own OEM manufacturing, but also that of customer manufacturing using the TKF systems; and
- Customer focused: Ensures all products manufactured meet customer's requirements, and that quality is consistently maintained or improved.

Intellectual Property Suite

Titomic is continually developing its significant and valuable suite of intellectual property surrounding the effective utilisation of Digital Manufacturing Solutions, including Titomic Kinetic Fusion®.

CSIRO Load Bearing Structures Patent

Patent surrounding the application of cold-gas dynamic spraying of titanium or titanium alloy particles onto a scaffold to produce a load bearing structure. This is an Exclusive Licence Agreement provided by the CSIRO and is recognised in Australia, New Zealand, Europe, China, US and Japan. Pending – Korea and Hong Kong.

CSIRO Manufacture of Pipe Patent and CSIRO Manufacture of Continuous Pipe Patent

This Exclusive Licence Agreement with the CSIRO grants exclusive rights to two patents; production of Pipe and Continuous Pipe manufactured from Titanium and Titanium Alloys. The agreement enables production of valves, flanges and pipe and seamless, continuous titanium pipe using Titomic Kinetic Fusion®. Patents have been granted in Europe, Ukraine, Australia, and the US.

Trade Shows & Exhibition

Titomic demonstrated its newest technological innovations throughout various tradeshow during the year, generating high-level discussions with various manufacturing prime contractors, as well as generating media interest within multiple publications from the Company's unique achievements.

Eurosatory | June 2018

Titomic spoke with numerous prime contractors during this international Defence and Security industry trade fair which hosted over 55,000 visitors.

Eurobike | July 2018

The world's largest annual bicycle tradeshow saw Titomic unveil multiple new products and generate high-level discussions with multiple global cycling manufacturing companies.

Land Forces | September 2018

Land Forces hosted Titomic and TAUV to unveil the UAV prototype which resulted from Phase 1 of the two-party agreement, generating interest from defence primes and media alike.

Formnext | November 2018

At the world's largest additive manufacturing show, Titomic boasted the largest and fastest AM systems of over 630 exhibitors, generating interest and manufacturing agreements, including a global aerospace prime, as well as multiple conversations within the shipbuilding, oil & gas, and automotive sectors.

CAMS | November 2018

Company Managing Director Jeff Lang addressed this leading materials conference to discuss recent Titomic research and the Company's near-future goals surrounding Titomic Kinetic Fusion®.

APICAM | July 2019

Titomic presented to the conference, discussing current points of focus of Titomic Kinetic Fusion®, and ongoing, collaborative research efforts with partners including IMCRC, CSIRO, ANSTO, Swinburne University and more.

Risk Mitigation

As a manufacturing group, the health and safety of our personnel and their workplace is very important. As such, Titomic is working with a group of world-leading risk management companies to develop new standards for the transportation and storage of dangerous or potentially hazardous goods, such as Titanium alloy powders which once released, will become a benchmark for the additive manufacturing industry. Titomic is also investigating the global availability of Titanium powders and remains in discussions with leading Titanium powder suppliers around the world regarding the development and security of its own powder supply chain.

Business Development

During FY 2019 Titomic entered multiple partnerships with companies across various sectors and these R&D revenues will continue into FY2020. In FY2020, the company expects to provide an update on the completion of some of these R&D projects and subsequent updates surrounding system sales.

Throughout FY2020, Titomic will maintain its strong presence at major trade shows around the world, providing the company further opportunity to showcase its commercial viability. Attendance and participation at key trade show and exhibition events has seen the development of multiple discussions and manufacturing agreements for Titomic across a rich pipeline stemming from varied sectors.

Significant Changes in the State of Affairs

There were no significant changes to the state of affairs of the Company during the reporting period.

Event Since the End of the Financial Year

On 4th July 2019 the Company announced the completion of a \$7M private placement capital raising (before costs) to institutional and sophisticated investors. 4,117,648 new fully paid ordinary shares (ASX:TTT) were issued at an issue price of \$1.70 per share, plus 2,058,839 new 1:2 free-attaching options (ASX:TTTO) exercisable at AUD\$2.50 expiring on or before 10th July 2021. The new securities under this placement were subsequently allotted to subscribers on 12th July 2019.

Likely Developments and Expected Results of Operations

The activities for the financial period are outlined in the Review of Operations. Any outlooks or forward projections provided are inherently risky and the Board is unable to provide certainty of the expected timing and financial results of these activities, or that any, or all, of these likely developments will be achieved. All future activities are subject to various risks and there are no assurances that these targeted milestones will be reached or that the stated timeframes will be met.

Environmental Regulation

The Company's operations are not subject to any significant environmental Commonwealth or State regulations or laws.

Dividend paid, Recommended and Declared

No dividends were paid, declared or recommended since the start of the financial year.

Information on Directors and Company Secretaries

The qualifications, experience and special responsibilities of each person who has been a Director of the Company at any time during or since 1 July 2018 is provided below, together with details of the Company secretary as at year end.

Mr Philip Vafiadis <i>Non-Executive Chairman</i>		
Experience and expertise	<p>Mr Philip Vafiadis is the founding Director and Chairman of Innovyz and the Innovyz Start Institute. As leader of strategy he is an architect of Innovyz's holistic process and key strategic relationships. Innovyz assists in the commercialisation of technology with a current focus on waste & recycling, advanced materials & manufacturing, and Circular Economy. Mr Vafiadis is also a founding member and a Board Director of the Australian Transformation and Turnaround Association, Australia's peak industry body for transformational professionals.</p> <p>Mr Vafiadis is a serial entrepreneur and innovator operating across technology, commercial and economic change. He maintains strong international relationships across multiple technology industries.</p>	
Other current directorships	Mr Vafiadis remains the Chairman of his first business, VAF Research, which he founded at 17 years of age which, according to Rolling Stone Magazine, created <i>"The ultimate in high fidelity performance with the best bass in the world"</i> .	
Former directorships in last 3 years	Mr Vafiadis has not held any listed company directorships in the past 3 years.	
Special responsibilities	<ul style="list-style-type: none"> • Board Chairman • Audit & Risk Committee Member • Remuneration & Nomination Committee Member 	
Interests in shares and options	Interest in shares	5,375,000
	Interest in performance securities	3,776,947
	Interest in options	589,000

Mr Jeffrey Lang		Managing Director (Formerly Chief Executive Officer and Chief Technology Officer)	
Experience and expertise	<p>Mr Jeffrey Lang is an experienced senior executive and technologist in R&D of advanced manufacturing technologies and implementation on automated manufacturing operations in Australia,</p> <p>Europe and Asia. With 30+ years of experience in Research and Development of advanced manufacturing technologies across several industry sectors he has received awards in Europe, China and Australia for his work in composite technology and commercialisation of new manufacturing systems and products.</p> <p>Mr Lang has many years of business experience in the R&D of both material science and advanced technologies working and collaborating with many International Brands, Manufacturers, Universities, Government Agencies, Scientific Organisations and Industry Associations.</p> <p>A corporate and innovation visionary, Mr Lang has led multiple efforts in the development of future advanced technologies by driving a culture of “outside the box” creative thinking to successfully manage collaborations & partnerships with vested interests in advanced technologies and product innovation. Mr Lang assists companies and organisations with creative solution resolution by analysis of conceptual ideas and products to effectively transfer new technologies through to commercialisation.</p> <p><u>Awards</u></p> <p>Australian Stockbrokers Award - Best Corporate Deal of the year 2018 Titomic Limited (ASX:TTT)</p> <p>Camellia Award - Awarded by the Chinese Government to outstanding foreign experts in appreciation of their contributions and enthusiastic support for social and economic development.</p> <p>ISPO Brand New Award - European Industry award for best new innovative product design and technology development.</p> <p>SPE Specialised Plastic Engineers - Award for Industry contribution as a speaker at Victorian Industry workshops on composite Materials & Production Technologies.</p>		
	Other current directorships		
	Former directorships in last 3 years		
	Special responsibilities		
	Interests in shares and options		
Interest in shares		10,004,342	
Interest in performance securities		6,247,348	
Interest in options		354,000	

Prof Richard Fox <i>Non-Executive Director</i>		
Experience and expertise	Prof Richard Fox is the co-founder of Force Industries, one of Australia's leading designer and manufacturer of composite boards for board sports. He is the former director of Research at St Vincents Hospital Melbourne. Prof Fox was also the former Director of Clinical Haematology & Medical Oncology, Royal Melbourne Hospital 1985-2006. Prof Fox was the inaugural Chair of the CRC for Cancer Therapeutics & was awarded the Order of Australia in 2007.	
Other current directorships	None	
Former directorships in last 3 years	Prof Fox has not held any listed Company directorships in the past 3 years.	
Special responsibilities	<ul style="list-style-type: none"> • Audit & Risk Committee Member • Remuneration & Nomination Committee Member • Technical Advisory Committee Chairman 	
Interests in shares and options	Interest in shares	27,944,012
	Interest in performance securities	10,099,660
	Interest in options	354,000

Mr Richard Willson <i>Non-Executive Director</i>		
Experience and expertise	<p>Mr Richard Willson is an experienced, Non-Executive Director, Company Secretary and CFO with more than 20 years' experience predominantly within the mining and agricultural sectors for both publicly listed and private companies.</p> <p>Mr Willson has a Bachelor of Accounting from the University of South Australia, is a fellow of CPA Australia, and a Fellow of the Australian Institute of Company Directors.</p>	
Other current directorships	<p>Mr Willson is a Non-Executive Director of AusTin Mining Limited (ASX:ANW), Thomson Resources Limited (ASX:TMZ), Graphene Technology Solutions Limited, the not-for-profit Unity Housing Company, and Variety SA; and Company Secretary of a number of ASX Listed Companies.</p> <p>Mr Willson is the Chairman of the Audit Committee of AusTin Mining Limited and Unity Housing Company.</p>	
Former directorships in last 3 years	<p><u>Current</u></p> <p>Non-Executive Director - AusTin Mining Limited (ASX:ANW) Non-Executive Director - Thomson Resources Limited (ASX:TMZ) Non-Executive Director - Graphene Technology Solutions Limited Non-Executive Director - Unity Housing Company Limited Non-Executive Director - Variety SA</p> <p><u>Previous</u></p> <p>Non-Executive Director - FirstWave Cloud Technologies Limited (ASX:FCT) Non-Executive Director - Patron Resources Limited</p>	
Special responsibilities	<ul style="list-style-type: none"> • Audit & Risk Committee Chairman • Remuneration & Nomination Committee Chairman 	
Interests in shares and options	Interest in shares	100,000
	Interest in performance securities	16,168
	Interest in options	354,000

Mr Peter Vaughan <i>Company Secretary & Chief Financial Officer</i>		
Experience and expertise	<p>Mr Peter Vaughan is a public company specialist who has worked in the listed company environments of ASX, AIM and NASDAQ for more than 15 years across several industries both in Australia and overseas. He has served on, and provided finance, compliance and operations management, and corporate advisory services to several private, not-for-profit and public company Boards, related committees and Senior Management.</p> <p>Mr Vaughan has served as Company Secretary & Chief Financial Officer to a number of listed and unlisted public companies and has led several Initial Public Offerings (IPOs), Reverse Take Overs (RTOs) and a number of significant secondary capital raisings on Australian and US listed markets. Mr Vaughan has also held a number of Director and Treasurer positions within for-profit and not-for-profit organisations.</p> <p>Mr Vaughan is a Chartered Accountant who also holds a Senior Executive MBA from Melbourne University and has been awarded a number of awards for his volunteer work with Wildlife Victoria and the State Emergency Service including a Pride of Australia Award in 2011, and a Chartered Accountants award in 2010.</p>	
Other current directorships	None	
Former directorships in last 3 years	None	
Special responsibilities	None	
Interests in shares and options	Interest in shares	-
	Interest in performance securities	-
	Interest in options	-

Mr Gilbert Michaca *Chief Executive Officer (CEO)* (resigned 22 October 2018)

Directors' Meetings

The number of meetings of the board of Director and of each board committee held during the financial year and the numbers of meetings attended by each director were:

	Full Meetings of Directors		Meetings of Committees			
			Audit		Remuneration	
	A	B	A	B	A	B
Mr Philip Vafiadis	12	12	5	5	1	1
Mr Jeffrey Lang	12	12	5	5	-	-
Prof Richard Fox	12	12	5	5	1	1
Mr Richard Willson	12	12	5	5	1	1

A = Number of meetings attended

B = Number of meetings held during the time the Director held office or was a member of the committee during the year

Directors' Report *(Continued...)*

As at the date of this report the Company had an Audit and Risk Committee and Remuneration and Nomination Committee with membership of the committees as follows:

	Audit and Risk Committee	Remuneration and Nomination Committee
Committee Chairman	Mr Richard Willson	Mr Richard Willson
Committee Members	Mr Philip Vafiadis	Mr Philip Vafiadis
Committee Members	Prof Richard Fox	Prof Richard Fox

Directors' Interests in Shares or Options

	Unlisted Options	Ordinary Shares	Performance Securities *
Mr Philip Vafiadis	589,000	5,375,000	1,875,000 ¹
	-	-	1,875,000 ¹
	-	-	26,947 ²
Prof Richard Fox	354,000	27,944,012	5,041,746 ¹
	-	-	5,041,746 ¹
	-	-	16,168 ²
Mr Jeffrey Lang	354,000	10,004,342	3,083,254 ¹
	-	-	3,083,254 ¹
	-	-	80,840 ²
Mr Richard Willson	354,000	100,000	16,168 ²
Total	1,651,000	43,423,354	20,140,123

* Performance Securities include both Performance Shares issued and Performance Share Rights issued.

1. **Milestone 1: 10,000,000 Performance Shares**

The Company's Share price must be equal to or more than 150% of listing price (based on the VWAP of the share price over 20 consecutive trading days on which the Company's securities have traded), and the quarterly revenues of the Company must be at least \$1m for two consecutive quarters, within 3 years of IPO (21 September 2017 to 21 September 2020).

Milestone 2: 10,000,000 Performance Shares

The Market Capitalisation of the Company must be equal to or more than \$100 million (calculated as the number of shares on issue multiplied by VWAP over 20 consecutive trading days on which the Company's securities have traded), and the quarterly revenue of the Company must be at least \$2m for two consecutive quarters and the Company must have issued at least 30 product licenses, within 3 years of IPO (21 September 2017 to 21 September 2020).

2. **Performance Hurdle: 140,123 Performance Share Rights**

Performance Hurdle is set at a share price equal to 150% of the Company's 30-day VWAP share price which is \$2.78 on the date shareholder approval was granted (29 November 2018), and must be satisfied within 3 years of the granting of the Performance Rights (29 November 2018 to 28 November 2021).

Indemnification and Insurance of Directors, Officers and Auditors

(a) **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 financial 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.

(b) Indemnity of auditors

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 for leave of Court to bring proceedings on behalf of the Company.

Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* in relation to the audit for the financial year is provided with this report.

Non-Audit Services

Details of the amounts paid or payable to the auditor Pitcher Partners for non-audit services provided during the year are set out below.

Non-audit services are approved by resolution of the audit committee and approval is provided in writing to the board of Directors. Non-audit services were provided by the auditors of entities in the consolidated group during the year, namely Pitcher Partners (Melbourne), network firms of Pitcher Partners, and other non-related audit firms, as detailed below. The Directors are satisfied that the provision of the non-audit services during the year by the auditor is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001* for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by Titomic Limited and have been reviewed and approved by the Audit Committee to ensure they do not impact on the integrity and objectivity of the auditor; and
- the non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for Titomic Limited or any of its related entities, acting as an advocate for Titomic Limited or any of its related entities, or jointly sharing risks and rewards in relation to the operations or activities of Titomic Limited or any of its related entities.

During the period the following fees were paid or payable for non-audit services provided by the auditor of the Company, its related practices and non-related audit firms:

	2019 \$	2018 \$
Other services		
Pitcher Partners firm:		
- Investigating Accountant Services relating to IPO	-	47,000
Total remuneration for non-audit services	-	47,000

Rounding of Amounts

In accordance with *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*, the amounts in the Directors' report and the Financial Reports have been rounded to the nearest dollar.

Remuneration Report (Audited)

The Directors present the Titomic Limited 2019 Remuneration Report, outlining key aspects of our remuneration policy and framework, and remuneration awarded this year to Titomic Limited's Executive Directors, Non-Executive Directors and other Key management personnel.

(a) Key management personnel covered in this report

Mr Philip Vafiadis	Non-Executive Chairman
Mr Jeffrey Lang	Managing Director
Prof Richard Fox	Non-Executive Director
Mr Richard Willson	Non-Executive Director
Mr Peter Vaughan	Company Secretary & Chief Financial Officer (CFO)
Mr Gilbert Michaca	Chief Executive Officer (CEO) (resigned 22 October 2018)

(b) Remuneration policy

Under its charter, the Remuneration and Nomination Committee must have at least three members, a majority of whom (including the Chair) must be Independent Directors and to the extent possible, Non-Executive Directors. In accordance with its charter, it is intended that at least one member will have expertise in remuneration.

Remuneration and Nomination Committee

Committee Chairman	Mr Richard Willson
Committee Members	Mr Philip Vafiadis
Committee Members	Prof Richard Fox

The main functions of the Remuneration and Nomination Committee are to assist the Board with a view to establishing a Board of effective composition, size, diversity, experience and commitment to adequately discharge its responsibilities and duties, and assist the Board with a view to discharging its responsibilities to Shareholders and other stakeholders to seek to ensure that the Company:

- has coherent remuneration policies and practices which enable the Company to attract and retain executives and Directors who will create value for Shareholders, including succession planning for the Board and executives;
- fairly and responsibly remunerate Directors and executives, having regard to the performance of the Company, the performance of the executives and the general remuneration environment;
- has policies to evaluate the performance of the Board, individual Directors and executives on (at least) an annual basis; and
- has effective policies and procedures to attract, motivate and retain appropriately skilled and diverse persons to meet the Company's needs.

The Remuneration and Nomination Committee will meet as often as is required by its Charter or other policy approved by the Board to govern the operation of the Committee. Following each meeting, the Committee will report to the Board on any matter that should be brought to the Board's attention and on any recommendation of the Committee that requires Board approval.

(c) Elements of remuneration

(i) Short-term incentives

The Remuneration and Nomination Committee ensures that Non-Executive Directors are appropriately remunerated having regard to their relevant experience, individual performance, the performance of the Company, industry standards and the general pay environment as appropriate.

Board Chairman:

Total remuneration package of \$150,000 per annum (inclusive of superannuation if payable) made up of:

- \$100,000 in Cash
- \$50,000 in Performance Share Rights*

Non-Executive Director:

Total remuneration package of \$90,000 per annum (inclusive of superannuation if payable) made up of:

- \$60,000 in Cash
- \$30,000 in Performance Share Rights*

Managing Director:

Total remuneration package will include:

- \$350,000 per annum plus statutory superannuation
- \$150,000 in Performance Share Rights*

Audit and Risk Committee:

Each Director of the Committee will receive:

- \$7,500 per annum (inclusive of superannuation if payable) to serve as a Chair or
- \$2,500 per annum (inclusive of superannuation if payable) to serve as a general member

Remuneration and Nomination Committee:

Each Director of the Committee will receive:

- \$7,500 per annum (inclusive of superannuation if payable) to serve as a Chair or
- \$2,500 per annum (inclusive of superannuation if payable) to serve as a general member

** Approved by shareholders at the Annual General Meeting of the Company held on 29 November 2018.*

The Directors' fees do not include a commission on, or a percentage of, profits or income.

(d) Link between remuneration and performance

Remuneration is dependent on satisfaction of performance conditions:

A portion of the Executive Remuneration is based on attainment of performance conditions. Performance-based remuneration includes short-term cash bonuses and a long-term incentive plan (performance shares and performance share rights).

Refer to (f) for Managing Director (MD) remuneration and bonuses.

The Non-Executive remuneration policy is based on attainment of performance conditions. Performance-based remuneration includes a long-term incentive plan (performance shares and performance share rights).

(e) Remuneration expenses for KMP

The following table shows details of the remuneration expense recognised for the Company's key management personnel for the current and previous financial year measured in accordance with the requirements of the Accounting Standards.

2018	Short-term benefits		Post-employment benefits	Long-term benefits	Share-based payments		
Director's and Other KMP	Cash salary and fees \$	Annual leave \$	Superannuation \$	Long service leave \$	Performance Securities \$	Total \$	Performance Securities as % of Total
Mr Philip Vafiadis *	187,036	-	-	-	45,271	232,307	19%
Prof Richard Fox	22,917	-	-	-	121,731	144,648	84%
Mr Jeffrey Lang	267,702	15,175	21,147	-	74,444	378,468	20%
Mr Richard Willson	35,000	-	3,563	-	-	38,563	-
Mr Simon Marriott **	137,700	-	-	-	-	137,700	-
Mr John Barnes ***	10,000	-	-	-	-	10,000	-
Mr Gilbert Michaca ****	14,583	1,122	1,385	-	16,910	34,000	50%
Total	674,938	16,297	26,095	-	258,356	975,686	26%

* Includes professional management and consulting advisory services paid to an associated entity of Mr Philip Vafiadis throughout the reporting period totalling \$132,869 for the services of Innovy staff.

** Mr Simon Marriott resigned 28 February 2018. Includes professional consulting advisory services paid to an associated entity of Mr Simon Marriott throughout the reporting period totalling \$121,082 for his executive services.

*** Mr John Barnes appointed 1 February 2018 and resigned 1 June 2018.

**** Mr Gilbert Michaca resigned 22 October 2018.

2019	Short-term benefits		Post-employment benefits	Long-term benefits	Share-based payments		
Director's and Other KMP	Cash salary and fees \$	Annual leave \$	Superannuation \$	Long service leave \$	Performance Securities \$	Total \$	Performance Securities as % of Total
Mr Philip Vafiadis	105,417	-	-	-	51,057	156,474	33%
Prof Richard Fox	65,000	-	-	-	120,798	185,798	65%
Mr Richard Willson	68,493	-	6,507	-	4,737	79,737	6%
Mr Jeffrey Lang	288,799	13,462	20,558	-	94,660	417,479	23%
Mr Gilbert Michaca ****	281,366	11,421	20,531	-	-	313,318	-
Total	809,075	24,883	47,596	-	271,252	1,152,806	24%

**** Mr Gilbert Michaca resigned 22 October 2018.

(f) Contractual arrangements with executive KMPs
Chief Executive Officer (CEO)

Mr Gilbert Michaca was appointed Chief Executive Officer (CEO) of the Company commencing on 18 June 2018. The key terms of Mr Gilbert Michaca's employment with the Company were as follows:

- Appointment as an ongoing Chief Executive Officer (CEO);
- Base salary is \$350,000 per annum plus superannuation of \$20,531;
- Entitlement to 20 days paid annual leave per annum and entitled to 10 days paid personal leave per annum;
- Mr Gilbert Michaca is subject to post-employment restrictions from partaking in certain activities in similar industries ranging for between 1 month to 12 months in duration.

Chief Executive Officer (CEO) (continued...)

Either the Company or Mr Michaca may terminate the employment contract upon 6 months written notice. The Company may terminate Mr Michaca employment contract without notice in some circumstances.

Mr Michaca was offered the following incentives under the Company's CEO Incentive Programme:

Performance Shares		Fully Paid Ordinary Shares Offered
1. Share Price		
A.	Titomic Limited achieving a minimum VWAP share price of AUD\$3.00 per share for 30 consecutive days where the Company's shares were traded, within the first 3 years of your employment	150,000 fully paid ordinary shares
B.	Titomic Limited achieving a minimum VWAP share price of AUD\$4.50 per share for 30 consecutive days where the Company's shares were traded, within the first 3 years of your employment	350,000 fully paid ordinary shares
C.	Titomic Limited achieving a minimum VWAP share price of AUD\$6.00 per share for 30 consecutive days where the Company's shares were traded, within the first 3 years of your employment	500,000 fully paid ordinary shares
2. Revenue		
A.	Minimum of \$1 million of revenue collected for each of two consecutive quarters by 31 March 2019	AUD\$25,000 worth of TTT shares after 31 March 2019
B.	Minimum of \$2 million of revenue collected for each of two consecutive quarters by 30 June 2019	AUD\$50,000 worth of TTT shares after 30 June 2019
C.	Collect minimum of \$1 million of revenue from a single contract by 31 December 2018	AUD\$25,000 worth of TTT shares after 31 December 2018
D.	Collect minimum of \$4 million of revenue from a single contract by 30 June 2019	AUD\$50,000 worth of TTT shares after 30 June 2019
3. Profit		
A.	EBIT of \$1 million for 6 months ended 31 December 2018	AUD\$50,000 worth of TTT shares after 31 December 2018
B.	EBIT of \$2 million for 12 months ended 30 June 2019	AUD\$100,000 worth of TTT shares after 30 June 2019

Mr Gilbert Michaca resigned on 22 October 2018 which resulted in cancellation of 1,000,000 performance shares previously granted last financial year 2018.

Managing Director (MD)

Mr Jeffrey Lang currently serves as Managing Director (formally Chief Executive Officer and Chief Technology Officer) of the Company. The key terms of Mr Jeffrey Lang's employment with the Company are as follows:

- Appointed as Managing Director on on-going terms;
- Base salary is \$350,000 per annum plus statutory superannuation;
- Entitlement to 20 days paid annual leave per annum and entitled to 10 days paid personal leave per annum.
- Following the termination of employment, Mr Lang will be restricted from partaking in certain activities ranging for between 1 month to 12 months in duration.

Either the Company or Mr Jeffrey Lang may terminate the employment contract with 6 months written notice. The Company may terminate Mr Jeffrey Lang employment contract without notice in some circumstances.

Mr Jeffrey Lang has been offered the following Performance Share Rights under his Employment Contract:

- \$150,000 per annum in at-risk remuneration payable in equity as Performance Share Rights.

Mr Jeffrey Lang and/or his nominee will receive \$150,000 worth of Performance Share Rights, subject to achievement of the Performance Hurdle, the Company's 30-day VWAP share price on the date shareholder approval is granted, and must be satisfied within 3 years of the date of the granting of the Performance Share Rights or the Performance Share Rights will lapse and expire.

Managing Director (MD) - continued...

If the performance hurdle is achieved, Titomic Limited will issue one new fully paid ordinary share to Mr Jeffrey Lang for each Performance Share Rights as follows:

NS = \$150,000/**SVWAP** where:

- NS** means the number of shares to be issued to Mr Jeffrey Lang (or his nominee); and
- SVWAP** means the Company's 30-day VWAP per share on the date the shareholder approval is granted.

(g) Non-Executive Director arrangements

Each Non-Executive Director has executed an appointment letter with the Company confirming the terms of their appointment, their roles and responsibilities, and Titomic's expectations of them as Directors.

Each Non-Executive Director has confirmed that they will comply with International Traffic in Arms Regulations (ITAR) and provide full disclosure of all information required by ITAR.

The Board of Directors, in conjunction with the Remuneration and Nomination Committee, decides the total cash amount paid to each Director as remuneration for their services as a Director to the Company.

Under the ASX Listing Rules, the total amount paid to all Non-Executive Director for their services must not exceed, in aggregate in any financial year, the agreed and approved Non-Executive Remuneration Pool limit as set by shareholders at a shareholders meeting. The current Non-Executive Remuneration Pool limit has been fixed at \$600,000 per annum (approved by shareholders at the Annual General Meeting of the Company held on 29 November 2018).

(h) Key management personnel's equity holdings

Number of Options Held by Key Management Personnel

30 June 2019	Grant date	Date vested and exercisable	Expiry date	Granted as compensation	Exercise price	Value of options at grant date
Non-Executive Directors						
Mr Philip Vafiadis	30-May-2017	21-Sept-2017	31-May-2020	589,000	\$0.30	\$49,797
Prof Richard Fox	30-May-2017	21-Sept-2017	31-May-2020	354,000	\$0.30	\$30,037
Mr Richard Willson	30-May-2017	21-Sept-2017	31-May-2020	354,000	\$0.30	\$30,037
Executive Directors						
Mr Jeffrey Lang	30-May-2017	21-Sept-2017	31-May-2020	354,000	\$0.30	\$30,037
Other Key Management Personnel						
Mr Gilbert Michaca*	-	-	-	-	-	-
Total				1,651,000		\$139,908

* Mr Gilbert Michaca resigned on 22 October 2018

No options have been exercised by Directors or Other Key Management Personnel.

(h) Key management personnel's equity holdings (Continued...)

Number of Shares Held by Key Management Personnel

30 June 2019	Balance at the start of the year	Balance at date of appointment	Granted as compensation	Net change (other)	Balance at the end of the year
Non-Executive Directors					
Mr Philip Vafiadis	5,375,000	-	-	-	5,375,000
Prof Richard Fox	27,944,012	-	-	-	27,944,012
Mr Richard Willson	100,000	-	-	-	100,000
Executive Directors					
Mr Jeffrey Lang	10,004,342	-	-	-	10,004,342
Other Key Management Personnel					
Mr Gilbert Michaca *	-	-	-	-	-
Total	43,423,354	-	-	-	43,423,354

* Mr Gilbert Michaca resigned on 22 October 2018

Performance securities granted to key management personnel

30 June 2019	Grant date	Vested upon	Expiry date	Granted	Performance Hurdle	Value at grant date (\$)
Non-Executive Directors						
Mr Philip Vafiadis	26-May-2017	Milestone 1	26-May-2020	1,875,000	Milestone 1	225,000
	26-May-2017	Milestone 2	26-May-2020	1,875,000	Milestone 2	56,250
	28-Dec-2018	Performance Share Rights	28-Nov-2021	26,947	\$2.78	36,063
				3,776,947		317,313
Prof Richard Fox	26-May-2017	Milestone 1	26-May-2020	5,041,746	Milestone 1	605,010
	26-May-2017	Milestone 2	26-May-2020	5,041,746	Milestone 2	151,252
	28-Dec-2018	Performance Share Rights	28-Nov-2021	16,168	\$2.78	21,638
				10,099,660		777,900
Mr Richard Willson	28-Dec-2018	Performance Share Rights	28-Nov-2021	16,168	\$2.78	21,638
				16,168		21,638
Managing Directors						
Mr Jeffrey Lang	26-May-2017	Milestone 1	26-May-2020	3,083,254	Milestone 1	369,990
	26-May-2017	Milestone 2	26-May-2020	3,083,254	Milestone 2	92,498
	28-Dec-2018	Performance Share Rights	28-Nov-2021	80,840	\$2.78	108,188
				6,247,348		570,676
Total				20,140,123		1,687,527

Milestone 1: 10,000,000 Performance Shares

The Company's Share price must be equal to or more than 150% of listing price (based on the VWAP of the share price over 20 consecutive trading days on which the Company's securities have traded), and the quarterly revenues of the Company must be at least \$1m for two consecutive quarters, within 3 years of IPO (21 September 2017 to 21 September 2020).

Milestone 2: 10,000,000 Performance Shares

The Market Capitalisation of the Company must be equal to or more than \$100 million (calculated as the number of shares on issue multiplied by VWAP over 20 consecutive trading days on which the Company's securities have traded), and the quarterly revenue of the Company must be at least \$2m for two consecutive quarters and the Company must have issued at least 30 product licenses, within 3 years of IPO (21 September 2017 to 21 September 2020).

Performance Hurdle: 140,123 Performance Share Rights

Performance Hurdle is set at a share price equal to 150% of the Company's 30-day VWAP share price which is \$2.78 on the date shareholder approval was granted (29 November 2018), and must be satisfied within 3 years of the granting of the Performance Share Rights (29 November 2018 to 28 November 2021).

(i) Consequences of Company's performance on shareholder wealth

In considering the Company's performance and benefits for shareholder wealth, the Board provides the following key performance indicators in respect of the current financial year and previous financial year:

	2019	2018	2017
Revenue and other income	\$1,474,937	\$267,859	\$6,790
% increase in revenue and other income	451%	3844%	% N/A
Loss before tax	(\$7,489,077)	(\$3,767,594)	(\$1,393,419)
Change in share price (%)	(25%)	N/A	N/A
Dividend paid to shareholders	\$nil	\$nil	\$nil
Return of capital	\$nil	\$nil	\$nil
Total remuneration of KMP	\$1,152,806	\$975,686	\$568,321
Total performance-based remuneration	\$271,252	\$258,356	\$193,276

(j) Loans to key management personnel**Aggregate of loans made**

There were no loans to or from related parties at the current and previous reporting date.

(k) Other transactions with key management personnel

There were no transactions with key management personnel at the current reporting date.

Professor Richard Fox

During period ending 30 June 2018, an amount of \$2,152 that remained outstanding to Titomic Non-Executive Director Prof Richard Fox which was repaid on 27 October 2017.

Innovyz Investments Pty Ltd

Titomic Chairman, Mr Philip Vafiadis is a founding owner and is the current Director of Innovyz Investments Pty Ltd (Innovyz) which provides professional management and consulting advisory services. No services were provided to Titomic during the year. During 2018, Innovyz provided professional management and consulting advisory services to Titomic totaling \$132,869.

Any consulting fees paid to Innovyz for services rendered were charged at arms-length commercial rates.

Red Heeler Holdings Pty Ltd

Former Titomic Director, Mr Simon Marriott, provided industry and technical advisory consulting services to Titomic through his consulting firm Red Heeler Holdings Pty Ltd during 2018 until his resignation in February 2018 totaling \$121,082.

(l) Additional information**(i) Voting of shareholders at last year's annual general meeting**

Titomic Limited received more than 99% of "yes" approval votes from shareholders on its remuneration report for the 2018 financial year at the Company's Annual General Meeting (AGM) in November 2018. The Company did not receive any specific feedback at the AGM or throughout the period regarding its remuneration practices.

Use of remuneration consultants

The Company did not use any remuneration consultants during the year.

End of Remuneration Report

This Directors' Report is made in accordance with a resolution of Directors.



Mr Philip Vafiadis
Non-Executive Chairman
Melbourne - 30 August 2019

TITOMIC LIMITED
ABN 77 602 793 644

**AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF TITOMIC LIMITED**

In relation to the independent audit for the year ended 30 June 2019, to the best of my knowledge and belief there have been:

- (i) No contraventions of the auditor independence requirements of the *Corporations Act 2001*; and
- (ii) No contraventions of APES 110 *Code of Ethics for Professional Accountants*.



B POWERS
Partner

30 August 2019



PITCHER PARTNERS
Melbourne

Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 30 June 2019

	Notes	2019 \$	2018 \$
Revenue			
Revenue from contracts with customers	5	439,573	-
Non-operating Income	5	1,035,364	267,859
		1,474,937	267,859
Expenses			
Materials and Consumables used		(449,823)	-
Corporate administration expenses	6	(1,133,546)	(1,065,079)
Depreciation and amortisation expenses	6	(441,333)	(156,188)
Research and development expenses	6	(4,523,613)	(1,225,070)
Consulting, employee and director expenses	6	(2,000,390)	(1,134,351)
Travel expenses		(250,188)	(301,532)
Marketing and promotion expenses		(165,121)	(153,233)
Loss before income tax		(7,489,077)	(3,767,594)
Income tax expense	7	-	-
Loss for the period		(7,489,077)	(3,767,594)
Other comprehensive loss for the period		-	-
Total comprehensive loss for the period		(7,489,077)	(3,767,594)
		Cents	Cents
Basic loss per share	8	(6.09)	(3.55)
Diluted loss per share	8	(6.09)	(3.55)

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

Statement of Financial Position

As at 30 June 2019

	Notes	2019 \$	2018 \$
ASSETS			
Current assets			
Cash and cash equivalents	9	1,412,477	10,347,168
Trade and other receivables	10	1,226,979	494,160
Inventories	11	393,429	205,129
Other current assets	12	612,142	334,677
Assets classified as held for sale	13	-	134,404
Total current assets		3,645,027	11,515,538
Non-current assets			
Property, plant and equipment	14	5,543,658	4,293,946
Intellectual property	15	2,531,092	220,669
Total non-current assets		8,074,750	4,514,615
Total Assets		11,719,777	16,030,153
LIABILITIES			
Current liabilities			
Trade and other payables	16	686,000	368,356
Provisions	17	132,488	43,340
Other liabilities	19	564,648	6,739
Deferred revenue	18	18,170	55,104
Total current liabilities		1,401,306	473,539
Non-current liabilities			
Provisions	17	8,928	-
Other liabilities	19	1,840,702	333,715
Total non-current liabilities		1,849,630	333,715
TOTAL LIABILITIES		3,250,936	807,254
NET ASSETS		8,468,841	15,222,899
EQUITY			
Issued capital	20	20,404,638	19,987,131
Reserves	21	752,234	434,722
Accumulated losses		(12,688,031)	(5,198,954)
TOTAL EQUITY		8,468,841	15,222,899

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

Statement of Changes in Equity

For the year ended 30 June 2019

	Attributable to owners of Titomic Limited			
	Issued Capital \$	Reserves \$	Accumulated Losses \$	Total \$
Balance at 1 July 2017	2,159,045	193,276	(1,431,360)	920,961
Loss for the period	-	-	(3,767,594)	(3,767,594)
Total comprehensive loss for the period	-	-	(3,767,594)	(3,767,594)
<i>Transactions with owners in their capacity as owners:</i>				
Shares issued, net of costs	17,828,086	-	-	17,828,086
Share based payment	-	241,446	-	241,446
	17,828,086	241,446	-	18,069,532
Balance at 30 June 2018	19,987,131	434,722	(5,198,954)	15,222,899
Balance at 1 July 2018	19,987,131	434,722	(5,198,954)	15,222,899
Loss for the period	-	-	(7,489,077)	(7,489,077)
Total comprehensive loss for the period	-	-	(7,489,077)	(7,489,077)
<i>Transactions with owners in their capacity as owners:</i>				
Shares issued, net of costs	417,507	-	-	417,507
Share based payment	-	317,512	-	317,512
	417,507	317,512	-	735,019
Balance at 30 June 2019	20,404,638	752,234	(12,688,031)	8,468,841

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

Statement of Cash Flows

For the year ended 30 June 2019

	Notes	2019 \$	2018 \$
<u>Cash flows from operating activities</u>			
Receipts from customers		299,742	-
Payments to suppliers and employees		(6,734,792)	(4,513,577)
Interest received		152,532	54,942
Other grants		252,917	-
Net cash outflow from operating activities	23(a)	(6,029,601)	(4,458,635)
<u>Cash flows from investing activities</u>			
Payments for property, plant and equipment		(2,624,730)	(3,367,275)
Repayment of CSIRO IP Liability		-	(25,000)
Payment for intellectual property		(311,322)	-
Proceeds from sale of held for sale asset		40,455	-
Payment for term deposit/bonds		-	15,000
Net cash outflow from investing activities		(2,895,597)	(3,377,275)
<u>Cash flows from financing activities</u>			
Proceeds from issues of shares and other equity securities (net of costs)	20(b)	(9,493)	17,828,086
Repayments of related party borrowing		-	(2,152)
Net cash (outflow) inflow from financing activities		(9,493)	17,825,934
Net (decrease) increase in cash and cash equivalents		(8,934,691)	9,990,024
Cash and cash equivalents at the beginning of the financial year		10,347,168	357,144
Cash and cash equivalents at end of period	9	1,412,477	10,347,168

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

Notes to the Financial Statements

For the year ended 30 June 2019

1 Summary of significant accounting policies

The following is a summary of significant accounting policies adopted by the Company in the preparation and presentation of the financial report. This includes current accounting policies and significant accounting policies relevant to the Company for the near future. The accounting policies have been consistently applied, unless otherwise stated.

(a) Basis of preparation

This annual report is a general purpose financial statements that has been prepared in accordance with Australian Accounting Standards, Interpretations and other applicable authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the Corporations Act 2001.

The annual report covers Titomic Limited (Titomic) a Company limited by shares, incorporated and domiciled in Australia. The address of the Company's registered office is Building 3 270 Ferntree Gully Road Notting Hill Victoria 3168 Australia. The Company is a for-profit Company for the purpose of preparing the financial statements.

The financial report was authorised for issue by the Directors as at the date of the directors' report.

(i) Compliance with IFRS

The financial statements of the Company also comply with the *International Financial Reporting Standards (IFRS)* issued by the *International Accounting Standards Board (IASB)*.

(ii) Historical cost convention

The financial statements have been prepared under the historical cost convention, as modified by revaluations to fair value for certain classes of assets and liabilities as described in the accounting policies.

(iii) Fair value measurement

For financial reporting purposes, 'fair value' is the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants (under current market conditions) at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique.

When estimating the fair value of an asset or liability, the entity uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Inputs to valuation techniques used to measure fair value are categorised into three levels according to the extent to which the inputs are observable:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

(iv) Significant accounting estimates

The preparation of the financial statements requires the use of certain estimates and judgements in applying the Company's accounting policies. Those estimates and judgements significant to the financial report are disclosed in Note 2.

(b) Going concern

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

The Company incurred a loss from ordinary activities of \$7,489,077 during the year ended 30 June 2019 (2018:\$3,767,594 loss). The Company had a net asset position of \$8,468,841 (2018: \$15,222,899). The Company had a net cash outflow from operating activities of \$6,029,601 (2018: \$4,458,635).

Following the Company's successful Initial Public Offer (IPO) of \$6.5 million (before costs) in September 2017 and subsequent capital raisings of \$12 million (before costs) in April 2018 and \$7 million (before costs) in July 2019, the Company has delivered a world-class TKF Melbourne Bureau facility capable of performing R&D prototype, research and development and OEM production capabilities utilising its three Titomic Kinetic Fusion (TKF) production systems which have been custom designed and built for industrial scale manufacture:

- (1) the TKF9000 - which is capable of producing parts up to 9m x 3m x 1.5m;
- (2) the TKF Robotic Production Line - capable of fast repeatable production of parts; and
- (3) the TKF1000 - a smaller system able to be easily shipped anywhere in the world for immediate production capability.

(b) Going concern (Continued...)

The Company has also furthered its market potential in February 2019 by complementing its initial exclusively licensed CSIRO patented technology acquired in 2014 for the production of titanium load-bearing structures, with two additional exclusively licensed patented technologies from CSIRO for producing Titanium pipes and Titanium continuous pipes.

These three world-wide patents now significantly increase the Company's potential to generate future patent revenue streams across multiple industry sectors.

The Company has continued to focus on its strategic goals, as represented by the size and scale of the physical assets built, the calibre and strength of the organisational team assembled, and the commencement of world-leading R&D programs with major defence and aerospace primes, such as Boeing, as well as with research institutes CSIRO, Swinburne, and ASTO through previously announced IMCRC and SEAM projects.

By complementing industry projects with the next generation of material science and production capabilities for additive manufacturing, Titomic is securing capability for today as well as into the future.

In determining that the basis for preparation of the financial report on a going concern basis is appropriate, the Directors have reviewed the Company's current financial performance, future operating plans (including cashflow forecasts), customer pipeline opportunities, financial position and existing cash resources available. The Directors are confident that the Company will be able to continue as a going concern for at least 12 months from the date of authorisation of this annual financial report, which contemplates continuity of the Company's normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

Should the budgeted and estimated revenues of the Company as projected be delayed or come on slower than anticipated, the need may arise for the Company to seek additional capital funding through a proven track record of strong market support from existing shareholders and institutional investors to fund working capital initiatives and take advantage of opportunities to expand the Company's capabilities both domestically and internationally.

The financial report does not include any adjustment relating to the recoverability or classification of recorded asset amounts nor to the amounts or classification of liabilities that might be necessary should the Company not be able to trade as forecast or to secure sufficient funding to continue as a going concern. If the going concern basis of accounting is found to no longer be appropriate, the recoverable amount of the assets shown in the Statement of Financial Position are likely to be significantly less than the amounts disclosed, and the extent of liabilities may differ significantly from those reflected.

(c) Revenue

Revenue is measured at an amount that reflects the consideration to which the Company expects to be entitled in exchange for the goods or services. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

Revenue from contracts with customers:

The Company derives revenue from:

- Research and Advisory Consulting Services
- Development and Prototyping Services
- OEM Manufacturing Services
- System and Spare Parts Sales
- Metal Powders Sales

The following specific revenue criteria must be met before revenue is recognised:

(vi) Sale of goods

Revenue from the sale of goods (e.g., systems and spare parts, and metal powders) is recognised at the point in time when control of the goods is transferred to the customer.

(vii) Service income

Revenue from the rendering of services (e.g., research and advisory consultancy, development and prototyping, and OEM manufacturing) is recognised over time, as the services are provided to the customer, based on costs incurred as a percentage of the total estimated costs.

(viii) Interest

Interest revenue is recognised using the effective interest rate method.

Notes to the Financial Statements (Continued...)

For the year ended 30 June 2019

(c) Revenue (Continued...)

(ix) Grant and R&D Incentives

The Company may undertake R&D activities under competitive grants and be part-funded by other incentive program (for example: R&D tax incentives). There is no certainty that grants or incentive programs will continue to be available to the Company, and changes in government policy may reduce their applicability. R&D tax incentives are recorded as revenue when the Company has determined that it has a valid claim.

(x) Receivables from contracts with customers

A receivable from a contract with a customer represents the company's unconditional right to consideration arising from the transfer of goods or services to the customer (i.e., only the passage of time is required before payment of the consideration is due). Subsequent to initial recognition, receivables from contracts with customers are measured at amortised cost and are tested for impairment.

All revenue is measured net of the amount of Goods and Services Tax (GST).

(d) Cash and cash equivalents

Cash and cash equivalents include cash on hand and at banks, short-term deposits with an original maturity of three months or less held at call with financial institutions, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

(e) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. See note 10 for further information about the group's accounting for trade receivables.

(f) Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

Finance leases

Leases of fixed assets, where substantially all of the risks and benefits incidental to ownership of the asset, but not the legal ownership, are transferred to the Company are classified as finance leases.

Finance leases are capitalised and recorded as an asset with a corresponding liability equal to the fair value or, if lower, the present value of the minimum lease payments, including any guaranteed residual values. The interest expenses are calculated using the interest rate implicit in the lease and are included in finance costs in the statement of profit or loss. Leased assets are depreciated on a straight-line basis over their estimated useful life on the asset where it is likely the Company will obtain ownership of the asset, or over the term of the lease. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Operating leases

Lease payments for operating leases are recognised as an expense on a straight-line basis over the term of the lease.

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

(g) Property, plant and equipment

All property, plant and equipment, including capital work in progress (WIP) are stated at historical cost less depreciation. Historical cost includes expenditures that are directly attributable to the acquisition of the items. For capital WIP, depreciation commences upon the asset becoming operational. For all other assets, depreciation commences upon the date of purchase.

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 asset will flow to the Company and the cost of the asset 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.

Depreciation is calculated using the straight-line method of depreciation to allocate the cost or revalued amounts of the asset, net of the residual values, over the estimated useful life of the asset or, in the case of leasehold improvements and certain leased plant and equipment, the shorter lease term as follows:

Notes to the Financial Statements (Continued...)

For the year ended 30 June 2019

(g) Property, plant and equipment (Continued...)

• Leasehold Buildings	10 - 20 years
• Factory Equipment	3 - 10 years
• Furniture and Fittings	3 - 5 years
• Prototype Machinery	3 - 5 years
• Other Property, Plant and Equipment	N/A

(h) Intangible assets

Titomic's core technology is called Titomic Kinetic Fusion (TKF) and is based on an automated Cold Spray robotic technology process. Titanium powder is sprayed at supersonic speed (up to two times the speed of sound) onto a scaffold surface, resulting in the powder particles plastically deforming at the edges and on impact bonds at a particle level with the surrounding particles.

The TKF process can produce complex shapes such as oval, tear-drop, conical tubes, allowing manufacturers to produce shapes and styles not possible with traditional titanium manufacturing methods.

(i) Licences

Licences are recognised at cost and are amortised over their estimated useful lives, generally being a maximum 20 years or expiration of underlying patent. Licences are carried at cost less accumulated amortisation less any impairment losses.

(ii) Research and development

Expenditure on research activities is recognised as and when an expense is incurred.

Development costs are capitalised when the Company can demonstrate all of the following: the technical feasibility of completing the asset allowing it to be available for use or sale; the intention to complete the asset and use or sell it; the ability to use or sell the asset; how the asset will generate probable future economic benefits for the Company; the availability of adequate technical, financial and other resources to complete the development to use or sell the asset; and the ability to reliably measure the expenditure attributable to the asset during its development. Capitalised development expenditures are carried at cost less any accumulated amortisation less any accumulated impairment losses. Amortisation is calculated using a straight-line amortisation method to allocate the cost of the intangible asset over its estimated remaining useful life. Amortisation commences when the intangible asset is available for use.

Other development expenditure are recognised as an expense when they are incurred.

(i) Inventories

Inventories include finished goods and inventory in transit are measured at the lower of weighted average cost and net realisable value. Costs are assigned on a first-in first-out basis and include direct materials, direct labours and an appropriate proportion of variable and fixed overhead expenses.

(j) Impairment of non-financial assets

Intangible assets not yet ready for use and intangible assets with indefinite useful lives are not subject to amortisation and are therefore tested annually for impairment, or more frequently when events or changes in circumstances indicate that the carrying value of the asset might be impaired.

An impairment loss is recognised when the carrying amount of an asset or cash generating unit exceeds the asset's or cash generating unit's recoverable amount. The recoverable amount of an asset or cash generating unit is defined as the higher of its fair value less costs to sell and value in use.

Impairment losses in respect of individual assets are recognised immediately in profit or loss unless the asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease in accordance with the applicable Standard.

(k) Income tax

Current income tax expense or revenue is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities.

Deferred tax assets and liabilities are recognised for temporary differences at the applicable tax rates when the assets are expected to be recovered or liabilities are settled. Deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss.

(k) Income tax (Continued...)

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

(l) Provisions

Provisions are recognised when the Company has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

(m) Employee benefits

(i) Short-term employee benefit obligations

Liabilities arising in respect of wages and salaries, annual leave, and any other employee benefits (other than termination benefits) expected to be settled wholly before twelve months after the end of the annual reporting period are measured at the (undiscounted) amounts based on remuneration rates which are expected to be paid when the liability is settled. The expected cost of short-term employee benefits in the form of compensated absences such as annual leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables in the statement of financial position.

(ii) Other long-term employee benefit obligations

The provision for other long-term employee benefits, including obligations for long service leave and annual leave, which are not expected to be settled wholly before twelve months after the end of the reporting period, are measured at the present value of the estimated future cash outflow to be made in respect of the services provided by employees up to the reporting date. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee turnover, and are discounted at rates determined by reference to market yields at the end of the reporting period on high quality corporate bonds that have maturity dates that approximate the terms of the obligations. Any remeasurements for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the change occurs.

Other long-term employee benefit obligations are presented as current liabilities in the balance sheet if the Company does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur. All other long-term employee benefit obligations are presented as non-current liabilities in the statement of financial position.

(iii) Retirement benefit obligations

Defined contribution superannuation plan

The Company makes superannuation contributions (currently 9.5% of the employee's average ordinary salary) to the employee's defined contribution superannuation plan of choice in respect of employee services rendered during the year.

These superannuation contributions are recognised as an expense in the same period when the related employee services are received. The group's obligation with respect to employee's defined contributions entitlements is limited to its obligation for any unpaid superannuation guarantee contributions at the end of the reporting period.

All obligations for unpaid superannuation guarantee contributions are measured at the (undiscounted) amounts expected to be paid when the obligation is settled and are presented as current liabilities in the statement of financial position.

(iv) Share-based payments

Share-based compensation benefits may be provided through the issue of fully paid ordinary shares under the Employee Share and Option Plan. Options may also be granted to employees and consultants in accordance with the terms of their respective employment and consultancy agreements. Any options granted to employees are made in accordance with the terms of the Company's Employee Share and Option Plan (ESOP).

The fair value of options granted under employment and consultancy agreements are recognised as share-based payment expense with a corresponding increase in equity. The fair value of the options is measured at grant date and recognised over the period during which the employees or consultants become unconditionally entitled to the options.

The fair value of the options at grant date is determined using either a Black-Scholes option pricing model or a Monte Carlo method pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, 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.

The fair value of any equity granted may include the impact of market (for example, share price target) and non-market

(m) Employee benefits (Continued...)

vesting conditions (for example, profitability and sales growth targets). These vesting conditions are included in assumptions about the number of securities that are expected to be issued or become exercisable. At each reporting date, the entity assesses, and when necessary revises the estimated number of securities that are expected to be issued or become exercisable. The expense recognised each period takes into account the most recent estimate. The impact of any revision to original estimates is recognised in the statement of profit or loss and other comprehensive income with a corresponding adjustment to equity.

Upon the exercise of options, the balance of the share-based payments reserve relating to those options is transferred to contributed equity.

(n) Financial instruments

(i) Classification

Financial assets recognised by the Company are subsequently measured in their entirety at either amortised cost or fair value, subject to their classification and whether the Company irrevocably designates the financial asset on initial recognition at fair value through other comprehensive income (FVtOCI) in accordance with the relevant criteria in AASB 9.

Financial liabilities classified as held-for-trading, contingent consideration payable by the Company for the acquisition of a business, and financial liabilities designated at fair value through profit and loss (FVtPL), are subsequently measured at fair value.

All other financial liabilities recognised by the Company are subsequently measured at amortised cost.

(ii) Initial recognition and measurement

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. For financial assets, this is equivalent to the date that the Company commits itself to either the purchase or sale of the asset (ie trade date accounting is adopted).

Financial instruments are initially measured at fair value adjusted for transaction costs, except where the instrument is classified as fair value through profit or loss, in which case transaction costs are immediately recognised as expenses in profit or loss.

Trade and other receivables

Trade and other receivables arise from the company's transactions with its customers and are normally settled within 30 days.

Consistent with both the company's business model for managing the financial assets and the contractual cash flow characteristics of the assets, trade and other receivables are subsequently measured at amortised cost.

(iii) Impairment

The following financial assets are tested for impairment by applying the 'expected credit loss' impairment model:

- (a) debt instruments measured at amortised cost;
- (b) debt instruments classified at fair value through other comprehensive income; and
- (c) receivables from contracts with customers and contract assets.

The Company applies the simplified approach under AASB 9 to measuring the allowance for credit losses for both receivables from contracts with customers and contract assets. Under the AASB 9 simplified approach, the Company determines the allowance for credit losses for receivables from contracts with customers and contract assets on the basis of the lifetime expected credit losses of the financial asset. Lifetime expected credit losses represent the expected credit losses that are expected to result from default events over the expected life of the financial asset.

The Company determines expected credit losses based on the company's historical credit loss experience, adjusted for factors that are specific to the financial asset as well as current and future expected economic conditions relevant to the financial asset. When material, the time value of money is incorporated into the measurement of expected credit losses. There has been no change in the estimation techniques or significant assumptions made during the reporting period.

The Company has identified contractual payments more than 90 days past due as default events for the purpose of measuring expected credit losses.

Notes to the Financial Statements (Continued...)

For the year ended 30 June 2019

(o) Foreign currency translation

(i) Functional and presentation currency

The financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (the functional currency). The financial statements are presented in Australian dollars (AUD), which is the Company's functional and presentation currency.

(ii) Transactions and balances

Transactions in foreign currencies are translated into functional currency at the rate of exchange determined at the date of the transaction. Foreign currency monetary items that are outstanding at the reporting date (other than monetary items arising under foreign currency contracts where the exchange rate for that monetary item is fixed in the contract) are translated using the foreign currency spot rate at the end of the financial year.

(p) Goods and Services Tax (GST)

Revenues, expenses and purchased assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(q) Rounding of amounts

The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission (ASIC), relating to the 'rounding off' of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with that Class Order to the nearest dollar.

(r) Held for sale assets

Held for sale assets are measured at fair value without any deduction for expected transaction costs on disposal and the change in fair value is recognised directly in other comprehensive income (except for an impairment loss and a foreign exchange gain or loss) until the financial asset is derecognised when the cumulative gain or loss previously recognised in other comprehensive income is recognised in profit or loss.

(s) Comparatives

Where necessary, the comparative information has been reclassified and repositioned for consistency with current year disclosures.

(t) New, revised or amending Accounting Standards and Interpretations adopted

The Company has adopted all the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for the current reporting period, some of which are relevant to the Company as set out below.

Impacts of AASB 15 on the financial statements

Titomic Limited adopted AASB 15 Revenue from Contracts with Customers from 1 July 2018.

AASB 15 provides (except in relation to some specific exceptions, such as lease contracts and insurance contracts) a single source of accounting requirements for all contracts with customers, thereby replacing all previous accounting pronouncements on revenue.

These Standards provide a revised principle for recognising and measuring revenue. Under AASB 15, revenue is recognised in a manner that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the provider of the goods or services expects to be entitled. To give effect to this principle, AASB 15 requires the adoption of the following 5-step model:

- identify the contract(s) with a customer;
- identify the performance obligations under the contract(s);
- determine the transaction price;
- allocate the transaction price to the performance obligations under the contract(s); and
- recognise revenue when (or as) the entity satisfies the performance obligations.

Notes to the Financial Statements (Continued...)

For the year ended 30 June 2019

(t) New, revised or amending Accounting Standards and Interpretations adopted (Continued...)

Titomic Limited has not restated comparatives on the adoption of AASB 15. The application of AASB 15 has not had a material impact on the financial statements.

Impacts of AASB 9 on the financial statements

Titomic Limited adopted AASB 9 Financial Instruments from 1 July 2018.

These Standards will replace AASB 139: Financial Instruments: Recognition and Measurement. The key changes that may affect the Company on initial application of AASB 9 and associated amending Standards include:

- simplifying the general classifications of financial assets into those carried at amortised cost and those carried at fair value;
- permitting entities to irrevocably elect on initial recognition to present gains and losses on an equity instrument that is not held for trading in other comprehensive income (OCI);
- simplifying the requirements for embedded derivatives, including removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;
- requiring an entity that chooses to measure a financial liability at fair value to present the portion of the change in its fair value due to changes in the entity's own credit risk in OCI, except when it would create an 'accounting mismatch';
- introducing a new model for hedge accounting that permits greater flexibility in the ability to hedge risk, particularly with respect to non-financial items; and
- requiring impairment of financial assets carried at amortised cost to be based on an expected loss approach.

Titomic Limited has not restated comparatives on the adoption of AASB 9. The application of AASB 9 has not had a material impact on the financial statements.

(u) Accounting standards issued but not yet effective

AASB 16 will replace AASB 117: Leases and introduces a single lessee accounting model that will require a lessee to recognise right-of-use assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Right-of-use assets are initially measured at their cost and lease liabilities are initially measured on a present value basis. Subsequent to initial recognition:

- (a) right-of-use assets are accounted for on a similar basis to non-financial assets, whereby the right-of-use asset is accounted for in accordance with a cost model unless the underlying asset is accounted for on a revaluation basis, in which case if the underlying asset is:
 - (i) investment property, the lessee applies the fair value model in AASB 140: Investment Property to the right-of-use asset; or
 - (ii) property, plant or equipment, the lessee can elect to apply the revaluation model in AASB 116: Property, Plant and Equipment to all of the right-of-use assets that relate to that class of property, plant and equipment; and
- (b) lease liabilities are accounted for on a similar basis as other financial liabilities, whereby interest expense is recognised in respect of the liability and the carrying amount of the liability is reduced to reflect lease payments made.

AASB 16 substantially carries forward the lessor accounting requirements in AASB 117. Accordingly, under AASB 16 a lessor would continue to classify its leases as operating leases or finance leases subject to whether the lease transfers to the lessee substantially all of the risks and rewards incidental to ownership of the underlying asset, and would account for each type of lease in a manner consistent with the current approach under AASB 117.

AASB 16 mandatorily applies to annual reporting periods commencing on or after 1 January 2019, and will be first applied by the Company in the financial year commencing 1 July 2019.

On 1 July 2019, the anticipated impacted on the Company is to recognise the following assets and liabilities:

- | | |
|-----------------------------------|-------------|
| • Increase in right of use asset: | \$912,685 |
| • Increase in lease liability: | \$1,102,786 |
| • Impact on accumulated losses: | \$190,101 |

Information on the undiscounted amounts of the Company operating lease commitments at 30 June 2019 is disclosed in Note 27.

2 Significant accounting estimates and judgements

Certain accounting estimates include assumptions concerning the future, which, by definition, will seldom represent actual results. Estimates and assumptions based on future events have a significant inherent risk, and where future events are not as anticipated there could be a material impact on the carrying amounts of the assets and liabilities discussed below:

Equity based payments

The value attributed to any equity issued in lieu of cash payment for services or remuneration is an estimate calculated using an appropriate mathematical formula based on an equity or share pricing model. The choice of models and the resultant equity value require assumptions to be made in relation to the likelihood and timing of the conversion of any options to shares, and the value of volatility of the price of the underlying shares, and the probability of any associated hurdle or performance criteria linked to the issue of the equity being achieved prior to any expiry period. Refer to note 21 for more details.

Estimation of useful lives of assets

The entity determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of changes in technology or some other events. The depreciation and amortisation charge will increase where useful lives are less than previously estimated, or technically obsolete assets will be written down or off.

3 Financial risk management

(a) Financial instruments

The Company's financial instruments consist of cash and cash equivalents, trade and other receivables and trade and other payables. Financial instruments as at 30 June 2019 are set out below:

	2019 \$	2018 \$
Cash and cash equivalents	1,412,477	10,347,168
Trade and other receivables	1,226,979	494,160
Trade and other payables	(686,000)	(368,356)
Other financial liabilities	(2,177,190)	(284,928)

The fair values of cash and cash equivalents, trade and other receivables and trade and other payables approximate to their carrying amounts largely due to being liquid assets or liabilities that will be settled within 12 months.

(b) Risk management policy

The Board is responsible for overseeing the establishment and implementation of the risk management system, and reviews and assesses the effectiveness of the Company's implementation of that system on a regular basis.

The Board and Senior Management identify the general areas of risk and assess the potential impact of any of these risks on the activities of the Company, with Management performing a regular review of:

- the major risks that may or do occur within the business;
- the degree of risk involved;
- the current approach of managing or mitigating the risk; and
- if appropriate, determine:
 - any inadequacies of the current approach; and
 - possible new approaches that more efficiently and effectively address the risk. Management report risks identified to the Board through regular reporting.

The Company seeks to ensure that its exposure to undue risk which may impact its financial performance, continued growth, and viability is minimised in a cost-effective manner.

(c) Financial risk management

The main risks the Company is exposed to through its operations are interest rate risk, credit risk, currency and liquidity risk.

Interest Rate Risk

The Company is exposed to interest rate risks via the cash and cash equivalents that it holds. Interest rate risk is the risk that a financial instrument's value will fluctuate because of changes in market interest rates. The objective of managing interest rate risk is to minimise the Company's exposure to fluctuations in interest rates that might impact its interest revenue, interest expense and cash flow.

Interest rate risk is considered when placing funds on term deposits. The Company considers the reduced interest rate received by retaining cash and cash equivalents in the Company's operating account compared to placing funds into a term deposit. This consideration also takes into account the costs associated with breaking a term deposit early should access to the cash and cash equivalents held in any term deposits be required prior to their maturity date.

There has been no change to the Company's exposure to interest rate risk or the manner in which it manages and measures its risk in the year ended 30 June 2019.

Credit risk

The Company is exposed to credit risk via its cash and cash equivalents and trade and other receivables. Credit risk is the risk that a counter-party will default on its contractual obligations resulting in a financial loss to the Company. To reduce risk exposure for the Company's cash and cash equivalents, it places them with high credit quality financial institutions, and performs background credit checks on counterparties where appropriate.

The Company's key receivables primarily comprised of GST refunds and R&D tax incentives refunds due to the Company from the Australian Tax Office (ATO). The Company holds the view that it does not have significant credit risk at this time in respect of its receivables.

Trade receivables consisted of a small number of transactions with multiple counterparties in the year ended 30 June 2019. Ongoing credit evaluations are performed on the financial condition of each account receivable.

The maximum exposure to credit risk at balance date of recognised financial assets is the carrying amount of those assets net of any allowance for credit losses as disclosed in the Statement of Financial Position and Notes to the Financial Statements.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company from time to time may be exposed to foreign currency fluctuations due to overseas amounts receivable from customers, or payable to suppliers denominated in foreign currencies.

Liquidity risk

The Company is exposed to liquidity risk via trade and other payables.

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet the commitments associated with its financial instruments. Responsibility for liquidity risk rests with the Board who manage liquidity risk by monitoring undiscounted cash flow forecasts and actual cash flows provided to them by the Company's Management to ensure that the Company continues to be able to meet its debts as and when they fall due.

Contracts are not entered into unless the Board believes that there are sufficient cash flows to fund the additional activity. The Board considers whether the Company needs to raise additional funding from the equity markets when reviewing its undiscounted cash flow forecasts.

Notes to the Financial Statements (Continued...)

For the year ended 30 June 2019

(c) Financial risk management (Continued...)

Liquidity risk (Continued...)

(i) Maturities of financial liabilities

The tables below categorises the Company's financial liabilities into relevant maturity groupings based on their contractual maturities for:

30 June 2018							Carrying amount (assets)/ liabilities
Contractual maturities of financial liabilities	Less than 6 months	Between 6 and 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cashflows	
	\$	\$	\$	\$	\$	\$	\$
Non-derivatives							
Trade payables	131,870	-	-	-	-	131,870	131,870
Accrued expenses	236,486	-	-	-	-	236,486	236,486
CSIRO IP liability	-	-	-	284,928	-	284,928	284,928
Total non-derivatives	368,356	-	-	284,928	-	653,284	653,284

30 June 2019							Carrying amount (assets)/ liabilities
Contractual maturities of financial liabilities	Less than 6 months	Between 6 and 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cashflows	
	\$	\$	\$	\$	\$	\$	\$
Non-derivatives							
Trade payables	484,819	-	-	-	-	484,819	484,819
Accrued expenses	201,181	-	-	-	-	201,181	201,181
CSIRO IP liability	220,558	-	-	361,900	1,327,404	1,909,862	1,909,862
Other liability	267,328	-	-	-	-	267,328	267,328
Total non-derivatives	1,173,886	-	-	361,900	1,327,404	2,863,190	2,863,190

4 Fair value measurements

Fair value hierarchy

The fair value of financial assets and financial liabilities approximates their carrying values as disclosed in the Statement of Financial Position and Notes to the financial statements.

5 Revenue

	2019	2018
	\$	\$
Revenue		
Revenue from contracts with customers	439,573	-
Interest Received	152,532	54,942
R&D Tax Refund Incentive	841,390	212,917
EMDG Grant	41,442	-
Total Revenue	1,474,937	267,859

Notes to the Financial Statements (Continued...)

For the year ended 30 June 2019

6 Expenses

	2019 \$	2018 \$
<u>Corporate administration expenses</u>		
Audit and accounting expenses	155,508	140,381
Legal expenses	179,286	103,358
Occupancy expenses	295,607	324,723
Insurance expenses	142,839	126,486
Corporate administration expenses	360,306	370,131
	1,133,546	1,065,079
<u>Depreciation and amortisation expenses</u>		
Depreciation expenses	402,698	50,204
Amortisation expenses	38,635	48,382
Impairment on held for Sale Assets	-	57,602
	441,333	156,188
<u>Research and development expenses</u>		
R&D employees and consultants expenses	2,373,047	917,283
R&D legal expenses	38,679	33,761
Other R&D related expenses	1,015,592	274,026
R&D depreciation expenses	964,386	-
R&D amortisation expenses	37,960	-
R&D impairment on held for sale asset	93,949	-
	4,523,613	1,225,070
<u>Consulting, employee and director expenses</u>		
Consulting expenses	359,571	201,968
Employee related expenses	1,075,122	569,848
Directors' expenses	212,678	79,572
Share-based payment expenses	136,822	241,446
Superannuation expenses	216,197	41,517
	2,000,390	1,134,351

Notes to the Financial Statements (Continued...)

For the year ended 30 June 2019

7 Income tax expense

(a) Income tax expense

	2019 \$	2018 \$
Income tax expense	-	-

(b) Reconciliation of income tax expense to prima facie tax payable

	2019 \$	2018 \$
Loss from continuing operations before income tax expense	(7,489,077)	(3,767,594)
Tax at the Australian tax rate of 27.5%	(2,059,496)	(1,036,088)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Non-assessable R&D tax incentive income	(231,382)	(58,552)
Non-allowable expenses	95,458	66,398
Other deductible expenses	-	(24,596)
Non-deductible R&D expenditures	1,243,994	-
Tax losses and other timing differences for which no deferred tax asset is recognised	951,426	1,052,838
Income tax expense	-	-

(c) Unrecognised potential tax benefits

	2019 \$	2018 \$
Unused tax losses and temporary differences for which a deferred tax asset has not been recognised	2,601,262	1,446,455

The potential tax benefit can only be utilised by the Company in the future if it generates sufficient tax liabilities and in relation to tax losses the continuity of ownership test is passed, or failing that, the same business test is passed.

Notes to the Financial Statements (Continued...)

For the year ended 30 June 2019

8 Loss per share

(a) Reconciliation of loss used in calculating loss per share

	2019 \$	2018 \$
Loss for the period	<u>(7,489,077)</u>	<u>(3,767,594)</u>
Loss used in calculating basic loss per share	<u>(7,489,077)</u>	<u>(3,767,594)</u>

(b) Weighted average number of shares used as the denominator

	2019 Number	2018 Number
Weighted average number of ordinary shares used as the denominator in calculating basic loss per share	122,973,285	106,201,074
Effect of dilutive securities:	-	-
Adjusted weighted average number of ordinary shares used in calculating diluted loss per share	<u>122,973,285</u>	<u>106,201,074</u>

The outstanding share options and performance securities as at 30 June 2019 are considered to be anti-dilutive and therefore were excluded from the diluted weighted average number of ordinary shares calculation.

(c) Basic loss per share

	2019 Cents	2018 Cents
From continuing operations attributable to the ordinary equity holders of the Company	(6.09)	(3.55)
Basic loss per share attributable to the ordinary equity holders of the Company	(6.09)	(3.55)

9 Cash and cash equivalents

	2019 \$	2018 \$
Current assets		
Cash at bank and in hand	723,188	1,247,168
Term Deposits	<u>689,289</u>	<u>9,100,000</u>
	<u>1,412,477</u>	<u>10,347,168</u>

Term deposits are presented as cash equivalents if they have a maturity of three months or less from the date of acquisition and are repayable within 24 hours notice with no loss of interest.

Notes to the Financial Statements (Continued...)

For the year ended 30 June 2019

10 Trade and other receivables

	2019 \$	2018 \$
Trade receivables	190,092	251,148
Other receivables	1,205,287	243,012
Allowance for credit losses	(168,400)	-
	<u>1,226,979</u>	<u>494,160</u>

11 Inventories

	2019 \$	2018 \$
Raw materials	335,276	129,559
Work in progress	26,167	16,500
Inventories in transit	31,986	59,070
	<u>393,429</u>	<u>205,129</u>

12 Other current assets

	2019 \$	2018 \$
Prepayments	490,975	277,677
Deposits paid	121,167	57,000
	<u>612,142</u>	<u>334,677</u>

13 Assets Held for Sale

	2019 \$	2018 \$
Assets classified as held for sale		
Opening balance	134,404	192,006
Impairment on assets classified as held for sale	(93,949)	(57,602)
Disposed	(40,455)	-
Closing balance	<u>-</u>	<u>134,404</u>

Assets classified as held for sale is for large and small dust extraction units.

Notes to the Financial Statements (Continued...)

For the year ended 30 June 2019

14 Property, plant and equipment

	2019 \$	2018 \$
<u>Property, Plant and Equipment</u>		
Leasehold Buildings	832,760	570,605
Factory Equipment	270,002	95,239
Furniture and Fittings	284,400	72,402
Machinery	3,404,285	2,966,025
Other Property, Plant and Equipment	752,211	589,675
Total Property, Plant and Equipment	5,543,658	4,293,946

Year ended 30 June 2018	Leasehold buildings \$	Factory equipment \$	Furniture and fittings \$	Machinery \$	Other property, plant and equipment \$	Total \$
Opening net book amount	-	18,445	23,806	-	992,225	1,034,476
Additions	575,413	83,688	62,517	1,998,380	647,277	3,367,275
Transfers	-	-	-	992,225	(992,225)	-
Impairment charge	-	-	-	-	(57,602)	(57,602)
Depreciation charge	(4,808)	(6,894)	(13,921)	(24,580)	-	(50,203)
Closing net book amount	570,605	95,239	72,402	2,966,025	589,675	4,293,946

Year ended 30 June 2019	Leasehold buildings \$	Factory equipment \$	Furniture and fittings \$	Machinery \$	Other property, plant and equipment \$	Total \$
Opening net book amount	570,605	95,239	72,402	2,966,025	589,675	4,293,946
Additions	304,264	220,012	288,346	346,336	1,465,772	2,624,730
Transfers	-	-	-	1,303,236	(1,303,236)	-
Impairment charge	-	-	(7,934)	-	-	(7,934)
Depreciation charge	(42,109)	(45,249)	(68,414)	(1,211,312)	-	(1,367,084)
Closing net book amount	832,760	270,002	284,400	3,404,285	752,211	5,543,658

Disclosure

During the year, the Company conducted a review of its machinery which resulted in changes in the expected usage of the machinery. As a result, the expected useful life of the machinery decreased from 10 - 15 years to 3 - 5 years.

Refer to Note 2: Significant accounting estimates and judgements.

Notes to the Financial Statements (Continued...)

For the year ended 30 June 2019

15 Intellectual property

	2019 \$	2018 \$
Licenses		
Opening balance at 1 July	220,669	269,051
Additions	2,387,018	-
Amortisation expense	(76,595)	(48,382)
Closing balance at 30 June	2,531,092	220,669

Titomic has three core pieces of Intellectual Property (IP) around its Titomic Kinetic Fusion (TKF) Cold Spray robotic technology manufacturing process. TKF is the process of spraying metal powders at supersonic speed (up to two times the speed of sound) onto a scaffold surface, resulting in the powder particles plastically deforming at the edges and, on impact, bonding at a particle level with the surrounding particles.

Titomic has exclusively licensed the IP for three royalty-bearing licenses owned by the Commonwealth Scientific and Industrial Research Organisation (CSIRO). The licenses are in respect of:

- (1) Patent Application No PCT/AU2013/000318 "A Process For Producing A Titanium Load-bearing Structure", and any applicable Know-How and relevant subject matter;
- (2) Patent Application No PCT/AU2009/000276 "Manufacture of Pipes" using Titanium and Titanium Alloys; and any applicable Know-How and relevant subject matter; and
- (3) Patent Application No PCT/AU2013/001382 "Method of forming seamless pipe of titanium and/or titanium alloys", and any applicable Know-How and relevant subject matter.

The term of these licenses is to the expiration, lapsing or cessation of all licensed patents, a maximum of 20 years or life of the underlying patent.

In August 2013, Force Industries Pty Ltd ("Force") (a related party of Mr Jeffrey Lang and Mr Richard Fox) exercised an option to acquire Patent Application No PCT/AU2013/000318 (#1 above) and subsequently in January 2016 Force and CSIRO agreed to novate the exclusive license to Titomic. All existing and accrued obligations of the License Agreement were novated to Titomic for nil consideration effective from this date.

In February 2019, Titomic and CSIRO negotiated a new exclusive royalty-bearing License Agreement encompassing the original Patent Application No PCT/AU2013/000318, plus two new additional pieces of IP, Patent Application No PCT/AU2009/000276, and Patent Application No PCT/AU2013/001382 from CSIRO and Future Titanium Technologies Pty Ltd (FTT) respectively.

The two new additional pieces of IP added in February 2019 were purchased for total purchase consideration of:

- 200,000 fully paid ordinary shares in Titomic at a deemed price of \$2.00 per share (\$400,000) to FTT; plus
- 100,000 unlisted options exercisable at \$2.60 per option expiring on 8 February 2021 to FTT; plus
- \$125,000 cash payable to CSIRO.

Under the agreement, Titomic must pay CSIRO 1.5% of attributable gross sales revenue attributed to products produced utilising the licensed patented technologies within the licensed field, and 20% of non-sales revenue attributable to products produced using the licensed patented process within the licensed field.

Notes to the Financial Statements (Continued...)

For the year ended 30 June 2019

15 Intellectual property (Continued...)

To remain exclusive, the license agreement is further subject to the satisfying the following performance criteria:

- A minimum of \$350,000 of research fees payable by Titomic to CSIRO from Commencement Date to 30 June 2021; and
- A minimum of \$200,000 of research fees per financial year commencing 1 July 2018 and finishing on 30 June 2021
- Minimum royalty payments structured as following (as at 30 June 2019):

Period	Minimum royalty
2017 - 2018	\$25,000
2018 - 2019	\$50,000
2019 - 2020	\$75,000
2020 - 2021	\$75,000
Year 4 and every subsequent agreement year until the end of the license term	\$150,000

The above performance criteria is discounted using an indicative discount rate of 6.00% pa and has been spread over the period to determine the value of the intangible asset acquired.

The value of the novated exclusive license agreement acquired from Force has been calculated with reference to the fair value of consideration given to acquire the license at the time of novation. This comprises the present value of contracted future cash outflows to maintain the license, which have been novated to Titomic.

The Company paid \$25,000 to CSIRO for the 2017-2018 royalty payment on 23 March 2018, and \$50,000 to CSIRO for the 2018-2019 royalty payment on 26 July 2019.

The Company also paid a total of \$161,322 towards the 2018-2019 research fees.

16 Trade and other payables

	2019 \$	2018 \$
Trade Payables	484,819	131,870
Accrued Expenses	115,269	236,486
Other Payables	85,912	-
	686,000	368,356

17 Provisions

	2019 \$	2018 \$
Current provisions for employee benefits	132,488	43,340
Non-Current provisions for employee benefits	8,928	-
	141,416	43,340

Notes to the Financial Statements (Continued...)

For the year ended 30 June 2019

18 Deferred Revenue

	2019		2018	
	Current	Total	Current	Total
Deferred Revenue	18,170	18,170	55,104	55,104
	18,170	18,170	55,104	55,104

19 Other liabilities

	2019	2018
	\$	\$
<u>Current Liabilities</u>		
Lease Liability	76,762	6,739
CSIRO IP Liability	220,558	-
Other Liability	267,328	-
Total Current Liabilities	564,648	6,739
<u>Non-Current Liabilities</u>		
Lease Liability	151,398	48,787
CSIRO IP Liability	1,689,304	284,928
Total Non-Current Liabilities	1,840,702	333,715

The CSIRO liability is made up of the present value of the performance criteria as defined in Note 15.

Notes to the Financial Statements (Continued...)

For the year ended 30 June 2019

20 Equity

(a) Issued capital

	30 June 2019 Shares	30 June 2019 \$	30 June 2018 Shares	30 June 2018 \$
Ordinary shares				
Ordinary shares - fully paid	123,098,217	20,404,638	122,898,217	19,987,131
Total share capital	123,098,217	20,404,638	122,898,217	19,987,131

(b) Movement in issued capital

Details	Number of Shares	\$
Opening balance 1 July 2017	71,645,833	2,159,045
Issue of share capital at \$0.18 each by placement (13 July 2017)	3,333,334	600,000
Issue of share capital at \$0.20 at IPO (18 September 2017)	32,500,000	6,500,000
Issue of shares to consultant (18 September 2017)	5,819,050	1,163,810
Issue of share capital at \$1.25 (7 May 2018)	9,600,000	12,000,000
Less: Transaction costs arising on share issuances	-	(2,435,724)
Balance 30 June 2018	122,898,217	19,987,131
Opening balance 1 July 2018	122,898,217	19,987,131
Issue of share capital at \$2.00 (8 February 2019)	100,000	213,500
Issue of share capital at \$2.00 (8 February 2019) escrow for 12 months	100,000	213,500
Less: Transaction costs arising on share issuances	-	(9,493)
Balance 30 June 2019	123,098,217	20,404,638

(c) Rights of each type of share

Ordinary shares participate in dividends and the proceeds on any winding up of the entity in proportion to the number of shares held. At shareholders meetings each ordinary share owned entitles each shareholder to one vote.

(d) Capital risk management

The Company's capital management objectives are:

- To ensure the Company's ability to continue as a going concern.
- To provide an adequate return to shareholders.

The Company monitors capital on the basis of the carrying amount of the equity as presented on the face of the statement of financial position.

Management assesses the Company's capital requirements in order to maintain an efficient overall financing structure and considers adjustments to it in light of changes to economic conditions and the risk characteristics of its economic activities. In order to maintain or adjust the capital structure, the Company may issue new shares.

Notes to the Financial Statements (Continued...)

For the year ended 30 June 2019

21 Reserves

(a) Share-based payments - Employee option plan

Details	Number of Options	\$
Opening balance 1 July 2017	2,005,000	170,124
Balance at 30 June 2018	2,005,000	170,124
Opening balance 1 July 2018	2,005,000	
Issue of Options over Ordinary Shares - FTT Unlisted Options	100,000	46,260
Balance at 30 June 2019	2,105,000	216,384

(b) Performance securities

Details	Number of Performance Securities	\$
Opening balance 1 July 2017	20,000,000	23,152
Share-based payments - Performance shares issued pre-IPO	-	241,446
Share-based payments - CEO Milestone shares	1,000,000	-
Balance at 30 June 2018	21,000,000	264,598
Opening balance 1 July 2018	21,000,000	264,598
Reversal of CEO Milestone shares	(1,000,000)	-
Performance share rights to Directors	140,123	41,052
Share-based payments - Performance shares issued pre-IPO	-	230,200
Balance at 30 June 2019	20,140,123	535,850

22 Remuneration of Auditors

The Company's auditor, Pitcher Partners Melbourne supplied the below audit and non-audit services during the reporting period.

(a) Pitcher Partners

(i) Audit and other assurance services

	2019 \$	2018 \$
<u>Audit service</u>		
Audit and review of financial statements	93,145	59,880
Total remuneration for audit service	93,145	59,880
<u>Non-audit services</u>		
Investigating Accountant Report	-	47,000
Total remuneration for non-audit services	-	47,000
Total Auditors remuneration	93,145	106,880

Notes to the Financial Statements (Continued...)

For the year ended 30 June 2019

23 Cash flow information

(a) Reconciliation of loss after income tax to net cash inflow from operating Activities

	2019 \$	2018 \$
Loss for the period	(7,489,077)	(3,767,594)
Adjusted for:		
Other non-cash items	170,072	-
Allowance for credit losses	168,400	-
Share based payment	271,252	241,446
Depreciation and amortisation	1,443,679	98,586
Impairment for assets held for sale	93,949	57,602
Loss on disposal of plant and equipment	7,934	-
Unwinding discount	29,294	13,433
(Increase) in trade and other receivables	(732,819)	(474,154)
(Increase) in inventories	(188,300)	(205,129)
(Increase) in other current assets	(277,465)	(262,677)
Increase (decrease) in trade and other payables	317,644	(253,978)
Increase in provisions	98,076	38,726
Increase (decrease) in deferred revenue	(36,934)	55,104
Increase (decrease) in other liabilities	94,694	-
Net cash (outflow) from operating activities	(6,029,601)	(4,458,635)

24 Segment information

The Company operates in one segment, being the development of automated robotics 3D additive manufacturing. It does not have any separate reportable business or geographic segments. Segment details are therefore already deemed to be fully reflected in the body of the financial report.

25 Directors' and executives' compensations

(a) 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:

	2019 \$	2018 \$
Short-term employee benefits	833,958	691,235
Post-employment benefits	47,596	26,095
Share-based payments	271,252	258,356
	1,152,806	975,686

The above Key Management Personnel disclosures represents the remuneration of Key Management Personnel defined in the Remuneration Report and paid or payable for the period ended 30 June 2019 and 30 June 2018.

For more information on Key Management Personnel Compensation disclosed under the *Corporations Act 2001*, please refer to Remuneration Report contained within the Directors' Report.

Notes to the Financial Statements (Continued...)

For the year ended 30 June 2019

26 Contingent liabilities and contingent assets

The Company had no contingent liabilities or contingent assets at 30 June 2019 (2018: nil).

27 Commitments

(a) Capital commitments

Significant capital expenditure contracted for at the end of the reporting period but not recognised as liabilities is as follows:

	2019 \$	2018 \$
Property, plant and equipment	80,515	497,318

(b) Non-cancellable operating leases

The Company leased a Warehouse on 1 April 2017 under a non-cancellable operating lease for a term of 5 years and a Head Office and Car Park on 15 August 2018 under a non-cancellable operating lease for a term of 3 years.

	2019 \$	2018 \$
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
- Within one year	405,839	199,485
- Later than one year but not later than five years	701,539	579,373
	1,107,378	778,858

28 Related party disclosures

There were no transactions with key management personnel at the current reporting date.

Professor Richard Fox

During period ending 30 June 2018, an amount of \$2,152 that remained outstanding to Titomic Non-Executive Director Prof Richard Fox which was repaid on 27 October 2017.

Innovyz Investments Pty Ltd

Titomic Chairman, Mr Philip Vafiadis is a founding owner and is the current Director of Innovyz Investments Pty Ltd (Innovyz) which provides professional management and consulting advisory services. No services were provided to Titomic during the year. During 2018, Innovyz provided professional management and consulting advisory services to Titomic totalling \$132,869.

Any consulting fees paid to Innovyz for services rendered were charged at arms-length commercial rates.

Red Heeler Holdings Pty Ltd

Former Titomic Director, Mr Simon Marriott provided industry and technical advisory consulting services to Titomic through his consulting firm Red Heeler Holdings Pty Ltd during 2018 until his resignation in February 2018 totalling \$121,082.

Notes to the Financial Statements *(Continued...)*

For the year ended 30 June 2019

28 Events occurring after the reporting period

On 4th July 2019 the Company announced the completion of a \$7M private placement capital raising (before costs) to institutional and sophisticated investors. 4,117,648 new fully paid ordinary shares (ASX:TTT) were issued at an issue price of \$1.70 per share, plus 2,058,839 new 1:2 free-attaching options (ASX:TTTO) exercisable at AUD\$2.50 expiring on or before 10th July 2021. The new securities under this placement were subsequently allotted to subscribers on 12th July 2019.

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Directors' Declaration

30 June 2019

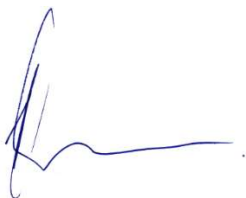
In the Directors' opinion:

- (a) the financial statements and notes set out on pages 29 to 56 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2019 and of its performance for the year ended on that date, and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Note 1 confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of Directors.



Mr Philip Vafiadis
Non-Executive Chairman
Melbourne

30th Day of August 2019

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF TITOMIC LIMITED

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Titomic Limited "the Company", which comprises the statement of financial position as at 30 June 2019, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

- (a) giving a true and fair view of the Company's financial position as at 30 June 2019 and of its financial performance for the year then ended; and
- (b) 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 Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* "the Code" that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We 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.

Material Uncertainty Related to Going Concern

We draw attention to Note 1(b) in the financial report, which indicates that the Company incurred a loss from ordinary activities of \$7,489,077 during the year ended 30 June 2019 (2018: \$3,767,594 loss). As at 30 June 2019, the Company had a net asset position of \$8,468,841 (2018: \$15,222,899). The Company had a net cash outflow from operating activities of \$6,029,601 (2018: \$4,458,635).

As stated in Note 1(b), these events or conditions, along with other matters as set forth in Note 1 (b), indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF TITOMIC LIMITED

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed the key audit matter
Revenue and other income- \$1,474,937 Refer to note 5	
<p>The Company has recognised revenue from contracts with customers of \$439,573 for the first time during the year ended 30 June 2019. The Company also recognised income of \$841,390 for a research and development tax incentive.</p> <p>We focused on this area as a key audit matter due to:</p> <ol style="list-style-type: none"> 1) Revenue from contracts with customers recognised for the first time as well as the first-time application of AASB15. 2) The significance of the balance recorded for the research and development tax incentive and the key assumptions and calculations made by management regarding the research and development activities during the year end. 	<p>Our testing of revenue transactions arising from contracts with customers focused on evidencing that the underlying transactions occurred in the period and the revenue was calculated correctly.</p> <p>Our testing on other income focused on evidencing the research and development tax incentive claim had been calculated correctly and the assumptions were appropriate.</p> <p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> • Review of the Company's key customer contracts and the terms and conditions of sale; • Understanding and evaluating the Company's controls and processes for recognising and recording revenue transactions; • Assessing the inputs of the research and development tax incentive claim and working with an internal expert to assess and challenge key assumptions surrounding overhead rates and allocation of research and development labour hours used within the calculation and confirmed the accuracy of the calculation; • Performing tests of detail to confirm the existence of revenue by agreeing a sample of revenue transactions to supporting documentation; • Assessing whether the revenue recognition was in accordance with AASB15 requirements; • Analysis of general journals impacting revenue to identify transactions considered to be outside ordinary transaction cycles and testing thereof; and • Assessing the adequacy of the disclosures in the financial statements.

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF TITOMIC LIMITED

**Intangible assets -\$2,531,092 and
associated CSIRO IP liabilities - \$1,909,862.
Refer to note 15 and 19**

The Company signed a new agreement "the Agreement" with the CSIRO during the financial year ending 30 June 2019 which resulted in a significant further investment in intangible assets (\$2,387,018).

We focused on this area as a key audit matter due to the significance of the balance recorded at year end (closing written down value of \$2,531,092).

Our procedures included, amongst others:

- Obtaining a copy of the Agreement with the CSIRO and reviewing it to understand the key terms and conditions of the agreement;
- Obtaining an understanding of the accounting processes and internal controls relating to the cycle;
- Reviewing and assessing management's calculation of the intangible asset and associated liabilities for accuracy in accordance with the Agreement and Australian Accounting Standards and agreeing the carrying amounts to the general ledger;
- Considering the reasonableness of discounts rates used in present value calculations of the associated intellectual property liabilities;
- Engaging an internal valuation expert to challenge assumptions used and recalculate the fair value of the equity instruments issued as part of the Agreement;
- Assessing the appropriateness of management's useful life assessment on the intangible asset and performing a recalculation of amortisation expense recorded for the current year and agreeing that to the expense in the statement of comprehensive income; and
- Assessing the appropriateness of the related disclosures and accounting policies contained in the financial report.

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF TITOMIC LIMITED**

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2019, 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, 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 the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have 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.

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF TITOMIC LIMITED**

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF TITOMIC LIMITED

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 21 to 27 of the directors' report for the year ended 30 June 2019. In our opinion, the Remuneration Report of Titomic Limited, for the year ended 30 June 2019 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.



B POWERS
Partner



PITCHER PARTNERS
Melbourne

30 August 2019

Shareholder Information

As at 28th August 2019

The shareholder information set out below was applicable as at 28th August 2019

A. Distribution of Ordinary Fully Paid Shareholders

Analysis of numbers of fully paid share security holders by size of holding (TTT):

Holding	Total Holders	Units
1 - 1000	1,323	736,832
1,001 - 5,000	1,573	4,372,050
5,001 - 10,000	513	4,114,841
10,001 - 100,000	672	19,117,873
100,001 and over	77	98,874,269
Total	4,158	127,215,865

All fully paid ordinary shares carry one vote per share.

B. Top 20 Fully Paid Ordinary Shareholders

The names of the 20 largest shareholders of fully paid ordinary shares (TTT) are listed below:

Name	Ordinary fully paid shares	
	Units	% of Units
PRESCO 2 PTY LTD <RICHARD FOX FAMILY A/C>	27,944,012	21.97
JEFFREY DAVID LANG <AKASHA FAMILY A/C>	10,004,342	7.86
PRESCO 3 PTY LTD <TIMOTHY FOX FAMILY A/C>	8,626,646	6.78
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	6,275,392	4.93
CITICORP NOMINEES PTY LIMITED	6,232,596	4.90
PAC PARTNERS PTY LTD	5,819,050	4.57
SBPM PTY LTD <INNOVYZ INVEST NO2 UNIT A/C>	5,175,000	4.07
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	2,730,211	2.15
QUALITY LIFE PTY LTD <THE NEILL FAMILY A/C>	2,450,000	1.93
SWHL INVESTMENTS PTY LTD <SWHL FAMILY A/C>	2,187,500	1.72
MORGAN STANLEY AUSTRALIA SECURITIES (NOMINEE) PTY LTD	1,757,452	1.38
MR PETER HENDRY	1,330,957	1.05
BERGIN VAN EPS HOLDINGS PTY LTD <PT AND CL BERGIN FAMILY A/C>	1,321,500	1.04
CARPE DIEM ASSET MANAGEMENT PTY LTD <LOWE FAMILY A/C>	1,200,000	0.94
MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	1,145,291	0.90
MR PATRICK THOMAS BERGIN	870,157	0.68
CARPE DIEM ASSET MANAGEMENT PTY LTD	658,100	0.52
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	634,069	0.50
QUALITY LIFE PTY LTD <NEILL FAMILY A/C>	517,648	0.41
SOLAR MATE PTY LTD <SFN FAMILY A/C>	490,000	0.39
Total of Top 20 holders of fully paid ordinary shares	87,369,923	68.69
Total remaining holders balance	39,845,942	31.31
Total ordinary fully paid shares on issue	127,215,865	100.00

Shareholder Information (Continued...)

As at 28th August 2019

C. Distribution of Listed Optionholders

Quoted Options

Analysis of numbers of listed option holders by size of holding (TTTO):

Holding	Total Holders	Units
1 - 1000	10	5,973
1,001 - 5,000	26	72,393
5,001 - 10,000	16	113,930
10,001 - 100,000	25	819,686
100,001 and over	4	1,046,857
Total	81	2,058,839

D. Top 20 Listed Optionholders

The names of the 20 largest optionholders of listed options (TTTO) are listed below:

Name	Listed Optionholders	
	Units	% of Units
MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	556,268	27.02
QUALITY LIFE PTY LTD <NEILL FAMILY A/C>	258,824	12.57
MR RICHARD PRITCHARD	130,000	6.31
MR BENEDICT CARL WILLIAM HOLLAND	101,765	4.94
MR CRAIG ANDREW SHARPE + MRS MICHELLE ROSE SHARPE <FUNKY>	100,000	4.86
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	79,412	3.86
MR IAN STUART FISHER	75,447	3.66
MR GRANT ANTHONY MASCHIO + MRS TANYA MICHELLE MASCHIO <G & T>	75,000	3.64
MR MOGHSEEN JADWAT	61,765	3.00
JADWAT PTY LTD <JADWAT FAMILY S/F A/C>	50,000	2.43
CS FOURTH NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 11 A/C>	44,118	2.14
SAYLE PTY LTD	40,000	1.94
CITICORP NOMINEES PTY LIMITED	29,413	1.43
MR PAUL EDWARD GALWEY	29,412	1.43
CS THIRD NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 13 A/C>	26,471	1.29
BJS ROBB PTY LTD	20,589	1.00
DAHIMA PTY LTD <BRIGGS R&P SCHEME A/C A/C>	20,588	1.00
MR KENNETH CARVALHO + MRS ASTRID CARVALHO	20,000	0.97
MR ROGER DAVID SHORT + MRS ANNE CATHERINE SHORT <ROGERSHORT>	20,000	0.97
JADWAT PTY LTD <JADWAT FAMILY S/FUND A/C>	16,000	0.78
Total Top 20 holders of Listed Options	1,755,072	85.25
Total remaining holders balance	303,767	14.75
Total Listed Options on issue	2,058,839	100.00

Shareholder Information (Continued...)

As at 28th August 2019

Quoted Options

	Number on Issue	Number of Holders
Unquoted options - exercisable at \$0.30 and expiring on 31 May 2020	2,005,000	5
Unquoted performance shares issued pre-IPO	20,000,000	3
Unquoted options - exercisable at \$2.60 and expiring on 8 February 2021	100,000	6

The above securities are escrowed until 21 September 2019. Below are the remaining restricted securities:

- 58,409,882 fully paid ordinary shares held by 13 holders are escrowed until 21 September 2019
- 5,080,004 fully paid ordinary shares held by 86 holders are escrowed for a period of 12 months from the date of issue

E. Notified Substantial shareholders

Substantial holders in the Company are set out below:

	Number of Shares Held	Percentage
PRESCO 2 PTY LTD <RICHARD FOX FAMILY A/C>	27,944,012	21.97%
JEFFREY DAVID LANG <AKASHA FAMILY A/C>	10,004,342	7.86%
PRESCO 3 PTY LTD <TIMOTHY FOX FAMILY A/C>	8,626,646	6.78%
	46,575,000	36.61%

F. Shareholder enquiries

Shareholders with enquiries about their shareholdings should contact the share register:

Computershare
GPO Box 2975
Melbourne
Victoria
AUSTRALIA 3000
Ph: +61 (0)39415 5000

G. Change of address, change of name, consolidation of shareholding

Shareholders should contact the Share Registry to obtain details of the procedure required for any of these changes.

H. Removal from the annual report mailing list

Shareholders who wish to receive the Annual Report should advise the Share Registry in writing. These shareholders will continue to receive all other shareholder information.

I. Tax file numbers

It is important that Australian resident shareholders, including children, have their tax file number or exemption details noted by the Share Registry.

J. CHESS (Clearing House Electronic Sub-Register System)

Shareholders wishing to move to uncertified holdings under the Australian Stock Exchange (CHESS) system should contact their stockbroker.

K. Uncertified share register

Shareholding statement are issued at the end of each month that there is a transaction that alters the balance of your holding.

L. Listing rule 4.10.19 disclosure

For the purpose of ASX Listing Rule 4.10.19, the Board confirms that during the period from official quotation on 21 September 2017 to 31 August 2019, the Company has used its cash and assets readily convertible to cash in a manner consistent with its stated business objectives.