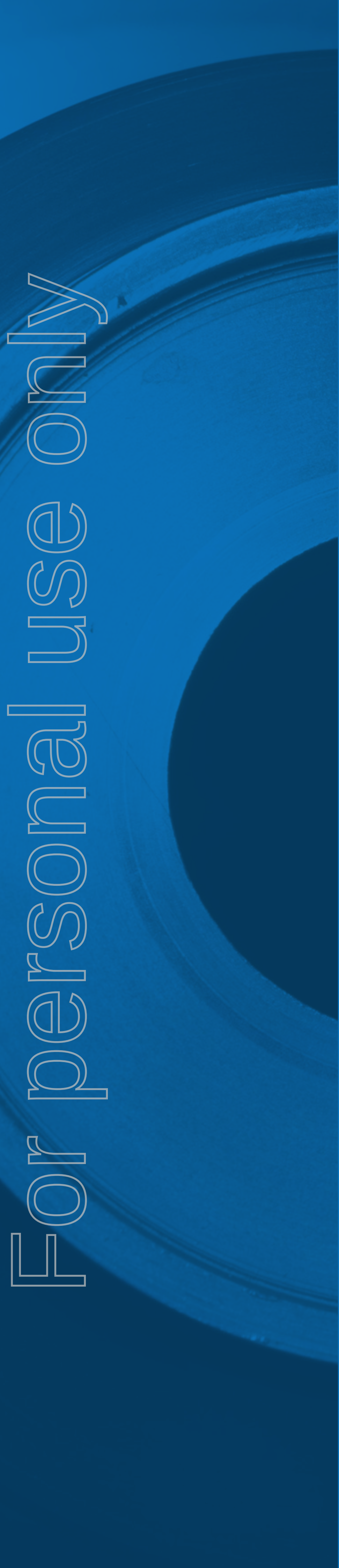
A new age of automated manufacturing

Annual Report 2021-22



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Company Directory

DIRECTORS

Mr Humphrey Nolan
(Independent Non-Executive Chairman)

Mr Herbert Koeck
(Managing Director)

Mr Richard Willson
(Independent Non-Executive Director)

Dr Andreas Schwer
(Independent Non-Executive Director)

Mr Dag W.R. Stromme
(Independent Non-Executive Director)

Ms Mira Ricardel
(Independent Non-Executive Director)

Mr Jeffrey Lang
(Non-Executive Director)

COMPANY SECRETARY

Mr Christopher Healy

PRINCIPAL PLACE OF BUSINESS

Ground Floor, 365 Ferntree Gully Road
Mount Waverley, Victoria 3149, Australia

REGISTERED OFFICE IN AUSTRALIA

Ground Floor, 365 Ferntree Gully Road
Mount Waverley, Victoria 3149, Australia

SHARE REGISTRY

Computershare
GPO Box 3224
Melbourne, Victoria 3001, Australia

AUDITORS

BDO Audit Pty Ltd
Tower Four, Level 18, 727 Collins Street
Melbourne, Victoria 3008, Australia

SOLICITORS

K&L Gates
GPO Box 4388
Melbourne, Victoria 3001, Australia

BANKERS

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

SECURITY QUOTED

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

WEBSITE

http://www.titomic.com/

Review of operations and significant events for the period

Review of operations and significant events for the period

At the end of the financial year ending June 30, 2022:

Revenue & other income

$5,320,623

↑ **168%** | **2021:** $1,984,951

Cash & cash equivalents

$7,108,180

↓ **11%** | **2021:** $7,946,161

Net assets

$7,412,620

↓ **21%** | **2021:** $9,441,553

Statutory after-tax loss

$16,971,886

↓ **1%** | **2021:** $17,175,346

Operational update

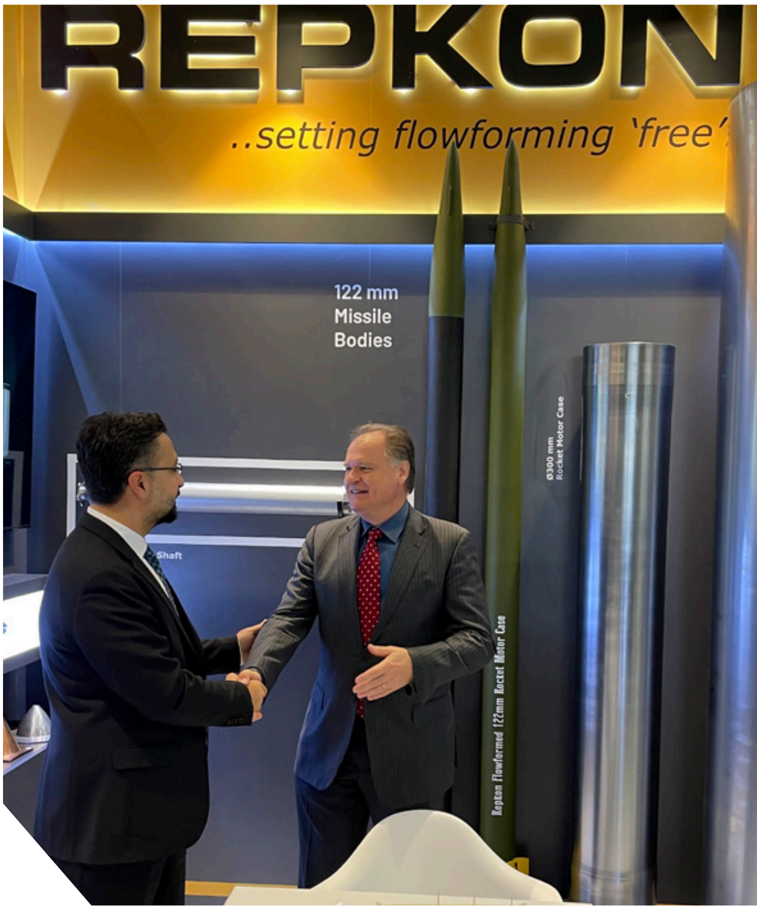
REPKON

Developing joint venture relationship with Repkon

During the year, Titomic signed a joint venture with Repkon. The joint venture created the world's first hybrid cold-spray, flowforming manufacturing company in June 2022. The facility will additively manufacture barrels for the defence sector.

Recently, Titomic developed its partnership with Repkon by signing an agreement for Repkon to become a reseller of Titomic manufacturing systems, consumables, and service contracts, within Turkey, the United Arab Emirates and Saudi Arabia. This is an important partnership as Repkon is a specialist in the defence and aerospace sectors, a key focus for Titomic.

Repkon invested AUD 2.5 million in the October 2021 Capital Raise and is a 4.7% shareholder in Titomic.



NÈOS INTERNATIONAL

Nèos International joint venture

Titomic signed a joint venture with Nèos International to create an advanced manufacturing facility in the United Kingdom for the production of tooling faceplates. Titomic will sell to the JV a bespoke TKF 2200 system for AUD 2.4 million, pending final specification. The facility is the first of its kind to manufacture Invar36 faceplates and additively manufacture metal products for the aerospace, space, defence, automotive, and nuclear industries, in the UK.

Acquisitions

Dycomet Europe

Dycomet

Through its acquisition of leading European cold spray technology company Dycomet Europe B.V., Titomic is now the only global supplier of low, medium and high-pressure cold spray systems opening up new markets. Titomic can provide turn-key cold spray solutions across the whole cold spray pressure range, as well as research and development services via an in-house laboratory, software development and servicing, spare parts, and consumables for its systems in Europe, as well as a broader range of services to customers globally.

DYNAMICS

Tri-D Dynamics

Titomic's acquisition of Tri-D Dynamics complements the Dycomet acquisition, and accelerates the expansion of Titomic's US presence, and broadens the service offering and product portfolio in the region.

Diversifying sales

Coatings and Repairs revenues

Titomic has executed multiple sales of its D523 cold-spray Systems for Coatings and Repairs to both resellers and end users in the transport and mining industries.

The Company recently sold mining engineering company and Authorised Service Provider, Brauntell, D523 systems to service Australian mining companies for maintenance and repairs. In July, Titomic also sold its first four D523 Systems into the transport industry to four separate businesses in the engine remanufacturing and rail transport sectors. Alongside this, Titomic entered the Asia Pacific market through the sale of a D523 System to Singapore-based D&C Coating in May.

World's first automated cold spray system for glass mould coatings

In May, Titomic delivered the world's first automated cold-spray system for glass mould coatings to the International Partners in Glass Research (IPGR network. The system automatically coats and repairs moulds using artificial intelligence (AI to define the spray plan. Sales of every potential machine into the IPGR network are expected to generate revenue of AUD 1.7 million each, including a machine sale and ongoing powder and consumables sales, over a three-year period.

TKF1000 installed at TWI UK for aerospace research

In August 2021, leading technology and research organisation, TWI UK, ordered a TKF1000 machine from Titomic for GBP1.2 million (AUD 2.1 million). The Company recently finished installing the machine at the independent research and technology organisation. TWI are using the TKF1000 to play a key role in the aerospace sector in the UK. The Aerospace Technology Institute (ATI) joint government and industry initiative offering funding for research and technology development in the UK, to maintain and grow the UK's competitive position in civil aerospace, provided the core funding to TWI for the acquisition of the TKF1000.

Other applications

In June, Titomic announced it will create radiation shielding for the world's first additively manufactured satellites using the TKF cold metal spray coating process with South Australian-based Fleet Space Technologies. Fleet Space Technologies' Alpha satellites will backhaul geophysical survey data for mining exploration, enabling rapid 3D-modelling of vast terrain. The project is further validation of our technology in the aerospace sector.

Titomic continued to deliver on its Modern Manufacturing Initiative Grant from the Australian Federal Government to manufacture and commercialise low carbon emission "green" titanium space vehicle demonstrator parts for the Australian space sector and export markets. This includes the Company's work with Boeing to investigate the application of sustainable "green" titanium to produce space components, which adds to existing commercial partnerships in the space industry including Inovor Technologies, Australia's only sovereign commercial satellite manufacturer.

Activities Highlights Since Year End

Titomic establishes presence in mining and reseller industries.

Titomic received a stock order from Brauntell for D523 cold-spray Systems for AUD 395,000. The Systems are expected to be on-sold by Brauntell to mining end users in New South Wales and Queensland. This sale comes on top of the purchase order for a System to Brauntell announced on 7 July 2022, and now establishes repeat business through the reseller channel and provides the Company with a presence in the mining sector.

Titomic enters key Middle Eastern markets through Repkon

Repkon Foreign Trade and Marketing Inc. (“Repkon”), a sister company of Repkon Machine and Tool Industry and Trade Inc., has signed an agreement to become an official reseller of Titomic systems within Turkey, the United Arab Emirates, and Saudi Arabia.

Financial Update

Titomic delivered a stronger financial result in FY22 with revenue increasing 168% to $5.321 million (FY21: $1.985 million). Included in total revenue are government grants and other adjustments totalling $1.939 million. Importantly, revenue from sales to customers was $3.381 million which was nearly seven times larger than the prior year.

The Company’s expansion strategy resulted in an increase in customer interest evidenced by expected orders in excess of $10 million over FY 2023. Titomic expects to build and deliver these confirmed orders throughout FY23 while also securing new orders and growing its sales pipeline.

Overall, total operating expenses increased by 16% to $22.2 million (FY21: $19.2 million), primarily related to accounting for acquisitions, share based payments, increased sales and marketing activities, and remuneration expenses. Before non-operating items, operating expenses increased 9% to $13.6 million (FY21: $12.5 million).

Net underlying loss was $10.6 million, an improvement from the $11.1 million underlying loss in FY21, with higher revenues more than offsetting the increase in operating expenses. On a statutory basis, Titomic reported a net loss of $17.1 million (FY21: loss of $17.2 million).

$5.321m
Total revenue

$3.381m
Revenue from sales to customers

168%
Increase in revenue

Outlook

The Company is funded to execute its growth strategy with $7.1 million in cash reserves following the completion of $9.9 million raised through a successful share placement and share purchase plan, along with a $2.5 million strategic investment from Repkon during H1 FY22.

Titomic's operating cash outflows are expected to reduce in FY23, as the Company's fulfills orders on backlog and converts its strong sales pipeline to new orders.

Corporate update

Following the resignation of Dr Andreas Schwer as Chairman in January, Mr Humphrey Nolan was appointed as Chairman of the Board. Mr Herbert Koeck, Titomic's CEO, was also appointed as Managing Director in January 2022. Following the resignation of Ms Joanna Walker in October as Chief Financial Officer, Mr Jonathan Nield was appointed to the role. Following the resignation of Mr Richard Willson in March as Company Secretary, Mr Christopher Healy was appointed to the role. In April 2022, Mr Jeffrey Lang resigned as Executive Director and Chief Technology Officer, but remained on the Board as a Non-Executive Director. Jeffrey will retire as a Non-Executive Director at the 2022 AGM. Prof Richard Fox resigned as Non-Executive Director in late December 2021.

Titomic made senior management appointments to help scale the Company in key industries and markets, including in North America. Mr Neil Matthews was appointed head of business development – repairs, and Mr Bruce Colter, general manager – Titomic USA, in April. Mr Matthews has over 18 years of industry experience, and Mr Colter, who is based in Michigan, USA, has over 25 years of digital manufacturing experience.

Directors report

Directors report

The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Consolidated entity') consisting of Titomic Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2022.

Directors, Key Management Personnel and Company Secretary

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

Mr Humphrey Nolan
Independent Non-Executive Chairman
(appointed 28 January 2022)
Independent Non-Executive Director

Mr Herbert Koeck
Managing Director
(appointed on 28 January 2022)

Mr Richard Willson
Independent Non-Executive Director Company Secretary (resigned 28 March 2022)

Mr Andreas Schwer
Independent Non-Executive Director
(resigned 28 January 2022 as Chairman)

Mr Dag W.R. Stromme
Independent Non-Executive Director

Ms Mira Ricardel
Independent Non-Executive Director

Mr Jeffrey Lang
Non-Executive Director
Executive Director
(resigned 1 April 2022)

Prof Richard Fox
Non-Executive Director
(resigned 29 December 2021)

Mr Christopher Healy
Company Secretary
(appointed 28 March 2022)

Mr Jonathan Nield
Chief Financial Officer
(appointed 1 November 2021)

Principal activities

Titomic Limited is an Australian publicly listed company specialising in manufacturing and technology solutions for high-performance metal additive manufacturing, metal coatings, and repairs using its unique patented Titomic Kinetic Fusion® cold spray technology with its principal activities in the global defence, aerospace, mining, energy and transport industries.

Review of operations

The loss for the Consolidated entity after providing for income tax amounted to $16,971,886 (30 June 2021: $17,175,346).

At the end of the financial year, the Consolidated entity had net assets of $7,412,620 (2021: $9,441,553).

Key highlights

12 JULY, 2021

Tri-D Dynamics Acquisition

The Company formed a wholly owned subsidiary Titomic USA Inc, which completed the acquisition of Tri-D.

This acquisition is an important milestone and in line with Titomic's strategy to be a global solutions leader in cold spray additive manufacturing.

15 JULY, 2021

Quality Systems

Titomic finalised its AS9100D certification, a crucial and advantageous quality management system for successful defence and aerospace manufacturers.

Titomic also commenced a full system review in July 2021 to ensure that implemented improvements align with documented procedures.

20 AUGUST, 2021

TKF 1000 sale to leading research organisation, TWI UK

The Company received a purchase order from TWI of GBP 1,200,000 (circa. AUD 2,142,857) to supply a TKF-1000 System due to be installed and commissioned before the end of 2022. TWI is a leading research and technology organisation in the UK.

27 AUGUST, 2021

AUD 2.325 million Modern Manufacturing Industry grant

The Australian Federal Government announced the recipients of their Modern Manufacturing Initiative Grant to manufacture and commercialise low carbon emission 'green' titanium space vehicle demonstrator parts for the Australian space sector and export markets in August, awarding Titomic with AUD 2,325,000.

15 OCTOBER, 2021

Capital raise completion

The Company successfully completed a capital raise via an Institutional Placement ('Placement') issuing 34,096,155 shares on the 22nd of October 2021 at the price of $0.26 cents per share. The total sum raised under the Placement was approximately AUD 9,000,000. A Share Purchase Plan was also announced giving 'eligible shareholders' the opportunity to subscribe for up to $30,000 worth of fully paid ordinary shares at an issue price of $0.26 cents which was equivalent to the price offered under the Placement.

28 OCTOBER, 2021

Triton Systems agreement

Titomic entered into a non-binding agreement with Triton Systems, a leading US-based product development and technology company with over a decade of experience in additive manufacturing. Titomic and Triton will develop applications in the US marketplace using Titomic's patented Titomic Kinetic Fusion process.

Key highlights

9 NOVEMBER, 2021

Repkon becomes AUD 2.5 million strategic investor

One of Titomic's customers, Repkon Makina ve Kalip (Repkon), completed a AUD 2,500,000 strategic investment in Titomic. Repkon is a Turkish based designer, manufacturer and supplier of metal forming machines for the global defence and aerospace industries.

This investment followed Repkon entering into a non-binding Heads of Agreement to form a joint venture with Titomic in March 2021 to build a production facility for the manufacture of weapons system barrels designed by Repkon and manufactured using Titomic's Kinetic Fusion Technology.

30 NOVEMBER, 2021

Dycomet Europe B.V. Acquisition

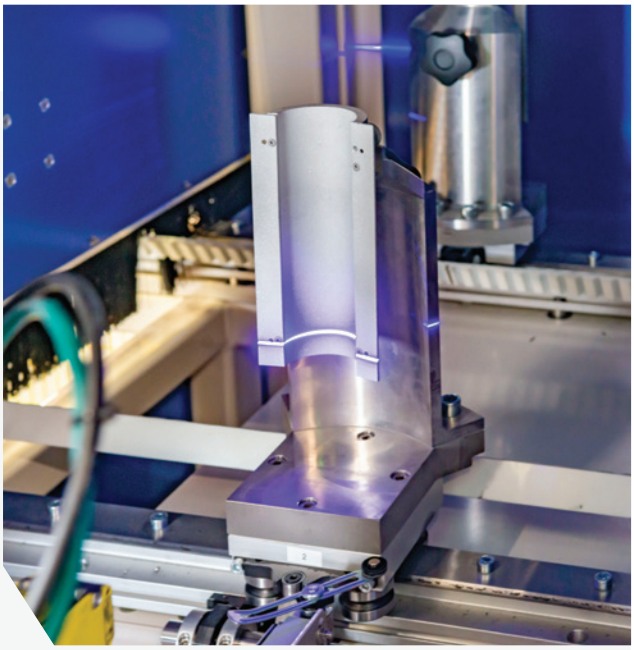
Titomic acquired leading European cold spray technology company, Dycomet Europe B.V. (Dycomet). Dycomet is a Netherlands-based manufacturing company, manufacturing and supplying low and medium pressure cold spray solutions as well as supplying high pressure cold spray systems to several industries across Europe.

Dycomet provides Titomic with a strong European business with a complementary product portfolio and creates a European base to target local customers in the aerospace, automotive and higher education sectors.

21 DECEMBER, 2021

Boeing collaboration for green titanium space components

Titomic signed an agreement with The Boeing Company and Boeing Defence Australia (BDA) to investigate the application of sustainable "green" titanium to produce space components. This is part of the AUD 2,325,000 Australian government Modern Manufacturing Initiative grant to explore and commercialise the production of space vehicle and satellite parts in Australia.



19 MAY, 2022

Creation of world's first automated cold spray system for glass mould coatings

Titomic tested and delivered the world's first automated cold spray system for glass mould coatings for the International Partners in Glass Research (IPGR) network.

The system automatically coats and repairs moulds with the aid of artificial intelligence.

27 MAY, 2022

Sale of first D523 System into Asia Pacific

Titomic Australia sold its first D523 System into Asia Pacific to Singapore-based D&C Coating for AUD 44,758.

Titomic believes that it will be able to sell 20 more D523 Systems into the region in the financial year ending June 2023.

Key highlights

8 JUNE, 2022

Nēos Joint Venture

Titomic signed a joint venture with Neos International to create an advanced joint manufacturing facility in the United Kingdom. The facility is the first of its kind to manufacture Invar36 faceplates and additively manufacture metal products for the aerospace, space, defence, automotive, and nuclear industries.

Titomic is expected to sell a 'TKF 2200' - a bespoke system - to the Neos Titomic joint venture for AUD 2,400,000, pending final specification. This is another milestone for the Company entering into key markets including aerospace and defence.

23 JUNE, 2022

Repkon joint venture

Titomic and Repkon signed a joint venture to establish the world's first hybrid cold spray, flow-forming manufacturing facility. The facility will additively manufacture barrels for the defence sector.

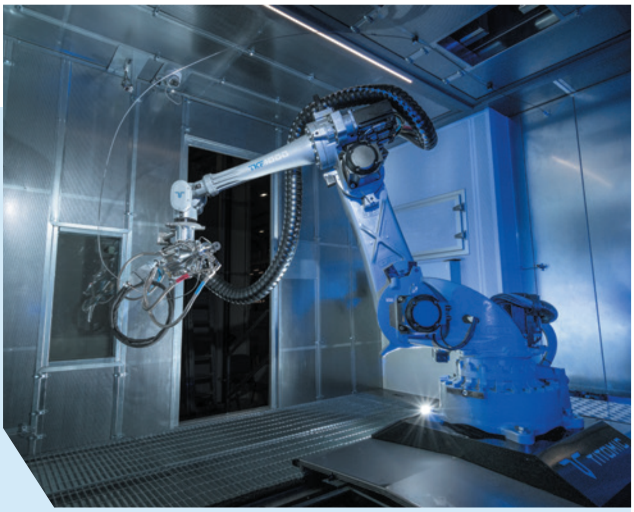
Titomic is expected to receive circa AUD 7,600,000 from the sale of two Titomic Kinetic Fusion Systems and a share in the profits from barrel sales. Titomic is expecting to enter more joint ventures in the defence and aerospace sectors. This is in line with the Company's strategy to enter multiple markets.

10 JUNE, 2022

Fleet Space Technologies - Alpha satellite

Titomic received a commercial order from South-Australian-based company, Fleet Space Technologies, to create radiation shielding for the world's first fully additively manufactured satellites.

Using Titomic Kinetic Fusion, Titomic manufactured the radiation shielding components in just three days. The first Alpha satellite is expected to be launched into orbit in 2023.



29 JUNE, 2022

Finalised installation of Titomic TKF1000 at TWI UK

Titomic finalised the installation of a Titomic TKF 1000 cold spray system at leading technology and research organisation, TWI UK. TWI, one of the world's foremost independent research and technology organisations with expertise in materials joining and engineering processes, ordered the TKF 1000 in August 2021.

The TKF 1000 will play a key role in the Aerospace Technology Institute programme, a joint government and industry initiative to offer funding for research and technology development in the UK, to maintain and grow the UK's competitive position in civil aerospace.

Matters subsequent to the end of the financial year

08 AUGUST 2022

Issue of 1,044,683 shares in relation to Tri-D purchase consideration.

29 AUGUST 2022

The Company issued 1,175,883 ordinary shares (issued in lieu of cash) in relation to the STI bonus award to Tri-D employees.

2 SEPTEMBER 2022

The Company issued 846,952 ordinary shares to Company employees as part of an employee incentive scheme.

No other matter or circumstance has arisen since 30 June 2022 that has significantly affected, or may significantly affect the Consolidated entity's operations, the results of those operations, or the Consolidated entity's state of affairs in future financial years.

Environmental regulation

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

Dividend paid, recommended and declared

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

Information on Directors, Company Secretary and Chief Financial Officer

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 2021 is provided below, together with details of the Company Secretary and the Chief Financial Officer as at year end.

MR HUMPHREY NOLAN

Independent Non-Executive Chairman
(appointed 28 January 2022)

Independent Non-Executive Director

Experience and expertise
Mr Nolan is a seasoned Board Director and CEO with 30 years' experience driving strategic and operational change across industrial, logistics and distribution industries. Mr Nolan has held senior leadership positions within global logistics companies, including at the P&O Group.

Mr Nolan is currently Chairman of both the Nolan Group and Tapex Group, both leading distributors of technical and industrial textiles operating across Australia and New Zealand.

Other Listed current directorships
None

Former Listed directorships in last 3 years
None

Special responsibilities
Audit & Risk Committee Member

Interest in shares
100,000 ordinary shares in Titomic Limited

Interests in rights & options
572,917 performance rights
(Hurdle price: $0.80; expiry 01-Jul-2025)

4,000,000 performance rights
(Hurdle: $0.40; expiry 02-May-2027)

MR HERBERT KOECK

Managing Director

(appointed 28 January 2022)

Experience and expertise
Mr Koeck brings a wealth of experience in additive manufacturing, having headed up sales and global orders for 3D-Systems Corporation as Executive Vice-President Global-Go-Market, where he influenced product development for customer success.

A proven leader, he was also Senior Vice-President for Europe and India. Previously, Herbert held executive positions at Hewlett Packard and the PC and Printing Solution Group.

Other Listed current directorships
None

Former Listed directorships in last 3 years
None

Special responsibilities
Chief Executive Officer (appointed 01 July 2021)

Interest in shares
865,385 ordinary shares in Titomic Limited

Interests in rights & options
6,655,808 performance rights
(Hurdle: $0.40, expiry 02-May-2027)

Information on Directors, Company Secretary and Chief Financial Officer continued

MR RICHARD WILLSON

Independent Non-Executive Director

Company Secretary (resigned 28 March 2022)

Experience and expertise
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.

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.

Other Listed current directorships
Non-Executive Director
AusTin Mining Limited (ASX: ANW)

Non-Executive Director
Thomson Resources Limited (ASX: TMZ)

Non-Executive Director
PNX Metals Limited (ASX: PNX)

Former Listed directorships in last 3 years
Non-Executive Director
FirstWave Cloud Technologies Limited (ASX: FCT)

Non-Executive Director
1414 Degrees Limited (ASX: 14D)

Non-Executive Director
Lanyon Investment Company Limited (ASX: LAN)

Special responsibilities
Audit & Risk Committee Chairman
Remuneration & Nomination Committee Chairman

Interest in shares
120,000 ordinary shares in Titomic Limited

Interests in rights & options
64,376 performance rights
(Hurdle price: $1.70; expiry: 29-Nov-2022)

252,083 performance rights
(Hurdle price: $0.80; expiry 01-Jul-2025)

2,000,000 performance rights
(Hurdle: $0.40, expiry 02-May-2027)

DR ANDREAS SCHWER

Independent Non-Executive Director

Independent Non-Executive Chairman
(resigned 28 January 2022)

Experience and expertise
Through his extensive 25-year executive career across the global defence and aerospace industries, Dr Schwer has gained a wealth of experience, insight and a deep understanding, which he brings to the board of Titomic Limited. Dr Schwer's executive track record is world-class, holding executive positions across a multitude of high-value industries, including Saudi Arabian Military Industries' inaugural CEO, where he grew the business from a greenfield operation to become a prominent entity in the international defence market. Prior to this achievement, Dr Schwer held the role of Chairman, President, and CEO of Rheinmetall International and CEO of Combat Systems Division, both branches of international defence prime, Rheinmetall AG. Prior to joining Rheinmetall, Dr Schwer held various executive management positions, including 12 years at Airbus Group's Defence & Space and Helicopters divisions and an executive role at the equipment manufacturing group, The Manitowoc Company. Dr Schwer has recently been appointed CEO of Electro Optic Systems Ltd.

Other Listed current directorships
None

Former Listed directorships in last 3 years
None

Special responsibilities
None

Interest in shares
215,384 ordinary shares in Titomic Limited

115,384 listed options in Titomic Limited
(exercise price: $0.40, expiry 02-Feb-2024)

Interests in rights & options
1,833,333 performance rights
(hurdle: $0.80, expiry 01-July-2025)

2,000,000 performance rights
(hurdle: $0.40, expiry 02-May-2027)

Information on Directors, Company Secretary and Chief Financial Officer continued

MR DAG W.R. STROMME

Independent Non-Executive Director

Experience and expertise
Dag W.R. Stromme is an investor and entrepreneur with close to 30 years of experience from successful private ownership and leading European, as well as global, financial institutions. He has been running his own investment office, PAACS Invest, since 2015. Mr Stromme was previously a senior industry advisor to Triton, an investment firm with €17B under management. He joined Morgan Stanley in New York in 1990, focusing on mergers and acquisitions and was a Managing Director of Morgan Stanley London from 2001 to 2007 and Co-Head of Nordic Investment Banking from 2000 to 2007.

Mr Stromme has been a director of various public and non-public companies. He is currently controlling shareholder and Chairman of Racom AS, a technology company focused on security for public and private institutions, and a director of software companies Arundo and AnsuR.

Other Listed current directorships
None

Former Listed directorships in last 3 years
None

Special responsibilities
Remuneration & Nomination Committee Member

Interest in shares
1,103,505 ordinary shares of Titomic Limited

269,231 listed options in Titomic Limited (exercise price: $0.40, expiry 02-Feb-2024)

Interests in rights & options
572,917 performance rights (hurdle: $0.80, expiry 01-Jul-2025)

2,000,000 performance rights (hurdle: $0.40, expiry 02-May-2027)

MR JEFFREY LANG

Non-Executive Director

Executive Director (resigned 1 April 2022)

Experience and expertise
Mr Jeffrey Lang is an experienced senior executive and technologist in R&D of advanced manufacturing technologies and implementation of automated manufacturing operations in Australia, 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.

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.

Other Listed current directorships
None

Former Listed directorships in last 3 years
None

Special responsibilities
Chief Technology Officer (resigned 01 April 2022)

Interest in shares
9,457,508 ordinary shares in Titomic Limited

Interests in rights & options
399,574 performance rights (Hurdle price: $1.70; expiry: 29-Nov-2022)

Information on Directors, Company Secretary and Chief Financial Officer continued

THE HONORABLE MIRA RICARDEL

Independent Non-Executive Director

Experience and expertise
Mira Ricardel is a Principal at The Chertoff Group, where she leverages her extensive experience in defence programs, as well as regulatory policies and processes related to national security to advise clients on managing regulatory risk, foreign direct investment, supply chain security and growth strategies related to the U.S. federal market sector. From 2016 - 2018, Ms. Ricardel held Presidential appointments at the U.S. Department of Commerce and The White House.

While at The White House, she was Assistant to the President and Deputy National Security Advisor. Before that, she was confirmed by the U. S. Senate and served as the Under Secretary of Commerce for Export Administration, leading the Bureau of Industry and Security, where she played a leadership role in the development of regulations related to the Committee on Foreign Investment in the United States (CFIUS), U.S. export controls, and policies on supply chain security.

The Honorable Ricardel also has nearly a decade of aerospace industry experience at The Boeing Company as Vice President for Business Development, where she was focused on strategic systems, missile defence, cyber and other advanced technology programs. Prior to joining Boeing, Ms Ricardel held positions in the U.S. Department of Defence, to include Principal Deputy Assistant Secretary of Defense and Acting Assistant Secretary of Defense for International Security Policy. Early in her career, she also served in the U.S. Department of State and then was a staff member in the office of the U.S. Senate Majority Leader.

Ms Mira Ricardel (continued)

Award
Ms. Ricardel is a 2005 recipient of the U.S. Department of Defence Medal for Distinguished Public Service.

Other Listed current directorships
None

Former Listed directorships in last 3 years
None

Special responsibilities
None

Interest in shares
96,154 ordinary shares in Titomic Limited

96,154 listed options in Titomic Limited
(exercise price: $0.40, expiry 02-Feb-2024)

Interests in rights & options
500,000 options
(exercise price: $0.40, expiry 31-May-2027)

600,000 options
(exercise price: $0.60, expiry 31-May-2027)

600,000 options
(exercise price: $0.80, expiry 31-May-2027)

800,000 options
(exercise price: $1.00, expiry 31-May-2027)

Information on Directors, Company Secretary and Chief Financial Officer continued

PROF RICHARD FOX

Independent Non-Executive Director

(resigned 29 December 2021)

Experience and expertise

Prof Richard Fox is the co-founder of Force Industries, one of Australia's leading designers and manufacturers of composite boards for board sports. He is the former director of Research at St Vincent's 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 Listed current directorships

None

Former Listed directorships in last 3 years

None

Special responsibilities

Audit & Risk Committee Member
(resigned 29 December 2021)

Remuneration & Nomination Committee Member
(resigned 29 December 2021)

Interest in shares

20,907,394 ordinary shares in Titomic

Interests in rights & options

79,915 performance rights
(Hurdle price: $1.70; expiry: 29-Nov-2022)

MR CHRISTOPHER HEALY

Company Secretary

(appointed 28 March 2022)

Experience and expertise

Mr. Christopher Healy is an experienced lawyer and company secretary with over 30 years' experience working in companies in Australia and the United Kingdom, specialising in a number of sectors including manufacturing, investments, construction and financial services.

Other Listed current directorships

None

Former Listed directorships in last 3 years

None

Special responsibilities

In-house Legal Counsel

Interest in shares

57,692 ordinary shares in Titomic Limited

57,692 listed options in Titomic Limited
(exercise price: $0.40, expiry 02-Feb-2024)

Interests in rights & options

None

Information on Directors, Company Secretary and Chief Financial Officer continued

MR JONATHAN NIELD

Chief Financial Officer

(appointed 1 November 2021

Experience and expertise
Mr Jonathan Nield has been with Titomic since May 2020, commencing in the role of Financial Controller. Mr Nield assumed the role of CFO on 1 Nov 2021. He has an extensive background in senior finance roles in manufacturing businesses, particularly in global automotive components and CNC machine manufacturing companies with 8 years of this experience in the US. These have primarily been global roles and included setting up 2 new manufacturing facilities in the US in the CFO capacity.

Mr Nield has also been Finance Director for the Australian division of US-based multi-national automotive components manufacturing business. He brings these manufacturing accounting and commercial skills to Titomic at a time when the business is transitioning from the technology development phase to the commercialisation phase.

Other Listed current directorships
None

Former Listed directorships in last 3 years
None

Special responsibilities
None

Interest in shares
None

Interests in rights & options
None

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

Meetings of Directors

The number of meetings of the Company's Board of Directors ('the Board') held during the year ended 30 June 2022, and the number of meetings attended by each Director were:

	Full Board		Audit and Risk Committee	
	Held	Attended	Held	Attended
Mr Humphrey Nolan	13	12	5	5
Mr Herbert Koeck	5	5	-	-
Mr Richard Willson	13	12	5	5
Dr Andreas Schwer	13	13	-	-
Mr Dag W.R. Stromme	13	13	-	-
Ms Mira Ricardel	13	12	-	-
Mr Jeffrey Lang	13	13	-	-
Prof Richard Fox	9	8	2	2

Held: represents the number of meetings held during the time the Director held office.

Retirement, election and continuation in office of Directors

On 1 July 2021, Herbert Koeck joined the business as Chief Executive Officer of Titomic, following the announcement of his appointment on 19 May 2021. On 28 January 2022, Mr Koeck was promoted to Managing Director of the Company.

On 29 December 2021, Titomic co-founder and Non-Executive Director Richard Fox announced his retirement from the Board. Mr Fox stepped down from the Titomic Technical Advisory Committee. Andreas Schwer stepped down as Chairman on 28 January 2022 but continues as a Non-Executive Director. Humphrey Nolan, who has been a Director of the Company since July 2020, was elected as Chairman of the Board on 28 January 2022.

Mr Christopher Healy was appointed as the Company Secretary on 28 March 2022, in addition to continuing his role as the in-house legal counsel of the Company. My Richard Willson resigned as the Company Secretary on 28 March 2022 and continues in his role as Non-Executive Director of the Board.

On 1 April 2022, Jeffrey Lang resigned from his role as Chief Technology Officer and Executive Director of the Company. Jeff remains a Non-Executive Director of the Company until the 2022 Annual General Meeting but has decided not to stand for re-election to the Board at that time.

Directors interests in Shares and other securities

	Ordinary shares	Performance Share Rights	Listed Options	Options	Reference to Performance Rights
Mr Humphrey Nolan	100,000	572,917	-	-	2
	-	4,000,000	-	-	3
Mr Herbert Koeck	865,385	6,655,808	-	-	3
Mr Dag W. R. Stromme	1,103,505	572,917	269,231	-	2
	-	2,000,000	-	-	3
Mr Richard Willson	120,000	64,376	-	-	1
	-	252,083	-	-	2
	-	2,000,000	-	-	3
Dr Andreas Schwer	215,384	1,833,333	115,384	-	2
	-	2,000,000	-	-	3
Prof Richard Fox	20,907,394	79,915	-	-	1
Mr Jeffrey Lang	9,457,508	399,574	-	-	1
Ms Mira Ricardel	96,154	-	96,154	2,500,000	
Mr Christopher Healy	57,692	-	57,692	-	
Mr Jonathan Nield	-	-	-	-	
Total	**32,923,022**	**20,430,923**	**538,461**	**2,500,000**	

Performance Rights

[1] Performance Hurdle: 543,865 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 $1.70 on the date shareholder approval was granted (29 November 2019), and must be satisfied within 3 years of the granting of the Performance Share Rights (29 November 2019 to 29 November 2022).

[2] Performance Hurdle: 3,231,250 Performance Share Rights

Performance Hurdle is set at a share price equal to the Company's 5-day VWAP share price which is $0.80 on the date shareholder approval was granted (28 January 2021), and must be satisfied within 3 and 4 years of the granting of the Performance Share Rights to the then Chairman and other Directors respectively (28 January 2021 to 01 July 2025).

[3] Performance Hurdle: 16,655,808 Performance Share Rights

Performance Hurdle is set at a share price equal to the Company's 5-day VWAP share price which is $0.40 on the date shareholder approval was granted (02 May 2022), and must be satisfied within 5 years of the granting of the Performance Share Rights to the Chairman and other Directors respectively (02 May 2022 to 02 May 2027).

Listed Options

Certain directors and the KMP applied to participate in the share placement that occurred in October 2021 on the same terms as unrelated investors. Following approval at the Annual General Meeting held on 15 December 2021; 538,461 Listed Options were issued to the following Directors and the KMP - Dr Andreas Schwer (115,384 options), Mr Dag W. R. Stromme (269,231 options), Ms Mira Ricardel (96,154 options) and Mr Christopher Healy (57,692 options). These listed options have an exercise price of $0.40 per Ordinary Share and are due to expire on 02 February 2024.

Options granted as part of remuneration

Ms Mira Ricardel was originally issued 2,500,000 options, approved by the shareholders at the Annual General Meeting on 15 December 2021; exercisable as follows (i) 500,000 options ex. $0.80, (ii) 600,000 options ex. $1.20, (iii) 600,000 options ex. $1.60 and (iv) 800,000 options ex. $2.00.

These were subsequently modified at the Extraordinary General Meeting on 02 May 2022, resulting in 'modification' of previously issued option to a newly issued 2,500,000 options; exercisable as follows (i) 500,000 options ex. $0.40, (ii) 600,000 options ex. $0.60, (iii) 600,000 options ex. $0.80 and (iv) 800,000 options ex. $1.00. These expire on 31 May 2027.

Shares under options and performance rights

Unissued ordinary shares of Titomic Limited under options and performance rights at the date of this report are as follows:

Grant date	Expiry date	Exercise Price or Hurdle Price	Number of Options Unexercised & Performance Rights Unvested
Listed and Unlisted Options			
28-Jan-21	28-Jul-22	$0.88	500,000
15-Dec-21	2-Feb-24	$0.40	58,621,961
2-May-22	31-May-27	$0.40	500,000
2-May-22	31-May-27	$0.60	600,000
2-May-22	31-May-27	$0.80	600,000
2-May-22	31-May-27	$1.00	800,000
Performance rights			
30-Dec-19	29-Nov-22	$1.70	543,865
30-Dec-19	29-Nov-22	$1.70	1,786,362
28-Jan-21	1-Jul-25	$0.80	3,231,250
2-May-22	2-May-27	$0.40	16,655,808
Total			**83,839,246**

Shares issued on the exercise of options and performance rights

There were no ordinary shares of Titomic Limited issued on the exercise of options during the year ended 30 June 2022 and up to the date of this report.

Remuneration report (audited)

The remuneration report details the key management personnel ('KMP') remuneration arrangements for the Consolidated entity, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all Directors.

The Directors present the Titomic Limited 2022 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.

The remuneration report is set out under the following main headings:

- Details of remuneration
- Remuneration Expense and other interests held by the KMP
- Options and Performance Rights Holding
- Share-based compensation
- Additional information

The Consolidated entity's Audit and Risk Committee and Remuneration and Nomination Committee comprised the following members during the financial year ended 30 June 2022:

Audit and Risk Committee	
Committee Chairman	Mr Richard Willson
Committee Member	Mr Humphrey Nolan
Committee Member	Mr Richard Fox (resigned 29 December 2021)

Remuneration and Nomination Committee	
Committee Chairman	Mr Richard Willson
Committee Member	Mr Dag W R Stromme
Committee Member	Mr Richard Fox (resigned 29 December 2021)

Details of remuneration

The key management personnel of the Consolidated entity consisted of the following Directors and Executives of Titomic Limited:

Mr Humphrey Nolan	Independent Non-Executive Chairman (appointed 28 January 2022)
Mr Herbert Koeck	Managing Director (appointed 28 January 2022)
Dr Andreas Schwer	Independent Non-Executive Director
Mr Richard Willson	Independent Non-Executive Director
Ms Mira Ricardel	Independent Non-Executive Director
Mr Dag W R Stromme	Independent Non-Executive Director
Mr Jeffrey Lang	Non-Executive Director
Prof Richard Fox	Independent Non-Executive Director (resigned 29 December 2021)
Mr Christopher Healy	Company Secretary (appointed 28 March 2022)
Mr Jonathan Nield	Chief Financial Officer (appointed 1 November 2021)

Remuneration expense and other interests held by the KMP

The objective of the Consolidated entity's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and it is considered to conform to the market best practice for the delivery of the reward. The Board of Directors ('the Board') ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage / alignment of executive compensation
- transparency

The short-term incentives ('STI') program is designed to align the targets of the business units with the performance hurdles of executives. STI payments are granted to Directors and executives based on specific annual targets and key performance indicators ('KPI's') being achieved. KPI's include Sales Revenue and profit contribution, and others as determined by the Nomination and Remuneration Committee.

The long-term incentives ('LTI') include long service leave and share-based payments. Share rights and options are awarded to Directors over a period of five years based on long-term incentive measures. These include are based on the increase in shareholders' value.

Consolidated entity performance and link to remuneration

Remuneration for certain individuals is directly linked to the role of the individual and the performance of the consolidated entity. A portion of cash bonus and incentive payments are dependent on defined targets being met. The remaining portion of the cash bonus and incentive payments are at the discretion of the Nomination and Remuneration Committee.

Refer to the section 'Additional information' below for details of the earnings and total shareholders' return for the last five years.

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.

The remuneration expense for the key management personnel for the year ended 30 June 2022 is disclosed as follows:

Directors and other KMP	Cash salary and fees ($)	Post Employment Benefits ($)	Long Term Benefits ($)	Ex gratia payment ($)	Share-based payments expense ($)	Total ($)	Performance Securities as % of Total
Mr Humphrey Nolan	35,740	-	-	-	290,056	325,796	89%
Mr Herbert Koeck	475,715	28,926	5,192	-	482,534	992,367	49%
Mr Richard Willson	61,042	6,104	-	-	148,927	216,073	69%
Dr Andreas Schwer	191,501	-	-	-	538,564	730,065	74%
Mr Dag W. R. Stromme	24,000	-	-	-	275,720	299,720	92%
Ms Mira Ricardel	33,008	-	-	-	68,616	101,624	68%
Mr Jeffrey Lang*	310,818	23,568	-	341,951	91,023	767,360	12%
Prof Richard Fox**	32,500	-	-	-	9,103	41,603	22%
Mr Christopher Healy	43,750	4,375	6,731	-	-	54,856	-
Mr Jonathan Nield	185,085	15,381	26,946	-	-	227,412	-
Total	**1,393,159**	**78,354**	**38,869**	**341,951**	**1,904,543**	**3,756,876**	

* Mr Jeffrey Lang resigned as Executive Director and Chief Technology Officer ('CTO') on 1 April 2022 and continues to be a Non-Executive Director until the Annual General Meeting to be held later during the year 2022.

** Prof Richard Fox resigned on 29 December 2021, including stepping down from Company's Technical Advisory Committee as well as from the Audit and Risk and Nomination and Remuneration Committees.

The remuneration expense for the key management personnel for the year ended 30 June 2021 is disclosed as follows:

Directors and other KMP	Cash salary and fees ($)	Annual leave ($)	Post Employment Benefits ($)	Long service leave ($)	Share-based payments expense ($)	Total ($)	Options as a % of total
Prof Richard Fox	65,000	-	-	-	24,955	89,955	28%
Mr Richard Willson	75,000	-	7,125	-	79,969	162,094	49%
Mr Jeffrey Lang	350,000	15,104	21,694	6,528	124,776	518,102	24%
Dr. Andreas Schwer	300,000	-	-	-	376,410	676,410	56%
Mr Dag W. R. Stromme	20,000	-	-	-	125,031	145,031	86%
Mr Humphrey Nolan	20,000	-	-	-	125,031	145,031	86%
Ms Mira Ricardel	7,290	-	-	-	30,438	37,728	81%
Total	**837,290**	**15,104**	**28,819**	**6,528**	**886,610**	**1,774,351**	

Number of ordinary shares held by key management personnel

	Balance at start of the year	Balance at the appointment date	Granted as compensation	Net changes (other)	Balance at the end of the year
Non-Executive Directors					
Mr Humphrey Nolan	100,000	-	-	-	100,000
Mr Richard Willson	120,000	-	-	-	120,000
Dr Andreas Schwer	100,000	-	-	115,384	215,384
Mr Dag W. R. Stromme	834,274	-	-	269,231	1,103,505
Ms Mira Ricardel	-	-	-	96,154	96,154
Mr Jeffrey Lang	9,457,508	-	-	-	9,457,508
Prof Richard Fox	22,509,241	-	-	(1,601,847)	20,907,394
Executive Director					
Mr Herbert Koeck	-	-	865,385	-	865,385
Other Key Management Personnel					
Mr Christopher Healy	-	-	-	57,692	57,692
Mr Jonathan Nield	-	-	-	-	-
Total	**33,121,023**	**-**	**865,385**	**(1,063,386)**	**32,923,022**

Executive Director's terms of employment

Mr Herbert Koeck currently serves as the Chief Executive Officer and Managing Director of the Company.

The key terms of Mr Herbert Koeck's employment with the Company are as follows:

- Appointed as the Chief Executive Officer for a fixed term of three years (commencing from 01 July 2021)
- Base salary is AUD 450,000 per annum plus statutory superannuation
- Entitlement to 20 days paid annual leave per annum and entitled to 10 days paid personal leave per annum.
- Notice period: 6 months
- Post-employment restraint: Mr Koeck will be restricted from partaking in certain activities for 12 months after leaving the Company
- STI Entitlement: Annual cash bonus capped at AUD 225,000 (to be issued either in cash or ordinary shares in lieu of cash at the Executive's discretion)
- LTI Entitlement: grant of 6,655,808 performance rights as approved by the shareholders of the Company at the EGM on 2 May 2022.
- Other benefits including company provided car allowance and health insurance.

Non-Executive Directors' terms of employment

The key terms and conditions of remuneration contracts of the Directors who remained a Non-Executive Director ('NED') with the Company as at 30 June 2022 are as follows:

Humphrey Nolan

- Appointment as a Non-Executive Director: 18 June 2020
- Appointment as the Chairman of the Board: 28 January 2022
- Member of the Audit and Risk Committee
- Annual director's fees: AUD 60,000
- Superannuation entitlement in accordance with the Superannuation Guarantee (Administration) Act 1992
- Performance rights granted: 4,000,000 (hurdle price: $0.40 per performance right; expiry: 02 May 2027)
- Compliance with the International Traffic in Arms Regulation ('ITAR')
- Other benefits: Directors and Officers (D&O) Liability Insurance
- Notice period: NED obligation three months written

Richard Willson

- Appointment as a Non-Executive Director: 28 May 2017
- Chairman of the Audit and Risk Committee
- Chairman of the Nomination and Remuneration Committee
- Annual Director's fees: AUD 40,000
- Superannuation entitlement in accordance with the Superannuation Guarantee (Administration) Act 1992
- Performance rights granted: 2,000,000 (hurdle price: $0.40 per performance right; expiry: 02 May 2027)
- Compliance with the International Traffic in Arms Regulation ('ITAR')
- Other benefits: Directors and Officers (D&O) Liability Insurance
- Notice period: NED obligation three months written

Dag W. R. Stromme

- Appointment as a Non-Executive Director: 21 June 2020
- Member of the Remuneration and Nomination Committee
- Annual director's fees: AUD 30,000
- Superannuation entitlement in accordance with the Superannuation Guarantee (Administration) Act 1992
- Performance rights granted: 2,000,000 (hurdle price: $0.40 per performance right; expiry: 02 May 2027)
- Compliance with International Traffic in Arms Regulations ('ITAR')
- Other benefits: Directors and Officers (D&O) Liability Insurance
- Notice period: NED obligation three months written

Andreas Schwer

- Appointment as a Non-Executive Director: 29 June 2020
- Annual director's fees: AUD 30,000
- Superannuation entitlement in accordance with the Superannuation Guarantee (Administration) Act 1992
- Performance rights granted: 2,000,000 (hurdle price: $0.40 per performance right; expiry: 02 May 2027)
- Compliance with International Traffic in Arms Regulations ('ITAR')
- Other benefits: Directors and Officers (D&O) Liability Insurance
- Notice period: NED obligation three months written

Jeffrey Lang

- Appointment as an Executive Director: 28 May 2017
- Appointment as Chief Technology Officer (‘CTO’): 16 November 2020
- Resignation as the CTO and Executive Director: 1 April 2022
- Continuance as a Non-Executive Director until the next Annual General Meeting
- Annual Directors’ fees: AUD 30,000
- Superannuation entitlement in accordance with the Superannuation Guarantee (Administration) Act 1992
- Ex Gratia payment received upon resignation as the CTO: AUD 341,951
- Post-employment trading restraints: The Executive will not dispose of his equity shares in the Company prior to 16 December 2022.
- Compliance with the International Traffic in Arms Regulation (‘ITAR’)
- Other benefits: Directors and Officers (D&O) Liability Insurance
- Notice period: NED obligation three months written

Mira Ricardel

- Appointment as a Non-Executive Director: 13 March 2021
- Annual director’s fees: AUD 30,000
- Superannuation entitlement in accordance with the Superannuation Guarantee (Administration) Act 1992
- 2,500,000 options granted as a part of compensation (exercise price from $0.40 to $1.00; expiry: 31 May 2027)
- Compliance with International Traffic in Arms Regulations (‘ITAR’)
- Other benefits: Directors and Officers (D&O) Liability Insurance
- Notice period: NED obligation three months written

Performance rights granted to the key management personnel

	Grant date	Expiry date	Granted	Performance hurdle	Value at grant date ($)
Performance Hurdle 1					
Mr Richard Willson	29-Nov-19	29-Nov-22	64,376	$1.70	51,145
Mr Jeffrey Lang	29-Nov-19	29-Nov-22	399,574	$1.70	255,278
Prof Richard Fox	29-Nov-19	29-Nov-22	79,915	$1.70	51,145
Total			**543,865**		**357,568**
Performance Hurdle 2					
Mr Humphrey Nolan	1-Jul-20	01-Jul-25	572,917	$0.80	501,500
Mr Richard Willson	1-Jul-20	01-Jul-25	252,083	$0.80	220,660
Dr. Andreas Schwer	1-Jul-20	01-Jul-25	1,833,333	$0.80	1,131,298
Mr Dag W. R. Stromme	1-Jul-20	01-Jul-25	572,917	$0.80	501,500
Total			**3,231,250**		**2,354,958**
Performance Hurdle 3					
Mr Humphrey Nolan	2-May-22	2-May-27	4,000,000	$0.40	581,336
Mr Herbert Koeck*	2-May-22	2-May-27	6,655,808	$0.40	967,314
Mr Richard Willson	2-May-22	2-May-27	2,000,000	$0.40	290,663
Dr Andreas Schwer	2-May-22	2-May-27	2,000,000	$0.40	290,669
Mr Dag W. R. Stromme	2-May-22	2-May-27	2,000,000	$0.40	290,669
Total			**16,655,808**		**2,420,651**
Total performance rights holding by KMP			**20,430,923**		**5,133,177**

*Mr Herbert Koeck's performance rights are related to his entitlement to LTI as per the employment contract.

[1] **Performance Hurdle: 543,865 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 $1.70 on the date shareholder approval was granted (29 November 2019), and must be satisfied within 3 years of the granting of the Performance Share Rights (29 November 2019 to 29 November 2022).

[2] **Performance Hurdle: 3,231,250 Performance Share Rights**

Performance Hurdle is set at a share price equal to the Company's 5-day VWAP share price which is $0.80 on the date shareholder approval was granted (28 January 2021), and must be satisfied within 3 and 4 years of the granting of the Performance Share Rights to the then Chairman and other Directors respectively (28 January 2021 to 01 July 2025).

[3] **Performance Hurdle: 16,655,808 Performance Share Rights**

Performance Hurdle is set at a share price equal to the Company's 5-day VWAP share price which is $0.40 on the date shareholder approval was granted (02 May 2022), and must be satisfied within 5 years of the granting of the Performance Share Rights to the Chairman and other Directors respectively (02 May 2022 to 02 May 2027).

Loans to key management personnel

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

Options and performance rights holding

Options over ordinary shares

The number of options in the Company held during the financial year by each Director and other members of key management personnel of the Consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Received as part of remuneration	Additions	Modified	Balance at the end of the year
Listed Options					
Mr Dag W. R. Stromme	-	-	269,231	-	269,231
Dr Andreas Schwer	-	-	115,384	-	115,384
Ms Mira Ricardel	-	-	96,154	-	96,154
Mr Christopher Healy	-	-	57,692	-	57,692
Unlisted Options					
Ms Mira Ricardel	2,500,000	2,500,000	-	(2,500,000)	2,500,000
Total	**2,500,000**	**2,500,000**	**538,461**	**(2,500,000)**	**3,038,461**

The Listed options were issued to the participating Directors in the same proportion to which they subscribed in the share placement that occurred in October 2021 where new listed options, with an exercise price of $0.40 per share, were issued upon buying ordinary shares in the Company.

The Unlisted options issued to Ms Mira Ricardel on 02 May 2022 were as a result of modification to originally issued 2,500,000 options at the 15 Dec 2021 Annual General Meeting.

Performance rights over ordinary shares

The number of Performance rights over ordinary shares in the Company held during the financial year by each Director and other members of key management personnel of the Consolidated entity, including their personally related parties, is set out below:

	Balance at start of the year	Granted	Expired	Cancelled	Balance at end of the year
Mr Humphrey Nolan	1,250,000	4,000,000	-	(677,083)	4,572,917
Mr Richard Willson	646,083	2,000,000	(16,168)	(313,456)	2,316,459
Dr Andreas Schwer	3,000,000	2,000,000	-	(1,166,667)	3,833,333
Mr Dag W. R. Stromme	1,250,000	2,000,000	-	(677,083)	2,572,917
Herbert Koeck	-	6,655,808	-	-	6,655,808
Mr Jeffrey Lang	480,414	-	(80,840)	-	399,574
Prof Richard Fox	96,083	-	(16,168)	-	79,915
Total	**6,722,580**	**16,655,808**	**(113,176)**	**(2,834,289)**	**20,430,923**

During the year ended 30 June 2022, a pro-rata portion of the performance rights granted to the Directors on 20 Nov 2019 and 01 July 2022 were 'cancelled' and replaced by a new performance rights grant approved by the shareholders on 02 May 2022. The effect of such cancellation resulted in Directors continuing to retain the pro-rata entitlement of performance rights, as at the date of cancellation; from such previous grants, while all other previous terms and conditions remained unchanged.

The performance rights that were cancelled required the recognition of expense amounting to $636,641 relating to the future costs of the cancelled rights in accordance with AASB 2 Share based payments as disclosed in note 9.

Share-based compensation

Issue of shares

Details of shares issued to Directors and other key management personnel as part of compensation during the year ended 30 June 2022 are set out below:

Name	Date	Shares	Issue price	$
Mr Herbert Koeck	02 May 2022	865,385	$0.26	225,000

Mr Herbert Koeck was awarded an STI of $225,000, for which 865,385 ordinary shares were issued in lieu of cash.
The shares issue was approved at the EGM on 02 May 2022.

Options

The terms and conditions of each grant of options over ordinary shares affecting remuneration of Directors and other key management personnel in this financial year or future reporting years are as follows:

Grant date	Exercisable dates	Expiry dates	Exercise price	Fair value at grant date ($)
2-May-22	1-July-2023	31-May-27	$0.40	$37,000
2-May-22	1-July-2024	31-May-27	$0.60	$39,000
2-May-22	1-July-2025	31-May-27	$0.80	$34,800
2-May-22	1-July-2026	31-May-27	$1.00	$40,800

Ms Mira Ricardel was granted 2,500,000 options expiring on 31 May 2027, exercisable as follows (i) 500,000 options ex. $0.40, (ii) 600,000 options ex. $0.60, (iii) 600,000 options ex. $0.80 and (iv) 800,000 options ex. $1.00. These options constitute as compensation included in the Director's agreement.

Dividend and voting rights

Options and performance rights granted carry no dividend or voting rights.

Additional information

Consequences of Company's performance on shareholder wealth

In considering the Consolidated entity's performance and benefits for shareholder wealth, the Board provides the following key performance indicators in respect of the current and previous financial years.

The earnings of the Consolidated entity for the five years to 30 June 2022 are summarised below:

	2022 ($)	2021 ($)	2020 ($)	2019 ($)	2018 ($)
Sales revenue	5,320,623	1,984,951	2,006,375	1,474,937	267,859
Loss after income tax	(16,971,886)	(17,175,346)	(10,826,806)	(7,489,077)	(3,767,594)
Total remuneration of KMP ($)	3,756,876	1,774,354	949,692	1,152,806	975,686
Total performance-based remuneration ($)	1,904,543	886,610	155,209	271,252	285,356
Increase in revenue and other income (%)	168%	(1%)	36%	451%	3845%
Change in share price (%)	(35%)	(33%)	(70%)	(25%)	-

The factors that are considered to affect total shareholders return ('TSR') are summarised below:

	2022 ($)	2021 ($)	2020 ($)	2019 ($)	2018 ($)
Share price at financial year end ($)	0.26	0.40	0.60	2.02	2.70
Total dividends declared (cents per share)	-	-	-	-	-
Basic earnings per share (cents per share)	(9.05)	(11.21)	(8.07)	(6.09)	(3.55)
Diluted earnings per share (cents per share)	(9.05)	(11.21)	(8.07)	(6.09)	(3.55)

This concludes the remuneration report, which has been audited.

Indemnity and insurance of officers

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

During the 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.

Indemnity and insurance of auditor

The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor. During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity

Proceedings on behalf of the Company

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

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 for non-audit services provided during the financial year by the auditor are set out below. 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:

	Consolidated 30 June 2022 ($)	Consolidated 30 June 2021 ($)
Other services	11,449	6,750
Total remuneration for non audit services	**11,449**	**6,750**

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 28 to the financial statements.

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

Officers of the Company who are former partners of BDO Audit Pty Ltd

There are no officers of the Company who are former partners of BDO Audit Pty Ltd.

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.

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

On behalf of the Directors

Humphrey Nolan
Chair of the Board

30 September 2022

Auditors independence declaration

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DECLARATION OF INDEPENDENCE BY KATHERINE ROBERTSON TO THE DIRECTORS OF TITOMIC LIMITED

As lead auditor of Titomic Limited for the year ended 30 June 2022, I declare that, to the best of my knowledge and belief, there have been:

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

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

Katherine Robertson
Director

BDO Audit Pty Ltd

Melbourne, 30 September 2022

Financial statements

Consolidated statement of profit or loss and other comprehensive income

For the year ended 30 June 2022	Notes	30 June 2022 ($)	30 June 2021 ($)
Revenue			
Revenue and other income	6	5,320,623	1,984,951
Expenses			
Production and related expenses		(2,015,693)	(1,562,412)
Corporate and administrative expenses		(3,770,555)	(3,103,486)
Production expenses related to the space grant program		(1,419,765)	-
Employee and director expenses		(6,918,776)	(6,254,209)
Share based payment expenses	9	(2,226,111)	(1,042,458)
Remuneration Expense on Tri-D Transaction & Dycomet acquisition	8	(2,599,255)	-
Impairment loss	7	(320,624)	(5,360,761)
Marketing and promotion expenses		(1,149,323)	(147,772)
Depreciation expenses	7	(1,468,538)	(1,339,632)
Amortisation expenses	7	(283,385)	(133,512)
Other expenses		(67,453)	(216,055)
Finance costs		(53,031)	-
Loss before income tax expense		**(16,971,886)**	**(17,175,346)**
Income tax expense			
	10	-	-
Loss after income tax expense for the year		**(16,971,886)**	**(17,175,346)**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		(51,154)	-
Other comprehensive income for the year, net of tax		**(51,154)**	**-**
Total comprehensive income for the year		**(17,023,040)**	**(17,175,346)**

	Notes	30 June 2022 (¢)	30 June 2021 (¢)
Loss per share attributable to the owners of the Company			
Basic earnings per share	11	(9.05)	(11.21)
Diluted earnings per share	11	(9.05)	(11.21)

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

Consolidated statement of financial position

	Notes	30 June 2022 ($)	30 June 2021 ($)
Assets			
Current assets			
Cash and cash equivalents	12	7,108,180	7,946,161
Trade and other receivables	13	951,913	90,108
Inventories	14	2,109,631	1,998,416
Other current assets	15	677,409	1,049,330
Total current assets		**10,847,133**	**11,084,015**
Non-current assets			
Property, plant and equipment	16	2,022,865	2,504,679
Right-of-use assets	17	1,401,891	-
Intangible assets	18	546,466	-
Total non-current assets		**3,971,222**	**2,504,679**
Total assets		**14,818,355**	**13,588,694**
Liabilities			
Current liabilities			
Trade and other payables	19	1,102,759	1,682,786
Other financial liabilities	21	2,265,624	1,026,634
Provisions	20	1,370,560	267,235
Total current liabilities		**4,738,943**	**2,976,655**
Non-current liabilities			
Other financial liabilities	23	2,176,540	1,127,527
Provisions	22	490,252	42,959
Total non-current liabilities		**2,666,792**	**1,170,486**
Total liabilities		**7,405,735**	**4,147,141**
Net assets		**7,412,620**	**9,441,553**
Equity			
Issued capital	24	57,853,211	45,853,616
Foreign currency translation reserves		(51,154)	-
Share based payments reserves	25	6,607,710	3,613,198
Accumulated losses	26	(56,997,147)	(40,025,261)
Total equity		**7,412,620**	**9,441,553**

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

Consolidated statement of changes in equity

Consolidated	Issued capital ($)	Share based payment reserves ($)	Foreign currency translation reserves ($)	Accumulated losses ($)	Total equity ($)
Balance at 1 July 2020	**45,853,616**	**2,570,740**	**-**	**(22,849,915)**	**25,574,441**
Loss after income tax expense for the year	-	-	-	(17,175,346)	(17,175,346)
Other comprehensive income for the year, net of tax	-	-	-	-	-
Total comprehensive income for the year	**-**	**-**	**-**	**(17,175,346)**	**(17,175,346)**
Transactions with Owners in their capacity as owners:					
Share-based payments (note 9)	-	1,042,458	-	-	1,042,458
Balance at 30 June 2021	**45,853,616**	**3,613,198**	**-**	**(40,025,261)**	**9,441,553**

Consolidated	Issued capital ($)	Share based payment reserves ($)	Foreign currency translation reserves ($)	Accumulated losses ($)	Total equity ($)
Balance at 1 July 2021	**45,853,616**	**3,613,198**	**-**	**(40,025,261)**	**9,441,553**
Loss after income tax expense for the year	-	-	-	(16,971,886)	(16,971,886)
Other comprehensive income for the year, net of tax	-	-	(51,154)	-	(51,154)
Total comprehensive income for the year	**-**	**-**	**(51,154)**	**(16,971,886)**	**(17,023,040)**
Transactions with Owners in their capacity as owners:					
Contributions of equity, net of transaction costs (note 24)	12,423,968	-	-	-	12,423,968
Share-based payments (note 8 and note 9)	322,596	2,994,512	-	-	3,317,108
Transaction costs (note 24)	(746,969)	-	-	-	(746,969)
Balance at 30 June 2022	**57,853,211**	**6,607,710**	**(51,154)**	**(56,997,147)**	**7,412,620**

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

Consolidated statement of cash flows

	Notes	30 June 2022 ($)	30 June 2021 ($)
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		3,015,475	477,550
Space Grant (incl. GST)		1,738,109	-
Other Grants		1,175,578	1,430,572
Payments to suppliers and employees (inclusive of GST)		(16,056,931)	(10,801,742)
Interest received		19,774	39,288
Finance cost		(53,031)	(183,047)
Net cash used in operating activities	**29**	**(10,161,026)**	**(9,037,379)**
Cash flows from investing activities			
Payment for purchase of business, net of cash acquired	32	(1,364,805)	-
Payments for property, plant and equipment	16	(597,046)	(25,114)
Net cash used in investing activities		**(1,961,851)**	**(25,114)**
Cash flows from financing activities			
Proceeds from issue of shares	24	12,423,968	-
Payments for the principal portion of lease liabilities		(353,376)	(449,397)
Share issue transaction costs (note 24)	24	(746,969)	-
Net cash from/(used in) financing activities		**11,323,623**	**(449,397)**
Net decrease in cash and cash equivalents		(799,254)	(9,511,890)
Cash and cash equivalents at the beginning of the financial year		7,946,161	17,458,051
Effects of exchange rate changes on cash and cash equivalents		(38,727)	-
Cash and cash equivalents at the end of the financial year	**12**	**7,108,180**	**7,946,161**

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

Notes to the financial statements

1. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented unless otherwise stated.

General information

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

Titomic Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are Ground Floor, 365 Ferntree Gully Road, Mount Waverley Victoria 3149 Australia.

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

The financial statements were authorised for issue, in accordance with a resolution of directors, as of the date of the directors' report. The directors have the power to amend and reissue the financial statements.

New or amended Accounting Standards and Interpretations adopted

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

The Consolidated entity has adopted the following accounting policies during the year ended 30 June 2022 following the global expansion and acquisition of Dycomet B.V.: Principles of consolidation, Operating segments, Intangible assets, Business Combination, Foreign currency translation and deferred consideration.

Basis of preparation

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

Compliance with IFRS

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

Historical Cost Convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, certain classes of property, plant and equipment.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

1. Summary of significant accounting policies continued

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 Consolidated entity incurred a loss from ordinary activities of $16,971,886 during the year ended 30 June 2022 (2021: $ 17,175,346 loss). The Consolidated entity had a net asset position of $7,412,620 (2021: $9,441,553). The Consolidated entity had a net cash outflow from operating activities of $10,161,026 (2021: $9,037,379).

The Consolidated entity has prepared a cash flow forecast based on its expected level of expenditure which indicates that the Consolidated entity will require an improved cash flow position within the next 12 months to meet its forecast net outgoings. In order to support the entity's cash flow position over this period, the Consolidated entity will need to generate additional net cash flow by increasing revenue, reducing expenditure or raising funds through other sources, including debt or equity capital.

The ability to continue as a going concern is dependent upon a number of factors, one being the continuation and availability of funds. The reliance on future funding described above indicates a material uncertainty that may cast significant doubt about the Consolidated entity's ability to continue as going concern. The financial statements have been prepared on the basis that the Consolidated entity is a going concern which contemplates the continuity of its business, the realisation of assets and the settlement of liabilities in the normal course of business.

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

The financial statements do 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 Consolidated entity not be able to trade as a 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 is likely to be significantly less than the amounts disclosed, and the extent of liabilities may differ significantly from those reflected.

Should the Consolidated entity be unable to continue as a going concern, it may be required to realise its assets and extinguish its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessarily incurred should the Consolidated entity not continue as a going concern.

Parent equity information

In accordance with the Corporations Act 2001, these financial statements present the results of the Consolidated entity only. Supplementary information about the parent entity is disclosed in note 34.

1. Summary of significant accounting policies continued

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Titomic Limited ('Company' or 'parent entity') as at 30 June 2022 and the results of all subsidiaries for the year then ended. Titomic Limited and its subsidiaries together are referred to in these financial statements as the 'Consolidated entity'.

Subsidiaries are all those entities over which the Consolidated entity has control. The Consolidated entity controls an entity when the Consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the Consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the Consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The Consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

Foreign currency translation

Foreign currency transactions

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign operations

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

1. Summary of significant accounting policies continued

Revenue recognition

Revenue is measured at an amount that reflects the consideration to which the Consolidated entity 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 Consolidated entity generates revenue primarily from the sale of TKF Systems and cold spray machines in Australia, Europe and the US. The Consolidated entity uses the following five-step contract-based analysis of transactions to determine whether, how much and when revenue is recognised:

1. Identify the contract with a customer;
2. Identify the performance obligation(s) in the contract;
3. Determine the transaction price;
4. Allocate the transaction price to the performance obligation(s) in the contract; and
5. Recognise revenue when or as the Company satisfies the performance obligation(s).

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

(I) MANUFACTURING AND SALE OF MACHINES, PROJECTS AND CONSUMABLES

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

Specifically, in the case of the sale of TKF Systems, this will be when the Consolidated entity has fulfilled its obligations under the contract, which will mainly be the delivery and commissioning of the TKF Systems. Subject to the terms of the sale agreement, there will be a provision for warranties deducted.

(II) INTEREST

Interest revenue is recognised using the effective interest rate method.

(III) GRANT AND RESEARCH & DEVELOPMENT INCENTIVES

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

(IV) RECEIVABLES FROM CONTRACTS WITH CUSTOMERS

A receivable from a contract with a customer represents the Consolidated entity'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).

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the statement of cash flows presentation purposes, cash and cash equivalents also includes bank overdrafts, which are shown within borrowings in current liabilities on the statement of financial position.

1. Summary of significant accounting policies continued

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 13 for further information about the Consolidated entity's accounting for trade receivables.

Inventories

Inventories including raw materials and consumables are valued using a standard costing method, which is reviewed and recalculated periodically on an annual or bi-annual basis. Standard costs include supplier's nominated prices or latest actual purchase cost and an additional proportion of anticipated in-bound freight or inventory handling costs. Quantitative movements are conducted and recorded on a first-in-first-out basis, incorporating standard costs to determine transactional financial values.

Inventories including finished goods and work in progress (WIP) are measured as a combination of value of raw materials consumed, direct labour costs assigned and appropriate allocation of overhead expenses.

Property, plant & 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 Consolidated entity 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:

Building Fitouts	10 years
Factory Equipment	4 - 10 years
Furniture and Fittings	3 - 5 years
Machinery	5 - 10 years
Computer Equipment	3 years
Other Property, Plant and Equipment	1 - 3 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date. The estimated useful lives of Machinery relating to TKF Machinery was reassessed at the 30 June 2021 which increase the useful life from 3 years to 5 years, also taking into account a residual value for the machines after the fifth year.

1. Summary of significant accounting policies continued

Right-of-use assets

Right-of-use assets are measured at cost less depreciation and impairment and adjusted for any remeasurement of the lease liability

The cost of the asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before lease commencement date less any lease incentives received;
- any initial direct costs; and
- present value of expected restoration costs

Right-of-use assets are depreciated on a straight-line basis from the commencement date of the lease to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The Consolidated entity tests right-of-use assets for impairment where there is an indicator that the asset may be impaired. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

The Consolidated entity determines the lease term as the non-cancellable period of a lease together with both:

- the periods covered by an option to extend the lease if it is reasonably certain to exercise that option; and
- periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.

Management considers all the facts and circumstances that create an economic incentive to exercise an extension option or not exercise a termination option. This assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

Lease liabilities

Lease liabilities are initially measured at the present value of the lease payments discounted using the interest rate implicit in the lease. If that rate cannot be determined, the Consolidated entity's incremental borrowing rate is used.

Lease liabilities are subsequently measured by:

- increase the carrying amount to reflect interest on the lease liabilities;
- reduce the carrying amount to reflect lease payments made; and
- remeasuring the carrying amount to reflect any reassessment or lease modifications.

Interest on the lease liabilities and any variable lease payments not included in the measurement of the lease liabilities are recognised in the Consolidated Statement of Comprehensive Income in the period in which they relate.

Intangible assets

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

Amortisation is calculated using the straight-line method of amortisation to allocate the cost or revalued amounts of the asset, net of the residual values, over the estimated useful life of the intangible asset, as follows:

Technology	4 - 6 years
Customer relations	1 - 5 years
Brands	2 - 5 years

1. Summary of significant accounting policies continued

Goodwill

Goodwill arises on the acquisition of a business. Goodwill represents the excess of the cost of acquisition over the fair value of net identifiable assets of the acquired business combination accounted at the date of acquisition. Goodwill on acquisitions is included in intangible assets. Goodwill is not amortised but instead tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses. As at 30 June 2022, the Consolidated entity has fully impaired its goodwill.

Other intangible assets

Other intangible assets with definite useful lives represent values associated with Brand, Technology and Customer relationships and have been recognised as part of determining the fair value of assets and liabilities of the acquired business combination and valued and accounted for at the date of acquisition. These intangible are amortised over their respective useful lives determined as a part of fair valuation of the acquired business combination as at the acquisition date.

Impairment of non-financial assets

Goodwill arising from the acquisition of the net assets of acquired businesses is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the greater of its value in use and its fair value less the cost of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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.

Trade and other payables

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

Provisions

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

1. Summary of significant accounting policies continued

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.

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.

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 BENEFITS

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 Consolidated entity 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 10% 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 Consolidated entity'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.

1. Summary of significant accounting policies continued

(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 Consolidated entity'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 are 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 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.

Fair value measurement

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

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

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

1. Summary of significant accounting policies continued

Investments and other financial assets

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the Consolidated entity has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, it's carrying value is written off.

Financial assets at fair value through profit or loss

Financial assets not measured at amortised cost or at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss. Typically, such financial assets will be either: (i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit, or a derivative; or (ii) designated as such upon initial recognition where permitted. Fair value movements are recognised in profit or loss.

Impairment of financial assets

The Consolidated entity recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the Consolidated entity's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

Issued capital

Ordinary shares are classified as equity.

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

Business combinations

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the Consolidated entity assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Consolidated entity's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the Consolidated entity remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

1. Summary of significant accounting policies continued

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

Goods and Services Tax (GST) and other similar taxes

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Rounding of amounts

The Company has applied the relief available under ASIC Corporations (rounding in Financial / Directors' reports) Instrument 2016/191 and accordingly, the amounts in the financial statements and in the directors' report have been rounded to the nearest dollar.

Comparatives

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

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Consolidated entity for the annual reporting period ended 30 June 2022. The Consolidated entity has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

2. Critical accounting judgements, estimates and assumptions

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

Research and development tax offset

The Consolidated entity adopts the income approach to accounting for the research and development tax offset pursuant to AASB 120 'Accounting for Government Grants and Disclosure of Government Assistance'. The directors have concluded that the Consolidated entity has developed sufficient systems and knowledge to allow reasonable assurance to be obtained with respect to the measurement and recognition of the tax rebates at a point when they believe they have a valid claim. The claim incorporates estimates around R&D apportionment for certain shared assets (such as machines and employees) and judgements around the expense's eligibility under the Tax Incentive Application.

Share-based payment transactions

The Consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Business combinations

Business combinations are initially accounted for on a provisional basis. The fair value of assets acquired, liabilities and contingent liabilities assumed are initially estimated by the Consolidated entity taking into consideration all available information at the reporting date. Fair value adjustments on the finalisation of the business combination accounting is retrospective, where applicable, to the period the combination occurred and may have an impact on the assets and liabilities, depreciation and amortisation reported. In the application of accounting policies, management is required to make judgements, estimates and assumptions about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant.

Provision for impairment of inventories

The provision for impairment of inventories assessment requires a degree of estimation and judgement. The level of the provision is assessed by taking into account the recent sales experience, the ageing of inventories and other factors that affect inventory obsolescence.

Estimation of useful lives of assets

The Consolidated 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 technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Goodwill and other indefinite life intangible assets

The Consolidated entity tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in note 1. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

2. Significant accounting estimates and judgements continued

Impairment of non-financial assets other than goodwill

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

Impairment of property, plant and equipment

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

Deferred consideration

The deferred consideration liability is the difference between the total purchase consideration, usually on an acquisition of a business combination, and the amounts paid or settled up to the reporting date, discounted to net present value. The Consolidated entity applies provisional accounting for any business combination. Any reassessment of the liability during the earlier of the finalisation of the provisional accounting or 12 months from acquisition-date is adjusted for retrospectively as part of the provisional accounting rules in accordance with AASB 3 'Business Combinations'. Thereafter, at each reporting date, the deferred consideration liability is reassessed against revised estimates and any increase or decrease in the net present value of the liability will result in a corresponding gain or loss to profit or loss. The increase in the liability resulting from the passage of time is recognised as a finance cost.

3. Financial risk management

(a) Financial instruments

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

	Consolidated 30 June 2022 ($)	Consolidated 30 June 2021 ($)
Cash and cash equivalents	7,108,180	7,946,161
Trade and other receivables	951,913	90,108
Other current assets	519,301	296,167
Trade and other payables	1,102,759	1,682,786
Other financial liabilities	3,017,321	1,761,285
Lease liabilities	1,424,843	322,357

(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 Consolidated entity'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 Consolidated entity, 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.

3. Financial risk management continued

Financial Risk Management

Management report risks identified to the Board through regular reporting.

The Consolidated entity 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.

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

Interest rate risk

The Consolidated entity is exposed to interest rate risks via the cash and cash equivalents that it holds. Interest rate risk is the risk that a financial instruments value will fluctuate because of changes in market interest rates. The objective of managing interest rate risk is to minimise the Consolidated entity'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 Consolidated entity considers the reduced interest rate received by retaining cash and cash equivalents in the Consolidated entity'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.

The following table outlines the Consolidated entity's exposure to interest rate risk in relation to future cash flows and the effective weighted average interest rates on classes of financial assets and financial liabilities:

30 June 2022	Interest bearing ($)	Non-interest bearing ($)	Total carrying amount ($)	Weighted average effective interest rate (%)	Fixed/variable rate
Financial assets					
Cash	4,990,353	2,117,827	7,108,180	0.60%	Variable
Trade and other receivables	-	951,913	951,913	-	
Other current receivables	454,321	64,980	519,301	1.56%	Variable
Total financial assets	**5,444,674**	**3,134,720**	**8,579,394**		
Financial liabilities					
Trade and other payables	146,860	955,899	1,102,759	8.93%	Variable
Other financial liabilities	1,654,499	1,362,822	3,017,321	7.00%	Variable
Lease liabilities	1,424,843	-	1,414,843	6.67%	Fixed
Total financial liabilities	**3,226,202**	**2,318,721**	**5,534,923**		

3. Financial risk management continued

30 June 2021	Interest bearing ($)	Non-interest bearing ($)	Total carrying amount ($)	Weighted average effective interest rate (%)	Fixed/variable rate
Financial assets					
Cash	7,620,680	325,481	7,946,161	0.21%	Variable
Trade and other receivables	-	90,108	90,108	-	
Other current receivables	232,000	64,167	296,167	0.09%	Variable
Total financial assets	**7,852,680**	**479,756**	**8,332,436**		
Financial liabilities					
Trade and other payables	398,957	1,221,663	1,620,620	3.06%	Variable
Lease liabilities	322,357	-	322,357	7.00%	Fixed
Other liabilities	1,761,285	-	1,761,285	6.00%	Variable
Total financial liabilities	**2,482,599**	**1,221,663**	**3,704,262**		

No other financial assets or financial liabilities are expected to be exposed to interest rate risk.

Profit and Loss is sensitive changes in interest income earned on cash and cash equivalents as a result in changes to deposit interest rates.

	Consolidated 30 June 2022 ($)	Consolidated30 June 2021 ($)
1% change in interest rates:		
Impact on loss after tax for the period	71,082	79,462
Impact on equity	71,082	79,462

The choice of 1% change in interest rates was determined having regard to the level of prevailing interest rates in Australia during 2021 and 2022. The impact on loss after tax and equity is lower in 2021 due to the lower cash balances held by the Consolidated entity.

Credit risk

The Consolidated entity 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 Consolidated entity's cash and cash equivalents, it places them with high credit quality financial institutions and performs background credit checks on counterparties where appropriate.

The Consolidated entity has a credit risk exposure with TWI UK, which as at 30 June 2022 owed the Consolidated entity AUD 847,458 (89% of trade and other receivables) (2021: nil (nil% of trade and other receivables). This balance was within its terms of trade and no impairment was made as at 30 June 2022. There are no guarantees against this receivable but management closely monitors the receivable balance on a monthly basis and is in regular contact with this customer to mitigate risk.

The Consolidated entity 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 transaction with multiple counterparties in the year ended 30 June 2022. 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.

3. Financial risk management continued

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 Consolidated entity 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 Consolidated entity is exposed to liquidity risk via trade and other payables.

Liquidity risk is the risk that the Consolidated entity 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 Consolidated entity's Management to ensure that the Consolidated entity 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.

Remaining contractual maturities

(i) Maturities of financial liabilities

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

Consolidated 30 June 2022	Less than 6 months ($)	Between 6 & 12 months ($)	Between 1 & 2 years ($)	Between 2 & 5 years ($)	Over 5 years ($)	Remaining contractual maturities ($)
Non-derivatives						
Non-interest bearing						
Trade payables	216,161	-	-	-	-	216,161
Accrued expenses	599,778	-	-	-	-	599,778
Other payables	286,820	-	-	-	-	286,820
Interest-bearing - variable						
CSIRO IP liability	492,197	37,500	271,203	343,827	509,772	1,654,499
Lease liabilities	138,505	234,599	347,069	704,669	-	1,424,842
Total non-derivatives	**1,733,461**	**272,099**	**618,272**	**1,048,496**	**509,772**	**4,182,100**

Consolidated 30 June 2021	Less than 6 months ($)	Between 6 & 12 months ($)	Between 1 & 2 years ($)	Between 2 & 5 years ($)	Over 5 years ($)	Remaining contractual maturities ($)
Non-derivatives						
Non-interest bearing						
Trade payables	327,642	-	-	-	-	327,642
Accrued expenses	654,848	-	-	-	-	654,848
Other payables	643,304	56,992	-	-	-	700,296
Interest-bearing - variable						
CSIRO IP liability	492,198	141,560	133,642	358,138	635,747	1,761,285
Lease liabilities	241,474	80,883	-	-	-	322,357
Total non-derivatives	**2,359,466**	**279,435**	**133,642**	**358,138**	**635,747**	**3,766,428**

4. Fair value measurement

Fair value hierarchy

The following tables detail the Consolidated entity's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Unobservable inputs for the asset or liability.

Consolidated 30 June 2022	Level 1 ($)	Level 2 ($)	Level 3 ($)	Total ($)
Assets				
Property, plant and equipment	-	-	-	-
Total assets	**-**	**-**	**-**	**-**

Consolidated 30 June 2021	Level 1 ($)	Level 2 ($)	Level 3 ($)	Total ($)
Assets				
Property, plant and equipment	-	-	832,325	832,325
Total assets	**-**	**-**	**832,325**	**832,325**

There were no transfers between levels during the financial year.

Reason for non-recurring fair value measurement

The Consolidated entity measures the property, plant and equipment at their carrying amount being cost less accumulated depreciation, in accordance with AASB 116 Property, Plant and Equipment. During the prior financial year, the resulting carrying amount of such property, plant and equipment is reviewed for impairment in accordance with AASB 136 Impairment of Assets because such asset's fair value less costs to sell was higher than its carrying amount and therefore no impairment to the property, plant and equipment is considered appropriate during the year ended 30 June 2022.

5. Segment information

Identification of reportable operating segments

The Consolidated entity is organised into three operating segments. These operating segments are based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources. There is no aggregation of operating segments.

The CODM reviews EBITDA (earnings before interest, tax, depreciation and amortisation). The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements.

The information reported to the CODM is on a monthly basis.

The Consolidated entity operates in three geographical segments; located in Australia, USA and Netherlands. Segment details are therefore already deemed to be fully reflected in the body of the financial report.

The principal products and services of each of these operating segments are as follows:

- Australia: High pressure, large scale cold spray additive manufacturing machines and manufactured products for customers in the Aerospace and Defence industry segments.
- USA: Sales, marketing and customer relationship activities in the US and globally to develop business with the Aerospace and Defence industry customers, particularly in the USA.
- Netherlands: Low and Medium pressure cold spray additive manufacturing machines for use by end customers in providing various metal coating and repair services.

Intersegment transactions

Intersegment transactions were made at market rates. Intersegment transactions are eliminated on consolidation.

Intersegment receivables, payables and loans

Intersegment loans are initially recognised at the consideration received. Intersegment loans receivable and loans payable that earn or incur non-market interest are not adjusted to fair value based on market interest rates. Intersegment loans are eliminated on consolidation.

Major customers

During the year ended 30 June 2022, approximately 64% (2021: 0%) of the Australian segment's external revenue was derived from sales to TWI UK.

5. Segment information continued

Operating segment information

Consolidated - 30 June 2022	Australian segment ($)	USA ($)	Europe ($)	Total ($)
Revenue				
External Customer Sales	2,376,815	31,498	973,152	3,381,465
Intersegment Sales	64,841	-	473,853	538,694
Total Sales Revenue	**2,441,656**	**31,498**	**1,447,005**	**3,920,159**
Grant Revenue	779,298	-	-	779,298
Other Revenue	1,140,086	-	-	1,140,086
Interest Revenue	19,774	-	-	19,774
Segment Revenue	**4,380,814**	**31,498**	**1,447,005**	**5,859,317**
Intersegment Eliminations				(538,694)
Total Revenue				**5,320,623**
EBITDA	**(15,624,040)**	**(4,482)**	**441,816**	**(15,186,706)**
Depreciation and amortisation				(1,751,923)
Net Interest				(33,257)
Profit/(Loss) before Income Tax Expenses				**(16,971,886)**
Income Tax Expenses				-
Profit/(Loss) after Income Tax Expenses				**(16,971,886)**
Assets				
Segment Assets	**16,108,583**	**89,967**	**1,961,225**	**18,159,774**
Intersegment Eliminations				(3,341,419)
Total Assets				**14,818,355**
Liabilities				
Segment Liabilities	**7,188,223**	**1,167,313**	**356,342**	**8,711,878**
Intersegment Eliminations				(1,306,143)
Total Liabilities				**7,405,735**

The Consolidated entity operated as one segment until the financial year ended 30 June 20221 as there was only one reportable business or geographic segment.

6. Revenue

	Consolidated 30 June 2022 ($)	Consolidated 30 June 2021 ($)
Revenue from contracts with customers	3,381,465	515,091
R&D tax incentive	1,140,086	1,196,023
Space grant revenue	743,806	-
Other grants	35,492	234,549
Interest received	19,774	39,288
Revenue	**5,320,623**	**1,984,951**

Disaggregation of revenue

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

Major product lines	Consolidated 30 June 2022 ($)	Consolidated 30 June 2021 ($)
Machines	2,655,498	-
Projects	439,819	515,091
Consumables	286,148	-
Total	**3,381,465**	**515,091**

Geographical regions	Consolidated 30 June 2022 ($)	Consolidated 30 June 2021 ($)
Australia	201,760	198,000
Europe	3,148,207	220,091
US	31,498	97,000
Total	**3,381,465**	**515,091**

Timing of revenue recognition	Consolidated 30 June 2022 ($)	Consolidated 30 June 2021 ($)
Goods transferred at a point in time	3,381,465	515,091
Total	**3,381,465**	**515,091**

7. Loss from operations

Loss from operations before income tax has been determined after the following specific expenses:

Employee Benefits Expense	Consolidated 30 June 2022 ($)	Consolidated 30 June 2021 ($)
Share-based payments	3,317,109	1,042,458
Superannuation guarantee contributions	474,979	357,085
Salaries, wages and other employee benefits	5,725,377	5,054,461
Total	**9,517,465**	**6,454,004**

Other expenses	Consolidated 30 June 2022 ($)	Consolidated 30 June 2021 ($)
Impairment loss - Contract asset	-	2,025,000
Impairment loss - Other non current assets	-	3,335,761
Impairment loss - Goodwill	320,625	-
Bad debts written off	-	8,766
Total	**320,625**	**5,369,527**

Depreciation and amortisation expenses	Consolidated 30 June 2022 ($)	Consolidated 30 June 2021 ($)
Depreciation on property, plant and equipment	1,350,720	984,883
Depreciation on right of use assets	117,818	354,749
Amortisation of intangible assets	283,385	133,512
Total	**1,751,923**	**1,473,144**

Finance Cost Expensed	Consolidated 30 June 2022 ($)	Consolidated 30 June 2021 ($)
Financial liabilities measured at amortised cost:		
Other interest	15,261	143,138
Lease liabilities	36,148	39,909
Total	**51,409**	**183,047**

8. Remuneration expense on Tri-D transaction & Dycomet acquisition

	Consolidated 30 June 2022 ($)	Consolidated 30 June 2021 ($)
Share based payments expense (Dycomet)	110,718	-
Share based payments expense (Tri-D)	980,280	-
Cash remuneration (Tri-D)	1,373,856	-
Taxes due (Tri-D)	134,401	-
Total	**2,599,255**	**-**

Tri-D Dynamics Inc. Transaction

On 09 July 2021, the Company entered into an Asset Purchase Agreement. In the Agreement, Tri-D Dynamics Inc. (Tri-D) agreed to sell substantially all the assets and liabilities of the company. This transaction did not meet the definition of a business and therefore was not accounted for in accordance with AASB 3 Business Combinations. Pursuant to the agreement, Titomic agreed to a compensation structure comprising two cash payments of USD 500,000 each to be paid after six months and twelve months of the transaction date (09 July 2021), refund of income tax levied by IRS to each founder - total amounting of USD 112,500 and issuance of USD 500,000 worth of equity shares of the Company to each individual (determined as at the transaction date) with first, second and third tranche due after 12, 24 and 36 months respectively, after the transaction date. Payment of this employment compensation is subject to the continued employment of the Tri-D employees in the business. The second and third tranche payments have been accrued and are included in note 20.

The Company's obligations for the consideration described above do not apply if, on the date for delivery of cash as well as equity shares, any of Founders are or have become a "Bad Leaver" as defined in the asset purchase agreement.

Tri-D transaction also involves remuneration for services in the form of Short-term incentives ('STI') and Long term incentives ('LTI').

STI involves a guaranteed bonus in the first year of USD 80,000 to each of the three employees, but this can be paid in shares at the Company's discretion. In June 2022, the Company agreed to settle the STI in shares; due on the first anniversary of their employment, that is, 16 August 2022. After the first year, the employees are eligible for an STI up to 50% of the Base Salary at the time, which can be settled in cash or shares at the Company's discretion.

Long-term incentives ('LTI') involve each employee being entitled to 150,000 share rights in the Company on the first, second and third anniversaries.

As such, the Company has accounted for these cash and share-based payments in accordance with AASB 119 Employee benefits and AASB 2 Share-Based payment.

Dycomet Europe B.V. Acquisition

The Dycomet acquisition (including share-based payments) is described in note 32.

9. Share based payment expenses

	Consolidated 30 June 2022 ($)	Consolidated 30 June 2021 ($)
Share based payments expense - Directors	1,267,902	886,611
Share based payments expense on cancellation of Directors' Performance rights	636,641	-
Share based payments expense - Employees	234,068	155,847
Share based payment expense to Lightforce to settle a liability	87,500	-
Total	**2,226,111**	**1,042,458**

An expense has been recognized relating to the future costs of the cancelled rights and options plans that has been accelerated into the current period in accordance with AASB 2 Share Based Payment.

10. Income tax expense

Income tax expense	Consolidated 30 June 2022 ($)	Consolidated 30 June 2021 ($)
Income tax expense	-	-
Aggregate income tax expense	**-**	**-**

Reconciliation of income tax expense to Prima Facie tax payable	Consolidated 30 June 2022 ($)	Consolidated 30 June 2021 ($)
Loss before income tax expense	(16,971,886)	(17,175,346)
Tax at the statutory tax rate of 25% (2021: 26%)	(4,242,972)	(4,465,590)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Non-assessable R&D tax incentive income	(285,022)	(310,966)
Non-allowable expenses	1,159,626	1,426,569
Tax losses for which no deferred tax asset is recognised	3,038,666	3,349,987
Timing differences for which no DTA is recognised	(9,403)	-
Net income tax losses of foreign controlled entities not recognised	339,105	-
Income tax expense	**-**	**-**

Unrecognised potential tax benefits	Consolidated 30 June 2022 ($)	Consolidated 30 June 2021 ($)
Unused tax losses for which no deferred tax asset has been recognised	11,769,454	8,740,191

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

The unrecognised potential tax benefit disclosed is attributable to the Australian segment only.

11. Loss per share

Earnings per share for loss from continuing operations	Consolidated 30 June 2022 ($)	Consolidated 30 June 2021 ($)
Loss after income tax	(16,971,886)	(17,175,346)

	2022 Number	2021 Number
Weighted average number of ordinary shares used in calculating basic and diluted earnings per share	187,602,729	153,249,669
Weighted average number of ordinary shares used in calculating basic and diluted earnings per share	187,602,729	153,249,669

	30 June 2022 (¢)	30 June 2021 (¢)
Basic earnings per share	(9.05)	(11.21)
Diluted earnings per share	(9.05)	(11.21)

During a loss period, the effect of the potential exercise of stock options and performance rights is not considered in the diluted loss per share calculation since the effect would be anti-dilutive.

12. Cash and cash equivalents

	Consolidated 30 June 2022 ($)	Consolidated 30 June 2021 ($)
Cash at bank	7,108,180	2,946,161
Cash on deposit	-	5,000,000
Total	**7,108,180**	**7,946,161**

13. Trade and other receivables

	Consolidated 30 June 2022 ($)	Consolidated 30 June 2021 ($)
Trade receivables	847,101	36,850
Other receivables	104,812	53,258
Total	**951,913**	**90,108**

14. Inventories

	Consolidated 30 June 2022 ($)	Consolidated 30 June 2021 ($)
Raw material at cost	1,526,520	1,996,454
Less: Provision for obsolescence	(263,557)	(224,793)
Work in progress at cost	1,289,392	694,038
Less: Provision for obsolescence	(687,405)	(467,283)
Finished goods - at cost	244,681	-
Less: Provision for obsolescence	-	-
Total	**2,109,631**	**1,998,416**

15. Other current assets

	Consolidated 30 June 2022 ($)	Consolidated 30 June 2021 ($)
Prepayments	158,108	753,163
Deposits	519,301	296,167
Total	**677,409**	**1,049,330**

16. Property Plant and Equipment

	Consolidated 30 June 2022 ($)	Consolidated 30 June 2021 ($)
Building fitouts	68,146	1,092,344
Less: Accumulated depreciation	(9,268)	(260,019)
Less: Provision for impairment	-	(832,325)
Total	58,878	-
Factory equipment	1,632,452	611,301
Less: Accumulated depreciation	(956,287)	(323,767)
Total	676,165	287,534
Computer equipment	367,575	307,176
Less: Accumulated depreciation	(293,143)	(217,061)
Total	74,432	90,115
Machinery	3,487,492	5,587,212
Less: Accumulated depreciation	(2,415,781)	(3,463,113)
Total	1,071,711	2,124,099
Capital work in progress	141,679	2,931
Total	**2,022,865**	**2,504,679**

Consolidated	Building fit outs ($)	Factory equipment ($)	Furniture and fittings ($)	Machinery ($)	Capital work in progress ($)	Total ($)
Balance at 1 July 2020	**827,217**	**418,444**	**284,424**	**2,148,391**	**609,296**	**4,287,772**
Additions	(21,276)	21,662	30,798	-	2,931	34,115
Impairment of assets	(832,325)	-	-	-	-	(832,325)
Transfers in/(out)	176,973	-	(176,973)	609,296	(609,296)	-
Depreciation expense	(150,589)	(152,572)	(48,134)	(633,588)	-	(984,883)
Balance at 30 June 2021	**-**	**287,534**	**90,115**	**2,124,099**	**2,931**	**2,504,679**
Additions	10,380	74,610	23,182	-	488,874	597,046
Additions through business combinations (note 32)	61,325	224,011	-	-	-	285,336
Disposals	(1,083)	-	-	-	-	(1,083)
Exchange differences	(2,476)	(9,043)	-	-	-	(11,519)
Transfers in/(out)	-	298,089	52,037	-	(350,126)	-
Depreciation expense	(9,268)	(199,036)	(90,902)	(1,052,388)	-	(1,351,594)
Balance at 30 June 2022	**58,878**	**676,165**	**74,432**	**1,071,711**	**141,679**	**2,022,865**

17. Right of use assets

	Consolidated 30 June 2022 ($)	Consolidated 30 June 2021 ($)
Buildings	1,519,709	948,613
Less: Accumulated depreciation	(117,818)	(709,247)
Less: Provision for impairment	-	(239,366)
Total	**1,401,891**	**-**

Reconciliations

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

Consolidated	Australian head office ($)	Australian factory ($)	Netherlands office ($)	Total ($)
Balance at 1 July 2020	**406,992**	**541,621**	**-**	**948,613**
Impairment of assets	(91,651)	(147,715)	-	(239,366)
Depreciation expense	(315,341)	(393,906)	-	(709,247)
Balance at 30 June 2021	**-**	**-**	**-**	**-**
Additions	438,930	973,719	-	1,412,649
Additions through business combinations (note 32)	-	-	111,425	111,425
Exchange differences	-	-	(4,365)	(4,365)
Depreciation expense	(48,770)	(48,686)	(20,362)	(117,818)
Balance at 30 June 2022	**390,160**	**925,033**	**86,698**	**1,401,891**

The details on contractual terms and conditions pertinent to material lease arrangements are explained in note 21

18. Intangible assets

	Consolidated 30 June 2022 ($)	Consolidated 30 June 2021 ($)
Technology - at cost	438,857	-
Less: Accumulated amortisation	(53,970)	-
Total	384,887	-
Customer relations - at cost	264,483	-
Less: Accumulated amortisation	(126,976)	-
Total	137,507	-
Brand - at cost	28,095	-
Less: Accumulated amortisation	(4,023)	-
Total	24,072	-
Intellectual property - at cost	-	2,670,230
Less: Accumulated amortisation and impairment	-	(2,670,230)
Total	-	-
Total	**546,466**	**-**

Consolidated	Goodwill ($)	Technology ($)	Customer ($)	Brands ($)	Total ($)
Balance at 1 July 2020	-	-		-	-
Balance at 30 June 2021	-	-		-	-
Additions through business combinations (note 32)	320,625	457,319	275,610	29,277	1,082,831
Exchange differences	-	(18,462)	(11,127)	(1,182)	(30,771)
Impairment of assets	(320,625)	-	-	-	(320,625)
Amortisation expense	-	(53,970)	(126,976)	(4,023)	(184,969)
Balance at 30 June 2022	-	**384,887**	**137,507**	**24,072**	**546,466**

18. Intangible assets continued

Effective 1 December 2021, the Company acquired 100% of the shares in Dycomet Europe BV. As part of the acquisition, intangible assets were acquired relating to Technology, Customer Relations, Brand and Goodwill. This operating division is a separate cash-generating unit (CGU)

The value of each intangible asset has been assessed at the time of acquisition, using expected future cash flows discounted using an appropriate discount rate.

It has been determined that Technology, Customer Relations, and Brand will be amortised evenly over the appropriate time period of 1 to 5 years, depending upon the useful life of these intangibles.

The recoverable amount of the CGU's goodwill has been determined by a value-in-use calculation using a discounted cash flow model based on a 5-year projection of cash flows together with a calculated terminal value.

The following key assumptions were used in the discounted cash flow model

- Base continuing business: Post-tax discount rate (WACC) = 15%
- Projected new business: Post-tax discount rate (WACC) = 60%
- Terminal growth rate = 3.0%

Based on the above assumptions and the results of the value-in-use calculation a decision has been taken by the Company to fully impair its goodwill as on 30 June 2022.

19. Trade and other payables

	Consolidated 30 June 2022 ($)	Consolidated 30 June 2021 ($)
Trade payables	216,161	327,642
Accrued expenses	599,778	654,848
Other payables	286,820	700,296
Total	**1,102,759**	**1,682,786**

20. Provisions (current)

	Consolidated 30 June 2022 ($)	Consolidated 30 June 2021 ($)
Employee benefits	328,314	267,235
Contingent employee benefits (Tri-D)	707,898	-
Taxes payable on Tri-D transaction	141,874	-
Deferred consideration (Dycomet)	192,474	-
Total	**1,370,560**	**267,235**

21. Other financial liabilities (current)

	Consolidated 30 June 2022 ($)	Consolidated 30 June 2021 ($)
Government grant liabilities	1,021,237	-
CSIRO IP Liability	529,698	633,758
Contract liabilities	341,585	70,519
Lease liability	373,104	322,357
Total	**2,265,624**	**1,026,634**

Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

The CSIRO liability comprises the net present value of the performance criteria as defined in note 23.

Contract Liabilities

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

Lease Liabilities

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are not included in the lease term since the non-utilisation of the extension option at the time of the lease is reasonably certain.

The Company has two material leases for premises as follows:

Melbourne Head Office

The Company entered into a new lease for corporate office space in the building next door to the existing factory location. The lease commences on 1 Mar 2022 for an initial term of three years. The lease includes an option to exercise for a further term of two years resulting in an expiry date of 28 Feb 2027.

Melbourne Factory

The lease for the existing location of the factory was extended effective from 1 Apr 2022 for a further five years with a new expiry date of 31 Mar 2027. This renegotiated lease term lines up closely with the lease of the corporate head office in the building next door, providing flexibility to consider options for co-location if desired in the future.

22. Provisions (non current)

	Consolidated 30 June 2022 ($)	Consolidated 30 June 2021 ($)
Employee benefits	77,427	42,959
Deferred consideration for Dycomet acquisition (note 32)	155,967	-
Contingent consideration for Dycomet acquisition (note 32)	176,476	-
Lease make good	48,505	-
Warranties	31,877	-
Total	**490,252**	**42,959**

23. Other financial liabilities (non current)

	Consolidated 30 June 2022 ($)	Consolidated 30 June 2021 ($)
Lease liabilities	1,051,739	-
CSIRO IP Liability	1,124,801	1,127,527
Total	**2,176,540**	**1,127,527**

Lease liabilities are explained in the disclosure note 21.

CSIRO IP Liability

The Company 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.

The Company has exclusively licensed the IP for three royalty-bearing licences owned by the Commonwealth Scientific and Industrial Research Organisation (CSIRO). The licences 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 licences is to the expiration, lapsing or cessation of all licenced patents, a maximum of 20 years or the life of the underlying patent.

Under the agreement, Titomic Limited 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.

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

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

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 license term	150,000

The above performance criteria is discounted using an indicative discount rate of 7.00% pa and has been spread over the period to determine the value of the intangible asset acquired.

24. Issued capital

	30 June 2022 shares	30 June 2021 shares	30 June 2022 ($)	30 June 2021 ($)
Ordinary shares fully paid	202,530,093	153,249,669	57,853,211	45,853,616

Movements in ordinary share capital

Details	Date	Shares	Issue price	($)
Balance	**1 July 2020**	**153,249,669**		**45,853,616**
Balance	**30 June 2021**	**153,249,669**		**45,853,616**
Issue of share capital to sophisticated investors	22 Oct 2021	33,919,232	$0.26	8,819,000
Issue of share capital to employees	22 Oct 2021	176,923	$0.26	46,000
Issue of share capital under share purchase plan	18 Nov 2021	3,553,835	$0.26	923,980
Issue of share capital to directors	23 Dec 2021	519,230	$0.26	134,988
Issue of share capital to Repkon	29 Dec 2021	9,615,384	$0.26	2,500,000
Issue of share capital to the Managing Director	13 May 2022	865,385	$0.19	160,096
Issue of share capital to an employee	16 May 2022	250,000	$0.30	75,000
Issue of share capital to Lightforce Australia Pty Ltd	16 May 2022	380,435	$0.23	87,500
Less: Transaction cost arising on shares' issue		-		(746,969)
Balance	**30 June 2022**	**202,530,093**		**57,853,211**

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.

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.

25. Share based payments reserves

	Consolidated 30 June 2022 ($)	Consolidated 30 June 2021 ($)
Tri-D & Dycomet shares reserves	1,090,998	-
Directors & employee incentive plan	2,241,659	1,330,093
Options reserve	2,256,646	2,188,030
Reserve for forfeited share rights and options	1,018,407	95,075
Total	**6,607,710**	**3,613,198**

(a) Tri-D & Dycomet shares reserves

On 9 July 2021, the Company acquired the assets and liabilities of Tri-D Dynamics Inc. As part of the consideration, the Company agreed to issue USD 500,000 worth of equity shares to each individual in 3 tranches 1, 2 and 3 years after the acquisition date. Issue of these shares is contingent on continued employment in the business.

On 30 November 2021, as part of the acquisition of Dycomet NL, the company agreed to issue 500,000 shares in Titomic Limited at the end of 1 year, 2 years and 3 years after the acquisition date. Each of these yearly issues of shares is contingent on a key employee being retained in employment by the company.

(b) Directors & employee incentive plan

The Board has undergone a period of change since July 2021. As such, to align the interests of the Board and Shareholders, consideration has been given to the remuneration of the Directors. As approved at the Extraordinary General Meeting on 2 May 2022, Shareholders approved resolutions for all unearned performance rights currently held by Directors (other than Mr Jeffrey Lang) as at the date of the Meeting to be forfeited by the relevant Directors.

The performance hurdle for the cancelled rights was based on the company's 5-day VWAP share price and set at $0.80. The performance hurdle for the newly approved rights was based on the company's 5-day VWAP share price and set at

$0.40.

The fair value of the performance rights granted on 02 May 2022 has been calculated using the Monte Carlo simulation model using the following key assumptions and inputs, explained below:

Grant date	No. of performance rights	Spot price	Risk free rate (%)	Expiry date	Volatility rate (%)	Fair value ($)
02 May 2022	6,655,808	$0.185	3.03%	02 May 2027	75.00%	967,314
02 May 2022	4,000,000	$0.185	3.03%	02 May 2027	75.00%	581,336
02 May 2022	2,000,000	$0.185	3.03%	02 May 2027	75.00%	290,669
02 May 2022	2,000,000	$0.185	3.03%	02 May 2027	75.00%	290,669
02 May 2022	2,000,000	$0.185	3.03%	02 May 2027	75.00%	290,663
	16,655,808					**2,420,651**

Risk-Free rate: The observed 5-year yield on Commonwealth Government securities as of 2 May 2022 is 3.03%.

Spot price on 02 May 2022 was $0.185.

The share-based payments reserve also includes share-based payment expense attributable to the employees' incentive plan disclosed in note 30.

25. Share based payments reserves continued

(c) Options reserve

The movement in Options reserves in the current year is attributable to the options issued to Ms Mira Ricardel. The shareholders approved the issuance of options during the AGM held in December 2021 with exercise prices of $0.80 in year 1, $1.2 in year 2, $1.6 in year 3 and $2.00 in year 4. At the EGM held on 2 May 2022, the shareholders approved a replacement of her existing share option plan. She agreed to forfeit all existing options currently held. Newly approved options for Ms Mira Ricardel have an exercise price of $0.40 in year 1, $0.60 in year 2, $0.80 in year 3 and $1.00 in year 4.

The fair value of the options has been calculated on the basis of the Black Scholes model using the following key assumptions:

Grant date	No. of options	Spot price	Exercise price	Risk free rate (%)	Expiry date	Volatility rate (%)	Fair value ($)
02 May 2022	500,000	$0.185	$0.40	2.90%	02 May 2027	85.00%	37,000
02 May 2022	600,000	$0.185	$0.60	2.90%	02 May 2027	85.00%	39,000
02 May 2022	600,000	$0.185	$0.80	2.90%	02 May 2027	85.00%	34,800
02 May 2022	800,000	$0.185	$1.00	2.90%	02 May 2027	85.00%	40,800
	2,500,000						**151,600**

(d) Reserve for forfeited share rights and options

The forfeited share rights and options reserve is the prior year's share-based payment expense attributable to the employees exited, and performance rights expired during the current financial year.

An expense has been recognised relating to the future costs of the cancelled rights and options plans that has been accelerated into the current period in accordance with AASB 2.

Movements in reserves

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

Consolidated	Tri-D & Dycomet share reserves ($)	Directors & employee incentive plan ($)	Options reserves ($)	Forfeited rights & options ($)	Total ($)
Balance at 1 July 2020	**-**	**382,710**	**2,188,030**	**-**	**2,570,740**
Expense for the year	-	1,042,458	-	-	1,042,458
Transfer to other components of Equity	-	(95,075)	-	95,075	-
Balance at 30 June 2021	**-**	**1,330,093**	**2,188,030**	**95,075**	**3,613,198**
Share based payments expense for the year	1,090,998	2,069,994	68,616	-	3,229,608
Transfer to equity capital upon issue of shares	-	(235,096)	-	-	(235,096)
Transfer to forfeited reserves upon cancellation of rights	-	(636,641)	-	636,641	-
Transfer to forfeited reserves upon expiry of rights	-	(286,691)	-	286,691	-
Balance at 30 June 2022	**1,090,998**	**2,241,659**	**2,256,646**	**1,018,407**	**6,607,710**

26. Accumulated losses

	Consolidated 30 June 2022 ($)	Consolidated 30 June 2021 ($)
Accumulated losses at the beginning of the financial year	(40,025,261)	(22,849,915)
Loss after income tax expense for the year	(16,971,886)	(17,175,346)
Accumulated losses at the end of the financial year	**(56,997,147)**	**(40,025,261)**

27. Dividends

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

28. Remuneration of auditors

The Company's auditor, BDO Audit Pty Ltd supplied the below audit and non-audit services during the reporting period.

	Consolidated 30 June 2022 ($)	Consolidated 30 June 2021 ($)
Audit services		
Audit or review of the financial statements - BDO Audit Pty Ltd	153,407	-
Audit or review of the financial statements - Pitcher Partners	-	126,972
Non Audit Services - BDO Corporate Finance (East Coast) Pty Ltd		
Corporate Finance Specialist Services	11,449	-
Non Audit Services - Pitcher Partners		
Other professional services	-	6,750
Total remuneration	**164,856**	**133,722**

The non-audit services received from BDO Corporate Finance (East Coast) Pty Ltd were received prior to BDO Audit Pty Ltd's appointment as the Company's external auditor, on 19 January 2022.

29. Cash flow information

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

	Consolidated 30 June 2022 ($)	Consolidated 30 June 2021 ($)
Loss after income tax expense for the year	(16,971,886)	(17,175,346)
Adjustments for:		
Depreciation and amortisation	1,761,840	1,473,144
Impairment of goodwill	320,624	-
Impairment of intangibles	-	5,360,761
Share-based payments	3,317,109	1,042,458
Movement in creditors relating to Property, Plant and equipment	-	(2,931)
Other non cash items	35,773	33,839
Accruals for contingent employee benefits	820,471	-
Change in operating assets and liabilities:		
(Increase) Decrease in other current assets	273,505	(292,510)
Increase (Decrease) in provisions	72,071	50,630
Increase (Decrease) in deferred revenue	1,292,303	(306,330)
Increase (Decrease) in other liabilities	(520,262)	9,564
(Increase) Decrease in trade and other receivables	(663,900)	268,789
(Increase) Decrease in inventories	368,026	9,336
Increase (Decrease) in trade payables	(266,700)	491,217
Net cash used in operating activities	**(10,161,026)**	**(9,037,379)**

30. Share Based Payments - Employee Incentive Plan

(a) Employee incentive plan

The establishment of the employee incentive plan was approved by shareholders at the 2019 annual general meeting. The plan is designed to align the interests of eligible employees more closely with the interests of the Company by providing an opportunity for eligible employees to receive an equity interest in the Company.

Details of the performance rights for the year ended 30 June 2022, are as follows:

Grant date	Expiry date	Exercise price	Balance at beginning of year	Granted during the year	Exercised during the year	Expired / forfeited during the year	Balance at end of year	Exercisable at end of year
29-Nov-2019	29-Nov-22	$0.0000	731,204	-	-	(143,730)	586,474	-

Details of the performance rights for the year ended 30 June 2021, are as follows:

Grant date	Expiry date	Exercise price	Balance at beginning of year	Granted during the year	Exercised during the year	Expired / forfeited during the year	Balance at end of year	Exercisable at end of year
29-Nov-19	29-Nov-22	$0.0000	1,492,020	-	-	(760,816)	731,204	-

Fair value of performance rights granted:

The assessed fair value of the performance rights at grant date was determined using the Monte Carlo simulation model that takes into account the exercise price, term of the performance rights, share price at grant date, volatility rate, expected dividend yield, risk-free interest rate for the term of the security and certain probability assumptions.

The model inputs for performance rights granted under the employee incentive plan during the year ended 30 June 2022 included:

- Grant date: 29-Nov-2019
- Expiry date: 29-Nov-2022
- Exercise price ($): Nil
- Number of performance rights granted: 1,831,086
- Number of Performance Shares issued: 1,786,362
- Share price at grant date: $1.11
- Expected volatility %: 65%
- Dividend yield %: Nil
- Risk-free interest rate: 0.65%
- Hurdle price: $1.70 per performance right
- Fair value at grant date per performance right: $0.64

30. Share Based Payments - Employee Incentive Plan continued

(b) Shares issued to employees as sign on bonus

During the year ended 30 June 2022, the Company issued 250,000 ordinary shares to an employee as a Sign on bonus. The share-based payments expense amount attributable to such issue of shares is recognised as share capital in note 24 Issued Capital.

Expenses recognised from share-based payment transactions

The expense recognised in relation to the share-based payment transactions recognised within employee benefits expense within profit or loss were as follows:

	Consolidated 30 June 2022 ($)	Consolidated 30 June 2021 ($)
Share based payments expense for performance rights issued under employee incentive plan	159,068	155,847
Share based payments expense for the issue of share capital	75,000	-
Total	**234,068**	**155,847**

31. Directors' and Executives' compensation

Compensation

The aggregate compensation made to Directors and other members of key management personnel of the Consolidated entity is set out below:

	Consolidated 30 June 2022 ($)	Consolidated 30 June 2021 ($)
Short-term employee benefits	1,393,159	852,394
Post-employment benefits	78,354	28,819
Long-term benefits	38,869	6,528
Termination benefits	341,951	-
Share-based payments	1,904,543	886,610
Total	**3,756,876**	**1,774,351**

The above Key Management Personnel disclosures represent the remuneration of Key Management Personnel defined in the Remuneration Report and paid or payable for the period ended 30 June 2022 and 30 June 2021.

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

32. Business combinations

On 30 November 2021, Titomic Limited acquired 100% of the ordinary shares of Dycomet Europe B.V. for a total consideration transferred of $2,035,276. This is a business operating in the Netherlands. It was acquired to complement the Company's Australian operations, providing access to low and medium-pressure cold spray systems as well as access to new markets and customers.

This transaction has been accounted for as a business combination under AASB 3 Business Combinations. Pursuant to the agreement, Titomic agreed to pay the seller the purchase price of 2 cash components totalling EUR 955,000, a deferred payment of EUR 150,000 eighteen months after the acquisition date and the second payment of EUR 150,000 three years after the acquisition date. There is also further consideration in the form of an issue of shares in Titomic Limited of 500,000 shares at each of 1 year, 2 years and 3 years after the acquisition date. The issue of these shares is contingent upon a key employee being in employment 3 years after the acquisition date.

In addition, there is an Earn Out component calculated as a percentage of revenue payable 3 years after the acquisition date and 5 years after the acquisition date. The first of these payments is contingent upon a key employee being in employment 3 years after the acquisition date and has been accounted for as a post combination remuneration expense. The second Earn Out payment, which is not subject to the employment condition, has formed part of the purchase consideration.

As such, the Company has accounted for these cash and share-based payments in accordance with AASB 119 Employee benefits and AASB 2 Share-Based payment.

The values identified in relation to the acquisition of Dycomet Europe B.V. are final as at 30 June 2022.

	Fair value ($)
Cash and cash equivalents	145,556
Trade receivables	132,698
Inventory and WIP	479,241
Other receivables	65,117
Commercial buildings	61,325
Plant and equipment	224,011
Right-of-use asset	111,425
Technology	457,319
Brand	29,277
Customer relations	275,610
Trade and other payables	(100,150)
Other provisions	(55,353)
Lease liability	(111,425)
Net assets acquired	1,714,651
Goodwill	320,625
Acquisition-date fair value of the total consideration transferred	**2,035,276**
Representing:	
Cash paid or payable to vendor	1,107,069
Vendor's loan repayment (RTR Loan)	403,292
Contingent consideration (Note 22)	176,474
Deferred consideration - current (Note 20)	192,474
Deferred consideration - Non current (Note 22)	155,967
Total	**2,035,276**

32. Business combinations continued

	Consolidated 30 June 2022 ($)
Cash used to acquire business, net of cash acquired:	
Acquisition-date fair value of the total consideration transferred	2,035,276
Less: cash and cash equivalents	(145,556)
Less: contingent consideration	(176,474)
Less: Deferred consideration - Current	(192,474)
Less: Deferred consideration - Non current	(155,967)
Net cash used	**1,364,805**

33. Interests in subsidiaries and joint ventures

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries and joint ventures in accordance with the accounting policy described in note 1:

Name	Principal place of business / country of incorporation	Ownership interest 30 June 2022 (%)	Ownership interest 30 June 2021 (%)
Titomic USA Inc	USA	100.00%	-
Dycomet Europe B.V.	Netherlands	100.00%	-
Aranco Yatirum Insaat A.S. (Repkon JV)	Turkey	49.00%	-
NEOS Titomic Limited	UK	51.00%	-

34. Parent entity information

Set out below is the supplementary information about the parent entity.

	Consolidated 30 June 2022 ($)	Consolidated 30 June 2021 ($)
Statement of profit or loss or other comprehensive income		
Loss after income tax	(17,161,870)	(17,175,346)
Total comprehensive income/(loss)	(17,161,870)	(17,175,346)
Statement of financial position		
Total current assets	11,074,136	11,084,015
Total assets	16,108,583	13,588,694
Total current liabilities	4,521,431	2,976,655
Total liabilities	7,188,223	4,147,141

34. Parent entity information continued

	Consolidated 30 June 2022 ($)	Consolidated 30 June 2021 ($)
Equity		
Issued capital	57,853,211	45,853,616
Directors and employee incentives plan	2,241,659	1,330,093
Tri-D & Dycomet	1,090,998	-
Options reserves	2,256,646	2,188,030
Forfeited reserves	1,018,407	95,075
Accumulated losses	(57,187,131)	(40,025,261)
Total	**7,273,790**	**9,441,553**

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2022. (2021: nil)

Contingent liabilities

The parent entity has contingent liabilities towards the acquisition cost of its subsidiaries as disclosed in note 8 and note 32.

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the Consolidated entity, as disclosed in note 1, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2022. (2021: nil).

35. Related party transactions

Parent entity

Titomic Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 33.

Key management personnel

Disclosures relating to key management personnel are set out in note 31 and the remuneration report included in the Directors' report.

Transactions with related parties

The following transactions occurred with related parties:

	Consolidated 30 June 2022 ($)	Consolidated 30 June 2021 ($)
Payment for goods and services from related parties		
Payment for services from Dycomet	473,853	-
Payment for services from USA	-	-

35. Related party transactions continued

	Consolidated 30 June 2022 ($)	Consolidated 30 June 2021 ($)
Sales proceeds for goods and services to related parties		
Sales proceeds for services from Dycomet	-	-
Sales proceeds for services from USA	64,841	-

Receivable from and payable to related parties

The following balances are outstanding at the reporting date in relation to transactions with related parties:

	Consolidated 30 June 2022 ($)	Consolidated 30 June 2021 ($)
Current receivables		
Trade receivables from Dycomet	-	-
Trade receivables from USA	1,167,313	-
Current payables:		
Trade payables to Dycomet	138,830	-
Trade payables to USA	-	-

Loans to/from related parties

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

Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates.

36. Contingent liabilities and contingent assets

The Company had no contingent liabilities other than those pertinent to acquisition costs as disclosed in note 32 Business Combinations.

The Directors of the Consolidated entity are not aware of any other significant contingencies at the balance sheet date other than a requirement for the payment of royalties pursuant to a certain license agreement, disclosed in note 23, should future revenues exceed predetermined thresholds.

The Company has no contingent assets as at 30 June 2022 (2021: nil).

37. Events after the reporting period

08 AUGUST 2022

Issue of 1,044,683 shares in relation to Tri-D purchase consideration.

29 AUGUST 2022

The Company issued 1,175,883 ordinary shares (issued in lieu of cash) in relation to the STI bonus award to Tri-D employees.

2 SEPTEMBER 2022

The Company issued 846,952 ordinary shares to Company employees as part of an employee incentive scheme.

No other matter or circumstance has arisen since 30 June 2022 that has significantly affected, or may significantly affect the Consolidated entity's operations, the results of those operations, or the Consolidated entity's state of affairs in future financial years.

Directors' declaration

Directors' declaration

In the Directors' Opinion:

(a) the financial statements and notes set out on pages 38 to 85 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 Company's financial position as at 30 June 2022 and of its performance for the year ended on that date, and

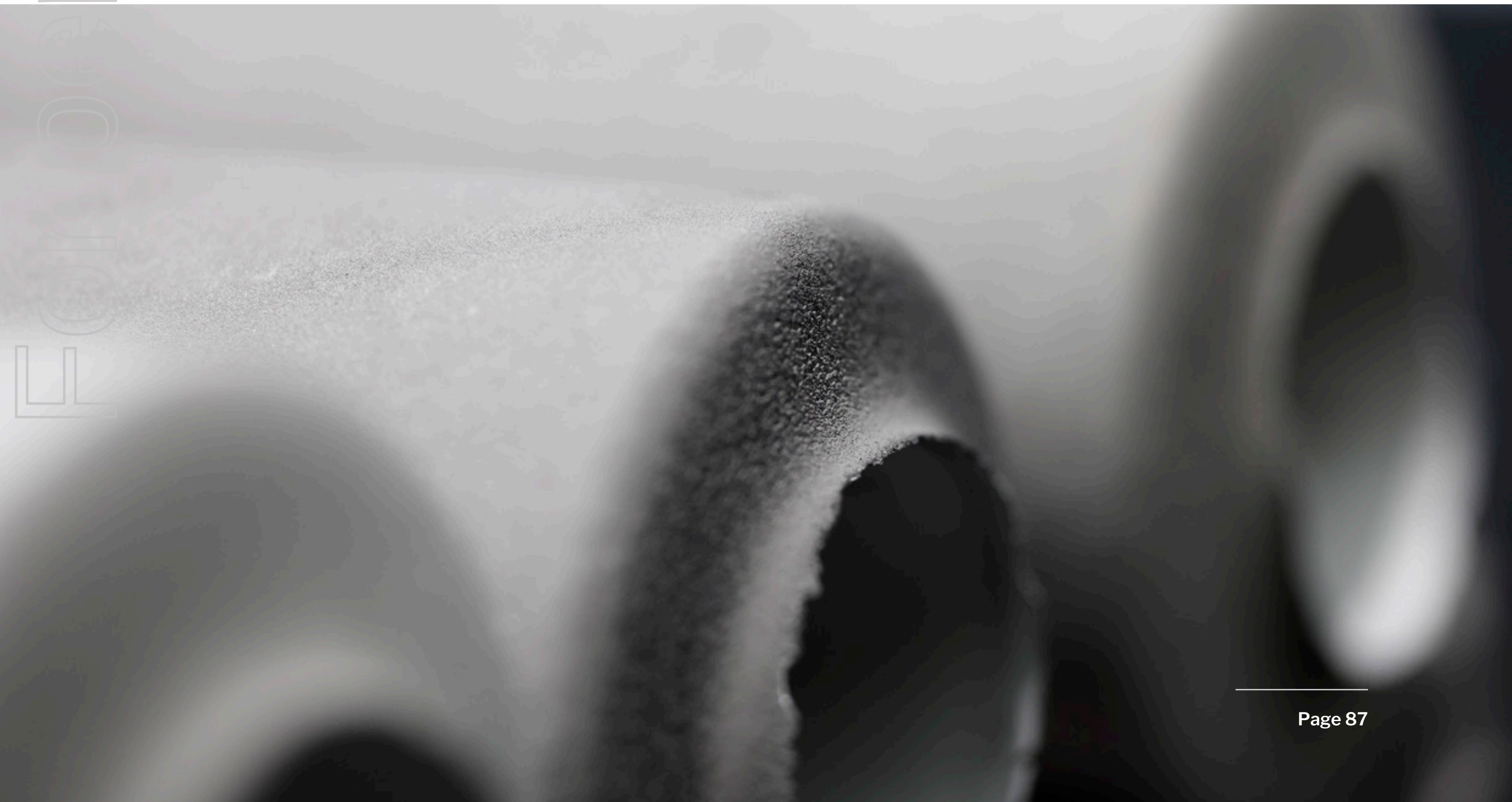
(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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 Humphrey Nolan
Chair of the Board
Melbourne
30 September 2022



Independent auditors report

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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) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2022, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

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

(i) Giving a true and fair view of the Group's financial position as at 30 June 2022 and of its financial performance for the year ended on that date; and

(ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of 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 in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our opinion is not modified in respect of this matter.

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. In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

BDO

Business Combination – Dycomet Europe B.V.

Key audit matter	*How the matter was addressed in our audit*
As disclosed in Note 32, the Group acquired 100% of the shares in Dycomet Europe B.V. during the year ended 30 June 2022. The accounting for business combinations is a key audit matter given the acquisition was material to the Group and involved significant accounting judgements, including: • Estimating the fair value of assets acquired and liabilities assumed, including the valuation of intangible assets acquired. • Determining the fair value of the purchase consideration for the acquisition, including the deferred and contingent consideration transferred.	Our procedures included, but were not limited to: • Reviewing the Share Purchase Agreement to understand the terms and obligations under the contract. • Evaluating management's expert's assessment of the accounting treatment of the acquisition for compliance with Australian Accounting Standards. • Obtaining a copy of the external valuation report to critically assess the determination of the fair values of the identifiable intangible assets associated with the acquisition. • Engaging BDO valuation experts to review the fair value of assets acquired and liabilities assumed at acquisition date. • Reviewing management's goodwill impairment assessment performed at year end. • Evaluating the adequacy of the disclosures relating to the business combination, intangible assets and goodwill impairment test within the financial report.

Share Based Payments

Key audit matter	*How the matter was addressed in our audit*
As disclosed in Notes 7, 8, and 9, the Group issued shares, performance rights and share options to directors, key management personnel, employees, and suppliers which have been accounted for as share-based payments for the year ended 30 June 2022. Certain performance rights were cancelled during the year and certain share options were modified during the year. In addition, the Group acquired Dycomet Europe B.V., which included an element of consideration to be settled through issue of shares as described in Note 32. Share-based payments are a complex accounting area which include assumptions utilised in the fair value calculations and judgements regarding the shares, performance rights and share options issued, modified or cancelled during the year. There is a risk in the financial statements that amounts are incorrectly recognised and/or inappropriately disclosed We have identified the accounting for Share Based Payments as a key audit matter given the significant accounting estimates involved and audit attention required.	Our procedures included, but were not limited to: • Obtaining an understanding of the relevant agreements. • Making inquiries of the directors and management to understand the share-based payment arrangements in place and evaluating management's assessment of the likelihood of meeting the performance conditions attached to the arrangements. • Considering whether the Group used an appropriate model in valuing the options issued to directors during the year. • Recalculating the estimated fair value of the options using a relevant option valuation methodology, and assessing the valuation inputs using BDO internal specialists where appropriate. • Reviewing the valuation report performed by an external specialist to value performance rights issued during the year and testing the relevant inputs using BDO internal specialists where appropriate. • Assessing the accounting treatment of cancelled, modified, and lapsed performance rights, share options or share rights. • Verifying the disclosures in the financial statements and remuneration report complies with Australian Accounting Standard sand the *Corporations Act 2001*.

Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2022, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and 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 ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

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

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

https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 25 to 34 of the directors' report for the year ended 30 June 2022.

In our opinion, the Remuneration Report of Titomic Limited, for the year ended 30 June 2022, 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.

BDO Audit Pty Ltd

BDO

Katherine Robertson

Katherine Robertson
Director

Melbourne, 30 September 2022

Shareholders information

Shareholders information

The shareholder information set out below was applicable as at 23 September 2022.

(a) Distribution of ordinary fully paid shareholders

Analysis of numbers of equity security holders by size of holding:

Holding	Total holders	Units	Units (%)
1 - 1000	966	521,398	0.25
1,001 - 5,000	1,535	4,250,857	2.07
5,001 - 10,000	621	4,916,882	2.39
10,001 - 100,000	1,144	38,213,581	18.59
100,001 and over	215	157,694,893	76.70
Rounding			-
TOTAL	**4,487**	**205,597,611**	**100.00**

All ordinary shares carry one vote per share.

(b) Top 20 ordinary fully paid shareholders

The names of the 20 largest holders of quoted equity securities are listed below:

Name	Ordinary fully paid shares (units)	% of Units
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	14,579,014	7.09
PRESCO 2 PTY LTD <RICHARD FOX FAMILY A/C>	14,436,473	7.02
CITICORP NOMINEES PTY LIMITED	11,445,120	5.57
CARPE DIEM ASSET MANAGEMENT PTY LTD	11,217,836	5.46
CS FOURTH NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 11 A/C>	10,303,547	5.01
REPKON MAKINA VE KALIP SANAYI VE TICARET ANONIM SIRKETI	9,615,384	4.68
JEFFREY DAVID LANG <AKASHA FAMILY A/C>	8,221,008	4.00
QUALITY LIFE PTY LTD <THE NEILL FAMILY A/C>	6,500,000	3.16
MR PATRICK THOMAS BERGIN	2,802,695	1.36
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	2,591,704	1.26
ROSSBEL PTY LIMITED <THE ROSSBEL A/C>	2,072,774	1.01
MR TONY GRAHAM CAMPBELL	1,901,717	0.92
BERGIN VAN EPS HOLDINGS PTY LTD <PT AND CL BERGIN FAMILY A/C>	1,382,812	0.67
BNP PARIBAS NOMS PTY LTD <DRP>	1,310,271	0.64
CARPE DIEM ASSET MANAGEMENT PTY LTD <LOWE FAMILY A/C>	1,270,449	0.62
QUALITY LIFE PTY LTD <THE VIKING FUND A/C>	1,216,346	0.59
BNP PARIBAS NOMINEES PTY LTD ACF CLEARSTREAM	1,170,120	0.57
WASHINGISHU PTY LTD <LESSOS FAMILY A/C>	1,100,000	0.54
MR DOMINIC OHANLON + MRS KAREN OHANLON <OHANLON SUPER A/C>	1,000,000	0.49
SBPM PTY LTD <INNOVYZ INVEST NO2 UNIT A/C>	1,000,000	0.49
Total	**105,137,270**	**51.15**
Total remaining holders balance	**100,460,341**	**48.85**

(c) Unlisted securities

Description (ASX Security Code)	Units
Performance Shares (TTTAD) Hurdle Share Price $1.70 Expiring on 29 Nov 2022	2,330,227
Performance Shares (TTTAD) Hurdle Share Price $0.80 Expiring on 1 Jul 2025	3,231,250
Performance Shares (TTTAD) Hurdle Share Price $0.40 Expiring on 2 May 2027	16,655,808
Unlisted Options (TTTAN) Exercisable at $0.40 Expiring on 31 May 2027	500,000
Unlisted Options (TTTAO) Exercisable at $0.60 Expiring on 31 May 2027	600,000
Unlisted Options (TTTAP) Exercisable at $0.80 Expiring on 31 May 2027	600,000
Unlisted Options (TTTAQ) Exercisable at $1.00 Expiring on 31 May 2027	800,000

(d) Substantial shareholders

Substantial holders in the Company are set out below:

Name	Ordinary fully paid shares (units)	% of Units
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	14,579,014	7.09
PRESCO 2 PTY LTD <RICHARD FOX FAMILY A/C>	14,436,473	7.02
CITICORP NOMINEES PTY LIMITED	11,445,120	5.57
CARPE DIEM ASSET MANAGEMENT PTY LTD	11,217,836	5.46
CS FOURTH NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 11 A/C>	10,303,547	5.01
Total	**61,981,990**	**30.15**

(e) Shareholder enquiries

Shareholders with enquiries about their shareholdings should contact the Share Registry:

Computershare
GPO Box 3224
Melbourne VIC 3001

(f) 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.

(g) 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.

(h) 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.

(i) 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.

(j) Uncertified share register

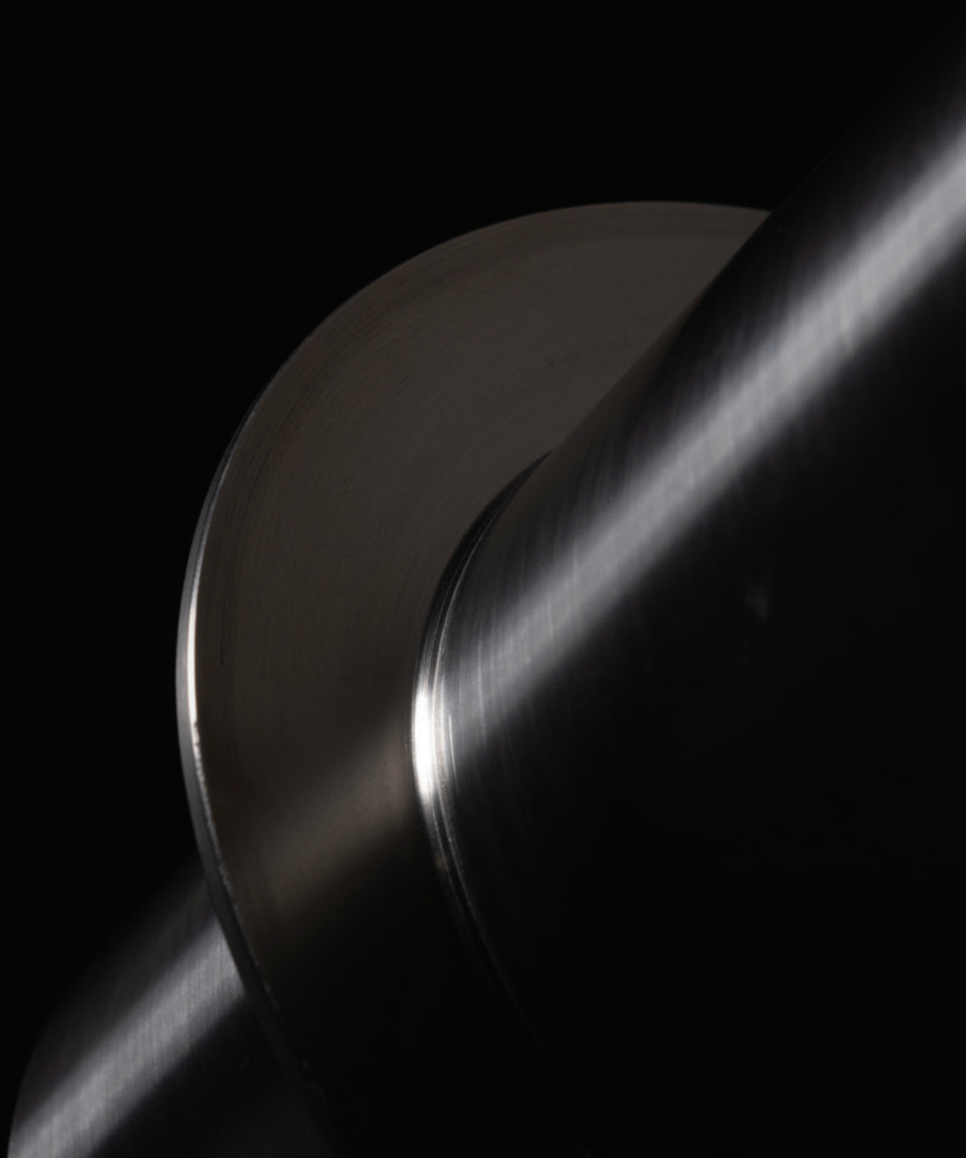
Shareholding statements are issued at the end of each month when there is a transaction that alters the balance of your holding.

(k) 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 30 September 2022, the Company has used its cash and assets readily convertible to cash in a manner consistent with its stated business objectives.

End of shareholder information

Together, we can make it possible.



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