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# Annual Report

For the year ended 30 June 2023

ABN 77 602 793 644



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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)

### 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/>

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Managing Director,  
Herbert Koeck's  
Statement

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## Managing Director, Herbert Koeck's Statement

Dear Shareholder,

Over the course of my career, I've had the opportunity to write many speeches, narratives, emails, letters, and keynotes. But this is the first time having the honour of addressing you directly as shareholders of Titomic in my function as Managing Director.

Fiscal year 2023 started with lots of unknowns and uncertainties, all around a fading pandemic and the question of what the war in Ukraine will bring to the world. From an economic standpoint we saw projects being moved and delayed for multiple reasons – some customers were cautious and delayed/ cancelled some spending – others simply focused their existing budgets to maximize their production output on existing assets, to optimize their income and leverage the opportunities generated by this conflict. At the same time we all experienced a strong increase in inflation – reducing the overall appetite from investors to invest in new technologies – respectively an unprecedented raise of energy prices across all sources. Prices for electricity, fuel, gas, etc. rose to record highs and with that putting lots of pressure on many companies which have a high need for energy as part of their manufacturing processes.



We at Titomic came off a record fiscal year 2022 revenue of \$5.32 million and were poised to double again in FY23. At that time, we had contracts in place for two joint ventures (NEOS, REPKON) and, on top, an entire funnel with sales opportunities for many D-series solutions in parallel to orders for parts and metal powders. All lights on green, ready to make 2023 a superb year going forward.

Now what was planned to be a super year, became a very good year 2023. Let me explain how I can say this with a reported revenue of \$4.49 million, less than what we had the year before.

I commenced with Titomic two years ago with the clear objective of driving commercial outcomes. Us moving away from an R&D house and transitioning to a provider of cutting-edge capabilities for production and protection of parts with high-performance materials, at speed and scale. From the very beginning we started to focus on a few, carefully selected use cases to ensure we have the proper funding from customers to execute, but also do things which have a fit to our underlying cold spray technology at this point in time. We continuously apply our skills and experiences on areas so that we can deliver on our promise. While I strongly believe that cold spray can do a lot more in the future, today we must sell what we have based on what can be done – now and today.

For that purpose we have developed our four core company initiatives:

- Grow customer revenue.
- Reduce costs and our dependency on tax credits while optimizing grants.
- Educate the market on cold spray technology.
- Scale all revenue-generating activities across all active regions.

When it comes to revenue FY23 was planned to be a superb year, but ended as a very good year. Soon we saw some signs that projects for our large machines were delayed, meetings were postponed. Our great partner Repkon continued to invest in Titomic, acknowledging their belief that our solutions will deliver superb business results. However at the same time they used their cash-flow to maximize output in their existing Defence businesses to leverage the global conflicts and maximize their current returns. Our partner NEOS in the UK was facing energy prices which tripled over the months leading up to them going into administration, bringing our plans for a joint venture to a full-stop. In parallel grant investments to Sabanci in Turkey were delayed and as a result so did our machine order which we were awarded in August 2023, beginning of our FY24.

While we were missing out on three very large machine orders we were up and almost matched the prior year revenue, as the one machine order from TWI contributed 60% of prior year's business. We did sell 22 D-series machines as compared to six machines the year before. Boeing, Triton, and others awarded us with great orders all adding up to the reported customer revenue of \$2.62 million. All that without a single large machine order.

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That said, we have now started FY24 with a contracted revenue backlog of more than that of FY23. That in combination with our other sales opportunities, positions us well to achieve our budget for FY24. While we do not give guidance our current backlog and full sales funnel will allow us to drive significant revenue growth.

At the same time we reduced our dependency on tax credits. While any dollar income is welcome, it is a strong proof point that we work on projects that are driven by commercial customers orders rather than generic R&D work.

We also continue to find ways to attract further funding for our work. We still received funding from the Space Grant but also were successful in receiving new grant funding in Europe as part of the European COBRAIN initiatives, leading to an additional income of \$1.02 million in FY23.

As soon as it became obvious that some projects like NEOS will not happen we started work to understand how we can reduce our cost structure significantly while not risking completion of our other projects. We completed a major restructuring exercise leading to a cost reduction overall of 30% globally. It is a testament to our wonderfully engaged and capable employees that despite making significant overhead changes we didn't miss a beat and continue to deliver on our promises, like me, they are true believers.

Cold spray as of today is still a young technology. According to AMPOWER, a German research company, the technology is ready for prime-time in manufacturing in less than two years. We definitely see many more requests from customers today than a year or two ago. So a strategic task within our commercialization journey is to educate the market about cold spray and to sell to research and education as a target segment. Today this is our most successful industry segment. Customers like TWI from 2022, University of Madrid, Research lab in Bayreuth, Windesheim aka Perron038, and now Sabanci in FY2024 confirm that our strategy works. Having these research and education customers will lead to many more applications and use cases, allowing us to be even more successful in industrial manufacturing and service and repair. In FY2024 you will see an additional mid-range product dedicated to this market.

Great progress was also made in marketing. Focusing on a small number of applications has allowed us to deliver dedicated products and services, positioned by a clear value proposition for our targeted customers. With the promotion of these products and solution we are also seeing a significant increase in almost every category we measure on our website. Web traffic overall is up 33%, new visitors up 31%, and page views are up 33%. All leading to the point that our weighted sales funnel at the beginning of FY2024 is more than double compared to last year.

Last but not least, let me express the importance of our reseller channel. Resellers are our extended sales force, enabling us to reach customers in geographies or areas in which we are not physically present ourselves and respectively do not have the proper skills and tools to work with customers. Resellers overcome boundaries by e.g. they share geography as it is simply not possible to deal with customers across the U.S. with a handful of sales people on your own. You need channel partners to amplify your reach and do the job in territories where you cannot go most of the time. In other places like Europe or Asia Pacific you simply must overcome language barriers. Not being able to speak French in France or Spanish in Spain is a non-starter. So we continue to expand our reseller partner network, knowing well that not all of our resellers will be super successful. However, we will grow with the ones which bring us revenue and customers going forward.

All these facts together have led me to say that last year has been very good. Titomic remains optimistic for FY2024. I said this loud and clear during our results conference on 1 September 2023.

We see three steps to success:

1. Reduce ongoing costs - done.
2. Successful capital raise - done.
3. Accelerate commercialization through successful sales.

While the first two are history by now we are amid execution to increase sales and revenues. Our pipeline is at record size and growing as we speak, we win new resellers almost monthly, we have a clear understanding of our products and solutions and with that our marketing is able to be efficient and convince new customers to engage with us.

I thank you for being an investor in Titomic. My strong belief and my passion for the technology and the ability of Titomic to deliver great returns remain unchanged, actually is stronger than ever before.

Thank you,

Herbert Koeck.



## Review of operations and significant events for the period

At the end of the financial year ending June 30, 2023:

### Revenue & other income

**\$4,488,394**

2022: \$5,320,623

### Cash & cash equivalents

**\$1,470,969**

2022: \$7,108,180

### Net assets

**(\$714,958)**

2022: \$7,412,620

### Loss after income tax

**\$15,332,899**

2022: \$16,971,886

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## Operational update

### Diversifying sales

#### Coatings and Repairs revenues

During FY23, Titomic sold 22 D523 machines, supplying enhanced maintenance, repair, and sustainment capabilities to a broad range of industries. Additionally, a D523 was sold to Marine Nationale - the French Navy - in August, 2023. Titomic's versatile technology is now providing benefit within the transport, rail, mining, oil and gas, automotive, defence, and aerospace industries.

In November 2022, Titomic announced the completed development of a medium-pressure cold spray system; the Titomic D623. In the same month, Titomic sold a D623 to Neue Materialien Bayreuth GmbH in Germany, and to Universidad Rey Juan Carlos in Spain, totalling AUD ~270,000.



#### Sale of Integrated Spray Booth to Perron038

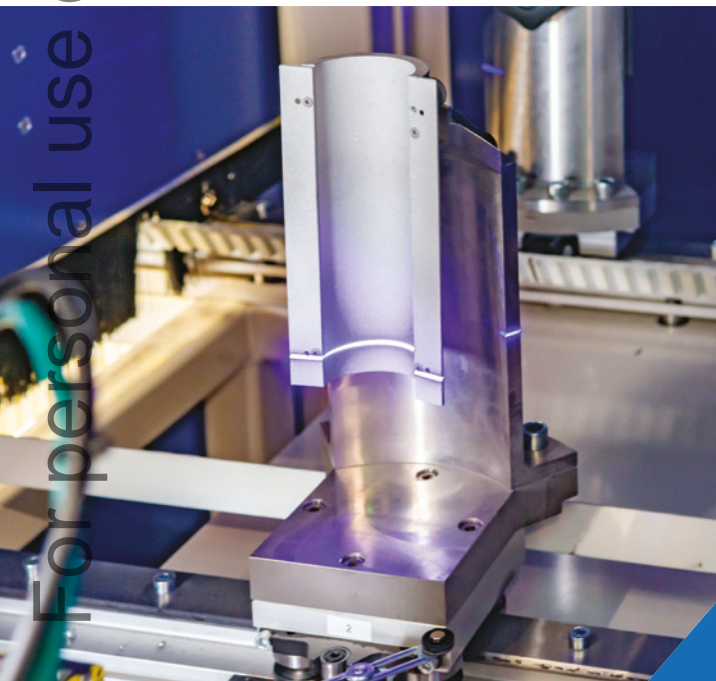
Titomic announced the sale of an Integrated Spray Booth to Perron038 for AUD 710,000, which will house a robotised Titomic D623 medium-pressure cold spray unit. It has been agreed that the System will be delivered and paid for by the end of 2023. Located in the Netherlands, Perron038 is a research and development facilitator that connects high- tech companies, research companies, and educational institutions for collaborative development. For example, Perron038 works with Windesheim University to educate students about emerging and advanced technologies, such as Titomic Kinetic Fusion. Titomic announced the sale of an Integrated Spray Booth to Perron038 for AUD 710,000, which will house a robotised Titomic D623 medium-pressure cold spray unit. It has been agreed that the System will be delivered and paid for by the end of 2023. Located in the Netherlands, Perron038 is a research and development facilitator that connects high- tech companies, research companies, and educational institutions for collaborative development. For example, Perron038 works with Windesheim University to educate students about emerging and advanced technologies, such as Titomic Kinetic Fusion.



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

The glass mould coating system delivered to Vetropack in Austria has passed its Site Acceptance Test. During May 2022, Titomic Europe delivered its first glass mould coating System which was developed in collaboration with the International Partners in Glass Research (IPGR) - a leading global glass research organization headquartered in Germany - for the coating of glass moulds.

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## Key highlights

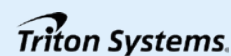
1 MARCH, 2023



### Continued commercial engagement with Boeing

Titomic received a purchase order from Boeing Space, Intelligence, and Weapons Systems (Boeing) for AUD 132,174 for the continuation of flight qualifications of Titomic Kinetic Fusion manufactured components, which were initiated in 2021. The purchase order is a result of an agreement made between Titomic and Boeing in May 2019, which was centred around the production of additively manufactured test parts.

3 MARCH, 2023



### Manufacturing Purchase Order from Triton Systems

Titomic received a purchase order for AUD 260,000 from Triton Systems for the manufacture of components using Titomic's patented additive manufacturing technology, Titomic Kinetic Fusion. As announced on March 31st, 2020, Triton and Titomic first entered a strategic partnership to introduce Titomic Kinetic Fusion to the US Department of Defence.

17 OCTOBER, 2022



### Receipt of Horizon Europe Grant

Titomic has received EUR 260,000 (~AUD 400,000) in COBRAIN funding to research and develop applications of artificial intelligence and machine learning within cold spray applications. The outcomes of the research will assist Titomic in optimising cold spray processes for manufacturing with new and existing materials and metals.

13 JULY, 2023



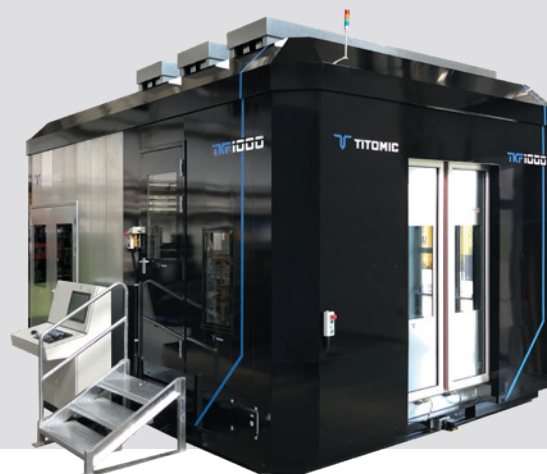
### Retail Entitlement Offer & Placement

Titomic has completed a fully underwritten pro rata accelerated renounceable entitlement offer to existing eligible shareholders and a placement offer to raise AUD 6.5 million before costs. Funds raised under the Capital Raising will be used to develop increased manufacturing capacity, enhance capability for increased sales opportunities of current products and new business opportunities and to provide additional general working capital to advance the Company's business.

26 JUNE, 2022

### Successful installation of TKF 1000 System at TWI

Titomic successfully installed, commissioned, and received Site Acceptance Testing for the TKF 1000 additive manufacturing system which was sold to TWI in August, 2021. TWI are using the TKF 1000 to expand their aerospace manufacturing capability for the British defence and commercial aerospace industries.



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## Key highlights

26 OCTOBER, 2022

### Building a global distribution network with resellers

Titomic has strategically strengthened its global presence by forging a robust distribution network across nine countries, and particularly within the United States, where Titomic has partnered with three resellers. This expansion holds promising implications for the Company's overall sales and growth trajectory. By leveraging existing networks and collaborating with local sales teams intimately familiar with their client base and market intricacies, Titomic is ensuring an efficient and targeted approach. This comprehensive distribution strategy positions Titomic to effectively navigate diverse markets, build strong customer relationships, and ultimately achieve sustained success.

26 OCTOBER, 2022

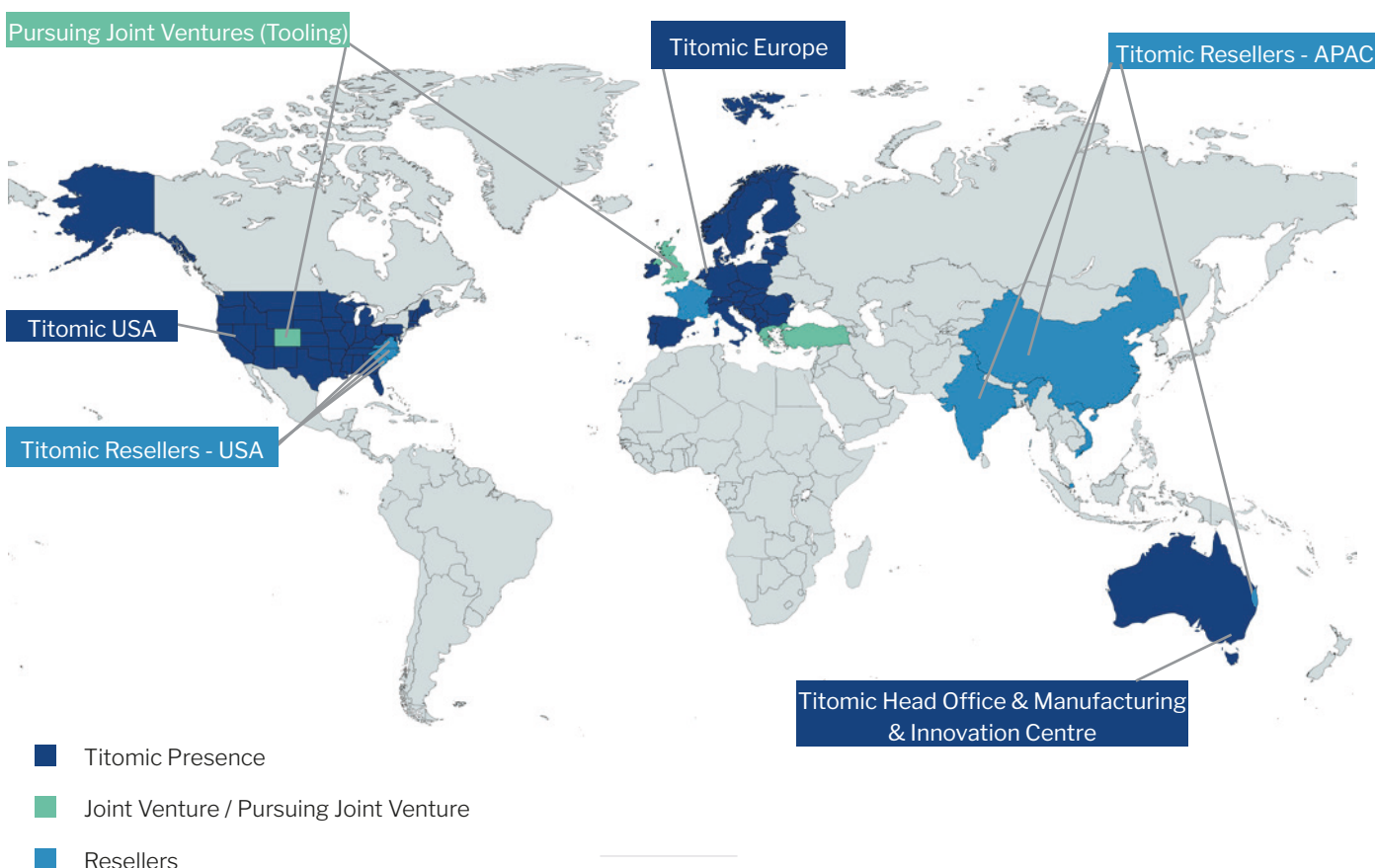
### Launch of D623 System

Titomic developed a new product; the Titomic D623 medium-pressure cold spray System and has received two purchase orders for these Systems, totaling AUD 270,000. This 'mid-pressure' system expands Titomic's capacity to work with various metals, unlocking new application possibilities. The D623 further extends Titomic's product line, enhancing Titomic's commercial offering and providing further product options to key prospective customers to meet their varying needs.



### Building a global distribution network with resellers

Titomic is now supported by 11 resellers across the globe, ensuring a strong distribution network within key regions including Asia Pacific, South Asia, North America, Europe, and Australia.



## Joint Venture Update

### REP KON

#### Developing joint venture relationship with Repkon

In 2022, Titomic signed a joint venture with Repkon, which will deliver the world's first hybrid cold-spray, flowforming manufacturing facility. Titomic-Repkon is now a registered and capitalised company within Turkey. Though delayed due to unforeseen circumstances, Titomic expects to receive the previously-announced purchase orders for Titomic Kinetic Fusion systems including a TKF 1000 and TKF 3250R within 2023-24 financial year.

Announced in August 2022, 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.



#### Neos International joint venture

Titomic signed a Joint Venture agreement with Neos International Limited (Neos International) in June, 2022. Neos International is part of the UK Neos Group of companies, which entered administration earlier this year. Titomic does not have any assets or investments that will need to be written off as a result.

Despite this, the commercial viability of Titomic Kinetic Fusion's capabilities pertaining to tooling manufacture remains strong. As such, Titomic is continuing discussions with a separate UK-based manufacturer of tooling and moulds to explore tooling production through a joint venture.



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## Activities Highlights Since Year End

### Order for high-pressure cold spray system

Titomic received a purchase order from Sabanci University's Integrated Manufacturing Technologies Research and Application Center. The System was sold for EUR 1.4 million (AUD 2.4 million) and is expected to be delivered, installed, and paid for by April 2024. The System incorporates Titomic's roboticised high-pressure Titomic Kinetic Fusion technology, also known as cold spray, to enable novel additive manufacturing, material science, and surface engineering capabilities.

### Order from French Ministry of the Armed Forces

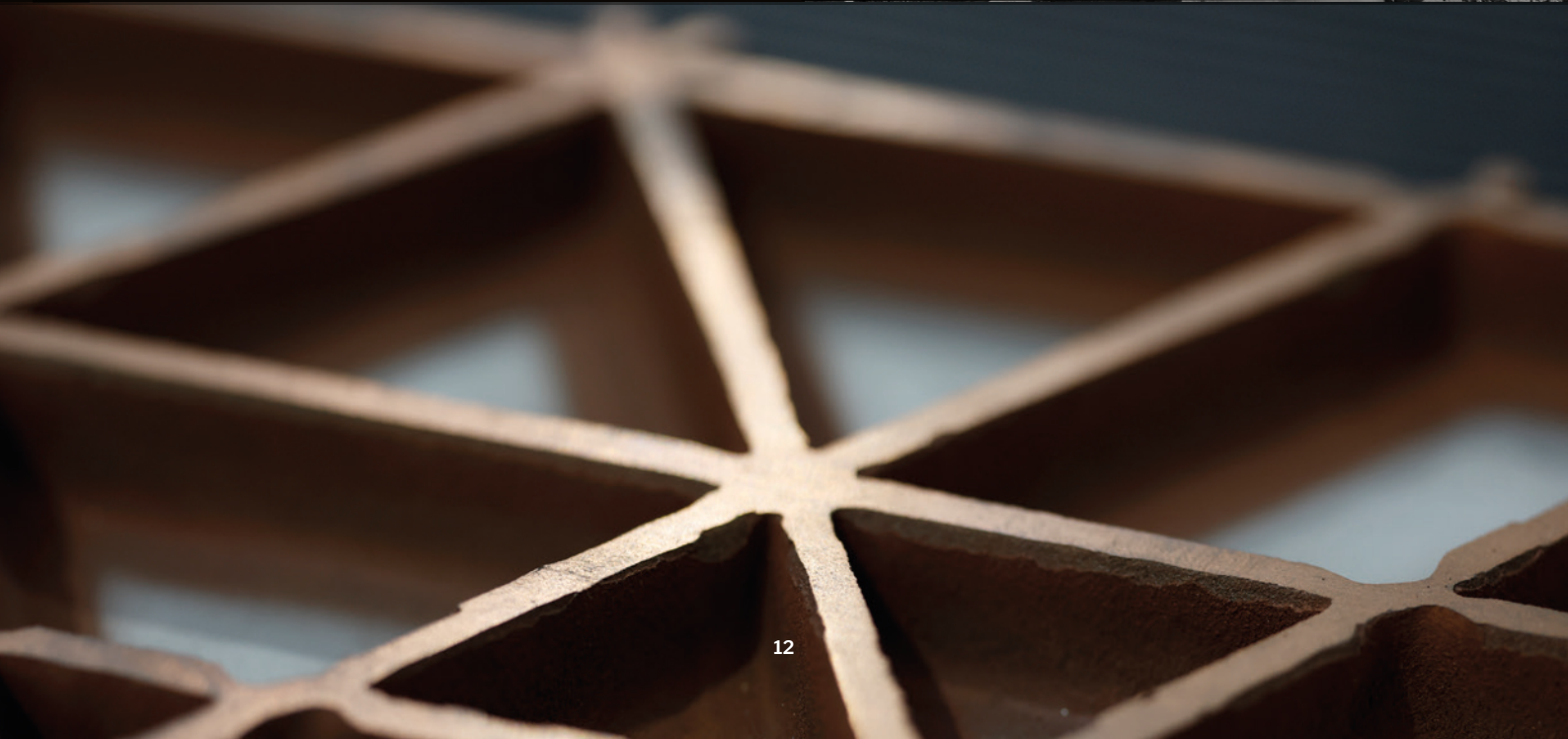
Titomic received a purchase order from the French Ministry of the Armed Forces for a D523 low-pressure cold spray system. The sale was made to the Ministry for EUR 58,379 (AUD 99,168), which purchased the D523 on behalf of the Fleet Support Service of the Navy Nationale (French Navy). It is expected the D523 will be used in the sustainment and maintenance of the French Navy's fleet and be used specifically to treat corrosion, restore worn surfaces, and restore part geometries in-situ, enabling faster, more cost-effective maintenance.

### Company Restructure Completed

As originally announced in April 2023, Titomic successfully completed its company restructure in May 2023. The reorganisation has resulted in an optimal company size, enabling Titomic to efficiently meet immediate and near-term customer demands while prudently managing costs. This strategic move positions Titomic to seize upcoming opportunities and enhance overall performance.



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## Outlook

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Titomic has completed a capital raise and implemented a Company restructure. In addition, the Company recently received the largest ever sales order from Sabanci University, along with the sale of a D523 system to the French Ministry of the Armed Forces.

## Corporate update

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### Company Restructure

As originally announced in April 2023, Titomic successfully completed its company restructure in May 2023. The reorganisation has resulted in an optimal company size, enabling Titomic to efficiently meet immediate and near-term customer demands while prudently managing costs. This strategic move positions Titomic to seize upcoming opportunities and enhance overall performance.

### Titomic Summons

As previously announced, Titomic has been served with a Summons, filed with the Supreme Court of NSW which names the Plaintiff as Composite Technology R&D Pty Ltd ABN 52 094 571 187 and the Defendant as Titomic. The claim set out in the Summons is commercially misleading conduct which the Company denies and continues to vigorously defend.

### Capital Raises

In December 2022, Titomic completed an institutional placement to raise \$5.1 million before costs. This placement received strong subscription from institutional investors.

Titomic also completed a fully underwritten pro rata accelerated renounceable entitlement offer to existing eligible shareholders and a placement offer to raise \$6.5 million before costs.

Funds raised will be used to develop increased manufacturing capacity, enhance capability for increased sales opportunities of current products and new business opportunities and to provide additional general working capital to advance the Company's business.

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Directors' report

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# 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 2023.

## 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

**Mr Herbert Koeck**

Managing Director

**Mr Richard Willson**

Independent Non-Executive Director

**Mr 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**

(resigned 21 November 2022)

**Mr Christopher Healy**

Company Secretary

**Mr Jonathan Nield**

Chief Financial Officer

## 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.

## Information on Directors, Company Secretary and Chief Financial Officer

The qualifications and experience of each person who has been a Director of the Company at any time during or since 1 July 2022 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

**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.



**MR HERBERT KOECK**

Managing Director

**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-to-Market, where he influenced product development for customer success.

A proven leader, he was also Managing Director for HP Europe and Senior Vice-President for Europe, Middle-East, and Africa at Hewlett Packard for the PC and Printing Solutions Group.

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## Information on Directors, Company Secretary and Chief Financial Officer continued



### MR RICHARD WILLSON

Independent Non-Executive Director

#### Experience and expertise

Richard Willson is an experienced, Non-Executive Director, Company Secretary and CFO with more than 20 years' experience predominantly within the mining, technology and agricultural sectors for both publicly listed and private companies.

Richard 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.

He is Non-Executive Chairman of Thomson Resources Limited (ASX:TMZ), a Non-Executive Director of Clara Resources Limited (ASX:C7A), MedTEC Holdings Limited, and Unity Housing Company Ltd; and Company Secretary of a number of ASX Listed Companies.

Richard is the Chairman of the Audit Committee of Titomic Limited, Clara Resources Limited, and Unity Housing Company, and is the Chairman of the Remuneration & Nomination Committee of Titomic Limited.



### DR ANDREAS SCHWER

Independent Non-Executive Director

#### 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 is the CEO of Electro Optic Systems Ltd.

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## 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 over 30 years of experience from successful private ownership and leading European, as well as global, financial institutions. He has been running his own family 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 sector, and a director of software company Arundo.



### MR JEFFREY LANG

Non-Executive Director (resigned 21 November 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.)

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## Information on Directors, Company Secretary and Chief Financial Officer continued



### THE HONORABLE MIRA RICARDEL

Independent Non-Executive Director

#### Experience and expertise

The Honorable Mira Ricardel leads the Geopolitical and Regulatory Risk practice at The Chertoff Group, where she draws on her extensive experience in defence programs, as well as national security-related regulatory policies and processes to advise a wide range of clients. 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 U.S. dual-use technology export controls, the Committee on Foreign Investment in the United States (CFIUS), and policies on supply chain security.

Ms. Ricardel has nearly a decade of aerospace industry experience at The Boeing Company as Vice President for Business Development, where

she was focused on large defence programs leveraging advanced technologies. Prior to joining Boeing, Ms. Ricardel held senior positions in the U.S. Department of Defence. Early in her career, she also served in the U.S. Department of State, as well as in the Office of the U.S. Senate Majority Leader.

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## Information on Directors, Company Secretary and Chief Financial Officer continued



### MR JONATHAN NIELD

Chief Financial Officer

#### 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 two 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.



### MR CHRISTOPHER HEALY

Company Secretary

#### 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.

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**Titomic Limited**  
**Directors' report**  
**30 June 2023**

The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Consolidated entity' or 'Group') 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 2023.

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<b>Mr Richard Willson</b>	Independent Non-Executive Director
<b>Mr Andreas Schwer</b>	Independent Non-Executive Director
<b>Dr Dag W.R. Stromme</b>	Independent Non-Executive Director
<b>Ms. Mira Ricardel</b>	Independent Non-Executive Director
<b>Mr Jeffrey Lang</b>	Non-Executive Director (resigned 21 November 2022)
<b>Mr Christopher Healy</b>	Company Secretary
<b>Mr Jonathan Nield</b>	Chief Financial Officer

**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 \$15,332,899 (30 June 2022: \$16,971,886).

At the end of the financial year, the Consolidated entity had net liabilities of (\$714,958) (Net assets of 2022:\$7,412,620).

**Matters subsequent to the end of the financial year**

During July 2023, the Company completed a fully underwritten pro rata accelerated renounceable entitlement offer to existing eligible shareholders and a non-underwritten placement offer to raise approximately \$6,500,000 (before costs). A total of \$750,000 was received prior to 30 June 2023 and 75,000,000 shares were issued on 3 July 2023. In July, \$5,549,624.44 was received and 549,624,440 shares were issued on 24 July 2023. The remaining \$250,000 is expected from a Director, subject to AGM approval. Funds raised will be used to develop increased manufacturing capacity, enhance capability for increased sales opportunities of current products and new business opportunities and to provide additional working capital.

Humphrey Nolan, Herbert Koeck, Dag Stromme, Christopher Healy and Jon Nield participated in the Retail Entitlement Offer and as a result they now hold the following ordinary shares in the Company:

Humphrey Nolan:	330,000
Herbert Koeck:	5,536,506
Dag Stromme:	5,188,441
Christopher Healy:	422,242
Jon Nield:	304,728

On 7 August 2023, the Company issued 1,818,095 shares in relation to the second instalment of the Tri-D equity share component, which vested 24 months after the transaction date as described in note 8. In addition, the Company issued 450,000 shares on 13 September 2023 to the remaining founder of Tri-D as part of a negotiated severance agreement in lieu of the terms outlined in the LTI agreement as described in note 8.

No other matter or circumstance has arisen since 30 June 2023 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.

**Dividends**

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

### **Material Business risks**

There are material business risks and uncertainties that have the potential to impact the future prospects of the Group. These risk factors and other general risks applicable to all investments in listed securities may affect the value of the Securities in the future. An investment in the Group should be considered speculative. Investors may lose some or all of their investment.

A list of the key risk factors affecting the Group is provided below. The occurrence of any one of the risks below could adversely impact the Group's operating and financial performance and prospects.

### **Reliance on key customers**

A significant proportion of the Group's revenue is currently derived from a small base of key customers. While sales to our major customers represent approximately 20% of total current and projected revenue the loss of one of these key customers or the diminution of the relationship between the Group and one of these customers could adversely affect the Group's financial performance.

### **Failure to attract new customers**

The success of the Group's business relies on its ability to attract new business from existing customers and attract new customers across the regions where it operates. The capacity to attract new customers and attract new business from existing customers will be dependent on many factors including the capability, cost-effectiveness and value of the Group's products and services compared to competing technologies.

### **Manufacturing risks**

The Group's products may be subject to product quality risks. Risks are involved in the ability to translate the technology into a solution that provides the expected quality of product. Some solutions in development need further qualification and testing to achieve required certification levels or may not be developed in a timely manner which could negatively impact the Group's financial performance.

### **Product quality risks**

Risks are involved in the ability to translate customer technical objectives into a solution that provides the expected quality of product in a cost-effective manner. The products and technology supplied by the Company may not be functional, may be faulty, or not meet customers' expectations. This may lead to requirements for the Company to improve or refine its products, which may diminish operating margins or lead to losses. The products and technology supplied by the Company, while extensively tested prior to collection, can be damaged in transit. While this risk is insurable, it may diminish operating margins.

### **Regulation and Compliance risk**

The Group is subject to regulation relating to export control compliance and quality regulations applicable to the manufacture of its products and various reporting regulations. There can be no guarantee that the regulatory environment in which the Group or its customers currently operates may not change in the future which may impact on the Group's existing products. Depending upon the severity of any failure of the Group or its customers to comply with any applicable regulations, the Group or its customers could be subject to enforcement actions. If any such actions are imposed against the Group they could harm the Group's reputation, and depending upon the severity, could have significant adverse impact upon the Group's ability to provide services and on its financial condition.

### **Supplier risk**

The Group sources certain key components for its systems from third party suppliers. The delivery of such components may be delayed, or a specific supplier may not be able to deliver at all, which may lead to a longer sales cycle. A mitigating factor is to shift to another supplier where possible.

### **Key personnel risk**

The Group's operational success will substantially depend on the continued employment key executives, technical staff and other key personnel who have substantial strategic, technical, functional, marketing and customer expertise with the Group's technology and are familiar with the Group's business and structure. Although these individuals have entered into contracts with the Group, there is no assurance that such contracts will not be terminated. If such contracts are terminated or breached, or if these individuals no longer continue in their current roles, new personnel will need to be employed, which may adversely affect the business. The Group is substantially dependent on the continued service of its existing personnel because of the complexity of its services and technologies. The departure of any key personnel may also lead to disruptions of customer relationships or delays in the manufacturing and product development efforts. There is no assurance that the Group will be able to retain the services of these persons.

### **Development risks**

The Group is currently investing into new research and development initiatives and new technologies. While the Group is not presently aware of any potential problems, the commerciality of new technologies and products based on innovative and new technology is uncertain.

### **Workplace health and safety**

The Group's staff work in an environment subject to potential workplace health and safety risks. The Group and its staff must comply with various workplace health and safety laws. While the Group continues to comply with existing workplace laws and regulations, changes and the discovery of new risks may give rise to claims against the Group.

### **Product liability and warranty risk**

The Group's products are subject to customers manufacturing standards. There is a risk that the Group's products may have actual or perceived safety or quality failures or defects which could result in: (a) litigation or claims alleging negligence, product liability or breach of warranty against the Group; (b) regulatory action; (c) damage to the Group's brand and reputation; or (d) the Group being forced to terminate or delay sales or operations. Despite best practice by the Group with respect to the manufacture and supply of its products and any insurance that the Group may hold, the risk of defective products remains and may negatively impact the Group's reputation, operations and financial prospects.

### **Ability to raise capital to support Going Concern**

Although the Directors consider that the Group will, following a recent successful capital raise, have sufficient working capital to carry out its stated objectives and to satisfy the anticipated current working capital and other capital requirements, there can be no assurance that such objectives can continue to be met in the future without securing further funding. The future capital requirements of the Group will depend on many factors, including the planned increase of its current business and sales, and the Group may need to raise additional funds from time to time to accelerate expansion of the business. Should the Group require additional funding, there can be no assurance that additional financing will be available on acceptable terms or at all. The Directors have prepared the financial statements on a going concern basis which contemplates the continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. Any inability to obtain additional financing, if required, would have a material adverse effect on the Group's business, financial condition and results of operations.

### **Cyber Security Risks**

Cyber and information security risks remain a focal point for all businesses. There is a risk that the Group is subject to a cyber security incident which could delay our response to our customers or compromise the integrity of our data.

### **Information on Directors and Company Secretary**

The listed directorships, special responsibilities and shareholdings of each person who has been a Director of the Company at any time during or since 1 July 2022 is provided below, together with details of the Company Secretary and the Chief Financial Officer as at year end.

Name:	<b>Mr Humphrey Nolan</b>
Title:	<i>Independent Non-Executive Chairman</i>

Other current listed directorships:	None
Former listed directorships (last 3 years):	None
Special responsibilities:	Audit & Risk Committee Member
Interests in shares:	100,000 ordinary shares in Titomic
Interests in rights & options:	572,917 performance rights (Hurdle price: \$0.80; expiry 01-Jul-2025) 4,000,000 performance rights (Hurdle price: \$0.40; expiry 02-May-2027)

Name:	<b>Mr Herbert Koeck</b>
Title:	<i>Managing Director</i>

Other current listed directorships:	None
Former listed directorships (last 3 years):	None
Special responsibilities:	Chief Executive Officer
Interests in shares:	1,677,729 ordinary shares in Titomic Limited
Interests in rights & options:	6,655,808 performance rights (hurdle price: \$0.40, expiry 02-May-2027) 312,500 unquoted options (hurdle price: \$0.40, expiry 08-May-2026)

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Name:	<b>Mr Richard Willson</b>
Title:	<i>Independent Non-Executive Director</i>
Other current listed directorships:	<ul style="list-style-type: none"> <li>• Non-Executive Director - Clara Resources Ltd (ASX: C7A)</li> <li>• Non-Executive Director - Thomson Resources Ltd (ASX: TMZ)</li> </ul>
Former listed directorships (last 3 years):	<ul style="list-style-type: none"> <li>• Non-Executive Director - PNX Metals Limited (ASX: PNX)</li> <li>• Non-Executive Director - FirstWave Cloud Technologies Limited (ASX: FCT)</li> <li>• Non-Executive Director - 1414 Degrees Limited (ASX: 14D)</li> <li>• Non-Executive Director – Lanyon Investment Company Limited (ASX: LAN)</li> </ul>
Special responsibilities:	<ul style="list-style-type: none"> <li>• Audit &amp; Risk Committee Chairman</li> <li>• Remuneration &amp; Nomination Committee Chairman</li> </ul>
Interests in shares:	120,000 ordinary shares in Titomic
Interests in rights & options:	252,083 performance rights (Hurdle price: \$0.80; expiry 01-Jul-2025) 2,000,000 performance rights (Hurdle price: \$0.40, expiry 02-May-2027)
Name:	<b>Dr Andreas Schwer</b>
Title:	<i>Independent Non-Executive Director</i>
Other current listed directorships:	None
Former listed directorships (last 3 years):	None
Special responsibilities:	None
Interests in shares:	215,384 ordinary shares in Titomic Limited
Interests in rights & options:	1,833,333 performance rights (hurdle price: \$0.80, expiry 01-Jul-2025) 2,000,000 performance rights (hurdle price: \$0.40, expiry 02-May-2027) 115,384 listed options in Titomic Limited (exercise price: \$0.40, expiry 02-Feb-2024)
Name:	<b>Mr Dag W.R. Stromme</b>
Title:	<i>Independent Non-Executive Director</i>
Other current listed directorships:	None
Former listed directorships (last 3 years):	None
Special responsibilities:	Remuneration & Nomination Committee Member
Interests in shares:	1,572,255 ordinary shares in Titomic Limited
Interests in rights & options:	572,917 performance rights (hurdle price: \$0.80, expiry 01-Jul-2025) 2,000,000 performance rights (hurdle price: \$0.40, expiry 02-May-2027) 234,375 unquoted options (hurdle price: \$0.40, expiry 08-May-2026) 269,231 listed options in Titomic Limited (exercise price: \$0.40, expiry 02-Feb-2024)
Name:	<b>The Honorable Mira Ricardel</b>
Title:	<i>Independent Non-Executive Director</i>
Other current listed directorships:	None
Former listed directorships (last 3 years):	None
Interests in shares:	96,154 ordinary shares in Titomic Limited
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) 96,154 listed options (exercise price: \$0.40, expiry 02-Feb-2024)



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Name: **Mr Jeffrey Lang**  
Title: *Non-Executive Director (resigned 21 November 2022)*

Other current listed directorships: None  
Former listed directorships (last 3 years): None  
Special responsibilities: None  
Interests in shares: 8,221,008 ordinary shares in Titomic Limited  
Interests in rights & options: None

Name: **Mr Christopher Healy**  
Title: *Company Secretary*

Other current listed directorships: None  
Former listed directorships (last 3 years): None  
Special responsibilities: None  
Interests in shares: 127,952 ordinary shares in Titomic Limited  
Interests in rights & options: 57,692 listed options in Titomic Limited (exercise price: \$0.40, expiry 02-Feb-2024)

Name: **Mr Jonathan Nield**  
Title: *Chief Financial Officer*

Other current directorships: None  
Former directorships (last 3 years): None  
Special responsibilities: None  
Interests in shares: 92,342 ordinary shares in Titomic Limited  
Interests in rights & options: None

Other current listed 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') and the Company's Audit and Risk Committee held during the year ended 30 June 2023, and the number of meetings attended by each Director were:

	Full Board		Audit and Risk Committee	
	Held	Attended	Held	Attended
Mr Humphrey Nolan	12	12	6	6
Mr. Herbert Koeck	12	12	-	-
Mr Richard Willson	12	12	6	6
Dr Andreas Schwer	12	10	-	-
Mr Dag W. R. Stromme	12	11	-	-
Ms Mira Ricardel	12	10	-	-
Mr Jeffery Lang	4	4	-	-

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

### Retirement, election and continuation in office of Directors

On 21 November 2022, Jeffrey Lang resigned as a Non-Executive Director of the Company.

**Directors interests in Shares and other securities**

	Ordinary Shares	Performance Share Rights	Listed Options	Unquoted Options	Reference to Performance Share Rights
Mr Humphrey Nolan	100,000	572,917	-	-	1
	-	4,000,000	-	-	2
Mr Herbert Koeck	1,677,729	6,655,808	-	312,500	2
Mr Dag W. R. Stromme	1,572,255	572,917	269,231	234,375	1
	-	2,000,000	-	-	2
Mr Richard Willson	120,000	252,083	-	-	1
	-	2,000,000	-	-	2
Dr Andreas Schwer	215,384	1,833,333	115,384	-	1
	-	2,000,000	-	-	2
Mr Jeffery Lang	8,221,008	-	-	-	-
Ms Mira Ricardel	96,154	-	96,154	2,500,000	-
Mr Christopher Healy	127,952	-	57,692	-	-
Mr Jonathan Nield	92,342	-	-	-	-
	-	-	-	-	-
	<u>12,222,824</u>	<u>19,887,058</u>	<u>538,461</u>	<u>3,046,875</u>	

**Performance Share Rights**

**1. 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).

**2. 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).

**Unquoted Options**

Two directors applied to participate in the share placement that occurred in December 2022 on the same terms as unrelated investors. Following approval at the Extraordinary General Meeting held on 12 April 2023, 546,875 Unquoted Options were issued to the following Directors: Mr Dag W. R. Stromme (234,375 options) and Mr Herbert Koeck (312,500 options). These unquoted options have an exercise price of \$0.40 per Ordinary Share and are due to expire on 08 May 2026.

**Shares granted as part of remuneration**

At the Extraordinary General Meeting held on 12 April 2023, shareholders resolved that Mr Herbert Koeck be remunerated such that 5% of his total cash remuneration package for the financial year commencing 1 July 2022 for services provided as a Director of the Company will be received by way of the issue of fully paid ordinary shares in the Company.

### 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 dates	Expiry date	Exercise Price or Hurdle Price	Number of Options unexercised & Performance rights unvested
<b>Listed and Unlisted Options</b>			
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
8-May-23	8-May-26	\$0.40	22,312,500
<b>Performance rights</b>			
28-Jan-21	1-Jul-25	\$0.80	3,231,250
2-May-22	2-May-27	\$0.40	16,655,808
			<hr/>
			103,321,519
			<hr/>

### 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 2023 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 2023 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 2023:

#### ***Audit and Risk Committee***

Committee Chairman	Mr Richard Willson
Committee Member	Mr Humphrey Nolan

#### ***Remuneration and Nomination Committee***

Committee Chairman	Mr Richard Willson
Committee Member	Mr Dag W R Stromme

#### ***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
- Mr Herbert Koeck - Managing Director
- Mr Richard Willson - Independent Non-Executive Director
- Mr Andreas Schwer - Independent Non-Executive Director
- Dr Dag W.R. Stromme - Independent Non-Executive Director
- Ms. Mira Ricardel - Independent Non-Executive Director
- Mr Jeffrey Lang - Non-Executive Director (resigned 21 November 2022)
- Mr Christopher Healy - Company Secretary
- Mr Jonathan Nield - Chief Financial Officer

#### ***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

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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 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 the 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 2023 is disclosed as follows:

	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	57,500	-	-	-	185,708	243,208	76%
Mr Richard Willson	40,000	4,200	-	-	92,850	137,050	68%
Dr Andreas Schwer	30,000	-	-	-	92,857	122,857	76%
Mr Dag W. R. Stromme	30,000	-	-	-	92,857	122,857	76%
Ms Mira Ricardel	30,000	-	-	-	49,103	79,103	62%
Mr Herbert Koeck	456,194	25,424	8,654	-	322,438	812,710	40%
Mr Christopher Healy	172,875	18,764	18,141	-	-	209,780	-
Mr Jonathan Nield	225,400	24,875	29,600	-	-	279,875	-
<b>Total KMP Remuneration</b>	<b>1,041,969</b>	<b>73,263</b>	<b>56,395</b>	<b>-</b>	<b>835,813</b>	<b>2,007,440</b>	

Mr Humphrey Nolan participated in the optional Salary Sacrifice program and as such, this reduced his annual Directors Fees remuneration to \$57,500 for the year ended June 30, 2023.

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

Director 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 %
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	-
<b>Total KMP remuneration</b>	<b>1,393,159</b>	<b>78,354</b>	<b>38,869</b>	<b>341,951</b>	<b>1,904,543</b>	<b>3,756,876</b>	

\* Mr Jeffrey Lang resigned as a Non-Executive Director on 21 November 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.

**Number of Ordinary shares held by the key management personnel**

	Balance at the start of the year	Balance at the appointment date	Granted as compensation	Net Changes (other)	Balance at the end of the year
<b>Non-Executive Directors</b>					
Mr Humphrey Nolan	100,000	-	-	-	100,000
Mr Richard Willson	120,000	-	-	-	120,000
Dr Andreas Schwer	215,384	-	-	-	215,384
Mr Dag W. R. Stromme	1,103,505	-	-	468,750	1,572,255
Ms Mira Ricardel	96,154	-	-	-	96,154
Mr Jeffrey Lang*	9,457,508	-	-	(9,457,508)	-
<b>Executive Director</b>					
Herbert Koeck	865,385	-	187,344	625,000	1,677,729
<b>Other Key Management Personnel</b>					
Mr Christopher Healy	57,692	-	70,260	-	127,952
Mr Jonathan Nield	-	-	92,342	-	92,342
<b>Total ordinary share holding by KMP</b>	<b>12,015,628</b>	<b>-</b>	<b>349,946</b>	<b>(8,363,758)</b>	<b>4,001,816</b>

*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: 6,655,808 grant of 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 Non-Executive Directors ('NED') of the Company as at 30 June 2023 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 3 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 3 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 3 months written

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*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 3 months written

**Performance rights granted to the key management personnel**

	Grant Date	Expiry Date	Granted	Performance Hurdle \$	Value at Grant Date \$
<b>Performance Hurdle 1</b>					
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
<b>Total</b>			<b>3,231,250</b>		<b>2,354,958</b>
<b>Performance Hurdle 2</b>					
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
<b>Total</b>			<b>16,655,808</b>		<b>2,420,651</b>
<b>Total performance rights holding by KMP</b>			<b>19,887,058</b>		<b>4,775,609</b>

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

**Performance Hurdle 1: 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).

**Performance Hurdle 2: 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
Options over ordinary shares					
<i>Listed / Unlisted Options</i>					
Mr Dag W. R. Stromme	269,231	-	234,375	-	503,606
Dr Andreas Schwer	115,384	-	-	-	115,384
Ms Mira Ricardel	96,154	-	-	-	96,154
Mr Christopher Healy	57,692				57,692
Mr Herbert Koeck			312,500		312,500
Options					
Ms Mira Ricardel	2,500,000	-	-	-	2,500,000
	3,038,461	-	546,875	-	3,585,336

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 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.

The additions to Listed/Unlisted options were Unlisted Options which were issued to Mr. Koeck and Mr. Stromme in the agreed proportion to which they subscribed in the share placement that occurred in December 2022. These new Unlisted Options, with an exercise price of \$0.40 per share, were issued upon Mr Koeck and Mr Stromme buying ordinary shares in the Company.

#### **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 the start of the year	Granted	Expired	Cancelled	Balance at the end of the year
Mr Humphrey Nolan	4,572,917	-	-	-	4,572,917
Mr Richard Willson	2,316,459	-	(64,376)	-	2,252,083
Dr Andreas Schwer	3,833,333	-	-	-	3,833,333
Mr Dag W. R. Stromme	2,572,917	-	-	-	2,572,917
Herbert Koeck	6,655,808	-	-	-	6,655,808
	19,951,434	-	(64,376)	-	19,887,058

### **Share-based compensation**

#### **Issue of shares**

At the extraordinary general meeting held on 12 April 2023, shareholders resolved that Mr. Herbert Koeck be remunerated such that 5% of his total cash remuneration package for the financial year commencing 1 July 2022 for services provided as a Director of the Company will be received by way of the issue of fully paid ordinary shares in the Company.

*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 2023 are summarised below:

	2023 \$	2022 \$	2021 \$	2020 \$	2019 \$
Sales revenue	4,488,394	5,320,623	1,984,951	2,006,375	1,474,937
Loss after income tax	(15,332,899)	(16,971,886)	(17,175,346)	(10,826,806)	(7,489,077)
Total remuneration of KMP (\$)	2,007,440	3,756,876	1,774,354	949,692	1,152,806
Total performance-based remuneration (\$)	835,813	1,904,543	886,612	155,209	271,252
Increase in revenue and other income (%)	(16%)	168%	(1%)	36%	451%
Change in share price (%)	(93%)	(35%)	33%	(70%)	(25%)

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

	2023	2022	2021	2020	2019
Share price at financial year end (\$)	0.02	0.26	0.40	0.60	2.02
Total dividends declared (cents per share)	-	-	-	-	-
Basic earnings per share (cents per share)	(6.98)	(9.05)	(11.21)	(8.07)	(6.09)
Diluted earnings per share (cents per share)	(6.98)	(9.05)	(11.21)	(8.07)	(6.09)

***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:

	<b>Consolidated</b>	
	<b>30 June 2023</b>	<b>30 June 2022</b>
	<b>\$</b>	<b>\$</b>
<b>Other services</b>		
<b>Total remuneration for non-audit services</b>	-	11,449

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 30 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.

**Titomic Limited**  
**Directors' report**  
**30 June 2023**

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



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Humphrey Nolan  
Chairman

29 September 2023

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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 2023, 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, 29 September 2023

**Titomic Limited**  
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**30 June 2023**

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**Titomic Limited**  
**Consolidated statement of profit or loss and other comprehensive income**  
**For the year ended 30 June 2023**

		<b>Consolidated</b>	
	<b>Note</b>	<b>30 June 2023</b>	<b>30 June 2022</b>
		<b>\$</b>	<b>\$</b>
<b>Revenue</b>	6	4,488,394	5,320,623
<b>Expenses</b>			
Production and related expenses		(3,015,054)	(4,572,335)
Corporate and administrative expenses		(7,636,263)	(8,246,972)
Share based payment expenses	9	(1,512,078)	(2,226,111)
Remuneration Expense on Tri-D Transaction & Dycomet acquisition	8	(162,415)	(2,599,255)
Impairment loss	10	(2,688,470)	(797,910)
Sales, Marketing & promotion expenses		(2,549,525)	(1,977,519)
Depreciation expenses	7	(1,584,221)	(1,468,538)
Amortisation expenses	7	(70,096)	(283,385)
Other expenses		(136,122)	(69,075)
Finance costs	7	(467,049)	(51,409)
<b>Loss before income tax expense</b>		(15,332,899)	(16,971,886)
Income tax expense	11	-	-
<b>Loss after income tax expense for the year</b>		(15,332,899)	(16,971,886)
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		52,702	(51,154)
Other comprehensive income for the year, net of tax		52,702	(51,154)
<b>Total comprehensive income for the year</b>		<u>(15,280,197)</u>	<u>(17,023,040)</u>
<b>Loss per share attributable to the owners of the Company</b>			
		<b>Cents</b>	<b>Cents</b>
Basic earnings per share	12	(6.98)	(9.05)
Diluted earnings per share	12	(6.98)	(9.05)

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

**Titomic Limited**  
**Consolidated statement of financial position**  
**As at 30 June 2023**

		<b>Consolidated</b>	
	<b>Note</b>	<b>30 June 2023</b>	<b>30 June 2022</b>
		<b>\$</b>	<b>\$</b>
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	13	1,470,969	7,108,180
Trade and other receivables	14	409,181	951,913
Inventories	15	2,733,253	2,109,631
Other current assets	16	1,198,885	677,409
Total current assets		<u>5,812,288</u>	<u>10,847,133</u>
<b>Non-current assets</b>			
Property, plant and equipment	17	485,473	2,022,865
Right-of-use assets	18	55,291	1,401,891
Intangible assets	19	-	546,466
Total non-current assets		<u>540,764</u>	<u>3,971,222</u>
<b>Total assets</b>		<u>6,353,052</u>	<u>14,818,355</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	20	979,037	1,102,759
Other financial liabilities	23	1,925,413	2,265,624
Provisions	21	835,716	1,370,560
Borrowings	22	1,017,725	-
Total current liabilities		<u>4,757,891</u>	<u>4,738,943</u>
<b>Non-current liabilities</b>			
Other financial liabilities	25	1,698,455	2,176,540
Provisions	24	611,664	490,252
Total non-current liabilities		<u>2,310,119</u>	<u>2,666,792</u>
<b>Total liabilities</b>		<u>7,068,010</u>	<u>7,405,735</u>
<b>Net (liabilities)/assets</b>		<u>(714,958)</u>	<u>7,412,620</u>
<b>Equity</b>			
Issued capital	26	63,790,575	57,853,211
Foreign currency translation reserves		1,548	(51,154)
Share based payments reserves	27	7,822,965	6,607,710
Accumulated losses	28	<u>(72,330,046)</u>	<u>(56,997,147)</u>
<b>Total (deficiency)/equity</b>		<u>(714,958)</u>	<u>7,412,620</u>

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



**Titomic Limited**  
**Consolidated statement of changes in equity**  
**For the year ended 30 June 2023**

<b>Consolidated</b>	<b>Issued capital \$</b>	<b>Share based payments Reserves \$</b>	<b>Foreign currency translation reserves \$</b>	<b>Accumulated losses \$</b>	<b>Total equity \$</b>
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)
<i>Transactions with Owners in their capacity as Owners:</i>					
Contributions of equity, net of transaction costs (note 26)	12,423,968	-	-	-	12,423,968
Transaction costs (note 26)	(746,969)	-	-	-	(746,969)
Share-based payments (note 9)	322,596	2,994,512	-	-	3,317,108
Balance at 30 June 2022	<u>57,853,211</u>	<u>6,607,710</u>	<u>(51,154)</u>	<u>(56,997,147)</u>	<u>7,412,620</u>
<b>Consolidated</b>	<b>Issued capital \$</b>	<b>Share based payments Reserves \$</b>	<b>Foreign currency translation reserves \$</b>	<b>Accumulated losses \$</b>	<b>Total deficiency in equity \$</b>
Balance at 1 July 2022	57,853,211	6,607,710	(51,154)	(56,997,147)	7,412,620
Loss after income tax expense for the year	-	-	-	(15,332,899)	(15,332,899)
Other comprehensive income for the year, net of tax	-	-	52,702	-	52,702
Total comprehensive income for the year	-	-	52,702	(15,332,899)	(15,280,197)
<i>Transactions with Owners in their capacity as Owners:</i>					
Contributions of equity(note 26)	5,100,000	-	-	-	5,100,000
Transaction costs (note 26)	(344,710)	-	-	-	(344,710)
Share-based payments (note 8 and note 9)	1,182,074	465,255	-	-	1,647,329
Advance payment for share capital issued post year-end (note 27)	-	750,000	-	-	750,000
Balance at 30 June 2023	<u>63,790,575</u>	<u>7,822,965</u>	<u>1,548</u>	<u>(72,330,046)</u>	<u>(714,958)</u>

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

**Titomic Limited**  
**Consolidated statement of cash flows**  
**For the year ended 30 June 2023**

		<b>Consolidated</b>	
	<b>Note</b>	<b>30 June 2023</b>	<b>30 June 2022</b>
		<b>\$</b>	<b>\$</b>
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of GST)		3,639,676	3,015,475
Payments to suppliers and employees (inclusive of GST)		(15,131,237)	(15,579,645)
Interest received		23,023	19,774
Finance/Borrowing cost		(113,869)	(53,031)
Other Revenue		863,451	2,913,687
Net cash used in operating activities	31	(10,718,956)	(9,683,740)
<b>Cash flows from investing activities</b>			
Payment for purchase of business, net of cash acquired	34	-	(1,364,805)
Payments for property, plant and equipment	17	(925,247)	(1,074,332)
Proceeds from disposal of property, plant and equipment		21,377	-
Proceeds from release of security deposits		149,401	-
Net cash used in investing activities		(754,469)	(2,439,137)
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares	26	5,100,000	12,423,968
Payments for the principal portion of lease liabilities		(321,778)	(353,376)
Proceeds from advance payment of shares		750,000	-
Proceeds from borrowings		900,000	-
Share issue transaction costs (note 26)	26	(344,710)	(746,969)
Repayment of borrowings		(300,000)	-
Net cash from financing activities		5,783,512	11,323,623
Net decrease in cash and cash equivalents		(5,689,913)	(799,254)
Cash and cash equivalents at the beginning of the financial year		7,108,180	7,946,161
Effects of exchange rate changes on cash and cash equivalents		52,702	(38,727)
Cash and cash equivalents at the end of the financial year	13	1,470,969	7,108,180

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

## **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.

### **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 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.

### **Going concern**

The Consolidated entity incurred a loss from ordinary activities of \$15,332,899 during the year ended 30 June 2023 (2022: \$16,971,886 loss) and had a net cash outflow from operating activities of \$10,718,956, (2022: \$9,683,740). As at 30 June 2023 the Consolidated entity had a net liability position of \$714,958 (2022: net asset position of \$7,412,620).

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. A successful capital raise was completed in July 2023 raising a total of \$6.5M before raise costs.

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. Notwithstanding 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.

## 1. Summary of significant accounting policies (continued)

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 forecasted 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.

### Revision to Appendix 4E Preliminary Financial Report for year ended 30 June 2023

Items previously included in the Consolidated Statement of Cash Flows in the Appendix 4E Preliminary Financial Report for the year ended 30 June 2023 have been reclassified. The following subtotals were impacted:

<b>Consolidated Statement of Cash Flows</b>	<b>Annual Report</b>	<b>Preliminary Report</b>	<b>Variance</b>
Cash outflow from Operating activities	(10,718,955)	(7,701,847)	(3,017,108)
Cash outflow from investing activities	(754,470)	(2,785,057)	2,030,587
Cash inflow from financing activities	5,783,512	4,849,693	933,819
Effects of Fx on cash flow	52,702	-	52,702

Items previously included in the Consolidated Statement of Financial Position and Consolidated Statement of Profit or Loss and Other Comprehensive income in the Appendix 4E Preliminary Financial Report for the year ended 30 June 2023 have been corrected in relation to eligible capital expenditures under the Space Grant and additional legal accruals. The following subtotals were impacted:

<b>Consolidated Statement of Financial Position</b>	<b>Annual Report</b>	<b>Preliminary Report</b>	<b>Variance</b>
PPE	485,473	1,426,693	941,220
Trade and other receivables	409,181	371,181	(38,000)
Trade and other payables	(979,037)	(929,036)	50,001

### Statement of Profit and Loss

Loss before income tax	15,332,899	14,379,678	(953,221)
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### 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.

## **1. Summary of significant accounting policies (continued)**

### ***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 Consolidated entity 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 company has determined that it has a valid claim.

#### ***(iv) Receivables from contracts with customers***

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

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

### **Parent entity 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 36.

### **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 2023 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.

## **1. Summary of significant accounting policies (continued)**

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**

The financial statements are presented in Australian dollars, which is Titomic Limited's functional and presentation currency.

#### *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.

### **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.

### **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 14 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 and equipment**

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

## **1. Summary of significant accounting policies (continued)**

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

### **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.

Management performed an impairment test as at 30 June 2023. The impairment test was based on a value in use methodology in accordance with AASB 136: Impairment of Assets. Given the uncertainty attached to future cashflows, an impairment loss has been recognised for Right-of-Use assets that had a value in use or fair value less cost to sell below its carrying amount in accordance with the accounting standard.

### **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.

## **1. Summary of significant accounting policies (continued)**

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

### **Goodwill**

As at 30 June 2023, 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 intangibles are amortised over their respective useful lives determined as a part of fair valuation of the acquired business combination as at the acquisition date.

Management performed an impairment test as at 30 June 2023. The impairment test was based on a value in use methodology in accordance with AASB 136: Impairment of Assets. Given the uncertainty attached to future cashflows, an impairment loss has been recognised for those intangible and other non-current assets that had a value in use or fair value less cost to sell below its carrying amount in accordance with the accounting standard.

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.

### **Borrowings**

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.



## **1. Summary of significant accounting policies (continued)**

### **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.

### **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.

## **1. Summary of significant accounting policies (continued)**

### *(iii) Retirement benefit obligations*

#### *Defined contribution superannuation plan*

The Company makes superannuation contributions (currently 10.5% of the employee's average ordinary salary) to the employee's defined contribution superannuation plan of choice in respect of employee services rendered during the year.

These superannuation contributions are recognised as an expense in the same period when the related employee services are received. The Company'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.<sup>1</sup>

### *(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 expenses 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.

## **1. Summary of significant accounting policies (continued)**

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.

### **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, its 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.

## **1. Summary of significant accounting policies (continued)**

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.

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**

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 2023. 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.

## **2. Critical accounting judgements, estimates and assumptions (continued)**

### *Research and development tax incentive*

The Consolidated entity adopts the income approach to accounting for the research and development tax incentive 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.

### *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.

## **2. Critical accounting judgements, estimates and assumptions (continued)**

### *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 2023 are set out below

	<b>Consolidated</b>	
	<b>30 June 2023</b>	<b>30 June 2022</b>
	<b>\$</b>	<b>\$</b>
Cash and cash equivalents	1,470,969	7,108,180
Trade and other receivables	409,181	951,913
Other current assets	369,900	519,301
Trade and other payables	979,037	1,102,759
Other financial liabilities	2,512,345	3,017,321
Lease liabilities	1,111,523	1,424,843
Borrowings	1,017,725	-

The fair values of cash and cash equivalents, trade and other receivables and trade and other payables approximate to their carrying amounts largely due to being liquid assets or liabilities.

### **(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.

There has been no change to the Company's exposure to interest rate risk or the manner in which it manages and measures its risk in the year ended 30 June 2023.

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:

	Interest bearing	Non-interest bearing	Total carrying amount	Weighted average effective interest rate %	Fixed / variable rate
<b>30 June 2023</b>					
<i>Financial Assets</i>					
Cash	720,652	750,317	1,470,969	2.50%	Variable
Trade and other receivables	-	409,181	409,181	-	
Other current assets	369,900	828,985	1,198,885	2.20%	Variable
<b>Total financial assets</b>	<b>1,090,552</b>	<b>1,988,483</b>	<b>3,079,035</b>		
<i>Financial Liabilities</i>					
Trade and other payables	96,860	768,897	865,757	8.93%	Variable
Borrowings	600,000	-	600,000	12.00%	Fixed
Insurance Premium Funding	417,725	-	417,725	4.20%	Fixed
Lease liabilities	1,111,523	-	1,111,523	6.67%	Fixed
<b>Total financial liabilities</b>	<b>2,226,108</b>	<b>768,897</b>	<b>2,995,005</b>		

**3. Financial Risk Management (continued)**

	Interest bearing \$	Non interest bearing \$	Total carrying amount \$	Weighted average effective interest rate %	Fixed / variable rate
<b>30 June 2022</b>					
<i>(i) Financial assets</i>					
Cash	4,990,353	2,117,827	7,108,180	0.60%	Variable
Trade and other receivables	-	951,913	951,913	-	
Other current assets	454,321	64,980	519,301	1.56%	Variable
<b>Total financial assets</b>	<b>5,444,674</b>	<b>3,134,720</b>	<b>8,579,394</b>		
<i>(ii) Financial liabilities</i>					
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
Other liabilities	1,414,843	-	1,414,843	6.67%	Fixed
<b>Total financial liabilities</b>	<b>3,216,202</b>	<b>2,318,721</b>	<b>5,534,923</b>		

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.

	<b>Consolidated</b>	
	<b>30 June 2023</b>	<b>30 June 2022</b>
	<b>\$</b>	<b>\$</b>
1% change in interest rates:		
Impact on loss after tax for the period	14,710	71,082
Impact on equity	14,710	71,082

The choice of 1% change in interest rates was determined having regard to the level of prevailing interest rates in Australia during 2022 and 2023. The impact on loss after tax and equity is negligible in 2023 due to lower monthly cash balances held by the Consolidated entity when compared to prior year of 2022.

**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 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 2023. Ongoing credit evaluations are performed on the financial condition of each account receivable.

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

**Currency risk**

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The 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.



### 3. Financial Risk Management (continued)

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.

	Less than 6 months \$	Between 6 and 12 months \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
<b>Consolidated - 30 June 2023</b>						
<b>Non-derivatives</b>						
<i>Non-interest bearing</i>						
Trade payables	645,127	-	-	-	-	645,127
Accrued expenses	63,279	-	-	-	-	63,279
Other payables	270,631	-	-	-	-	270,631
<i>Interest-bearing</i>						
CSIRO IP Liability	623,214	37,500	150,000	225,000	618,785	1,654,499
Lease liabilities	230,227	228,396	383,643	429,782	-	1,272,048
Borrowings	600,000	-	-	-	-	600,000
Insurance premium funding	245,651	40,942	-	-	-	286,593
<b>Total non-derivatives</b>	<b>2,678,129</b>	<b>306,838</b>	<b>533,643</b>	<b>654,782</b>	<b>618,785</b>	<b>4,792,177</b>
	Less than 6 months \$	Between 6 and 12 months \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
<b>Consolidated - 30 June 2022</b>						
<b>Non-derivatives</b>						
<i>Non-interest bearing</i>						
Trade payables	216,161	-	-	-	-	216,161
Accrued expenses	599,778	-	-	-	-	599,778
Other payables	286,820	-	-	-	-	286,820
<i>Interest-bearing - variable</i>						
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
<b>Total non-derivatives</b>	<b>1,733,461</b>	<b>272,099</b>	<b>618,272</b>	<b>1,048,496</b>	<b>509,772</b>	<b>4,182,100</b>

#### **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

<b>Consolidated - 30 June 2023</b>	<b>Level 1</b> <b>\$</b>	<b>Level 2</b> <b>\$</b>	<b>Level 3</b> <b>\$</b>	<b>Total</b> <b>\$</b>
<i>Assets</i>				
Property, plant and equipment	-	-	-	-
Total assets	-	-	-	-

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 current 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 2023.

#### **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.

**Titomic Limited**  
**Notes to the consolidated financial statements**  
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**5. Segment information (continued)**

*Operating segment information*

<b>Consolidated - 30 June 2023</b>	Australia \$	USA \$	Europe \$	Consolidated \$
<b>Revenue</b>				
External Customer Sales	1,097,794	369,175	1,152,452	2,619,421
Intersegment Sales	44,181	-	1,544,745	1,588,926
<b>Total Sales Revenue</b>	<b>1,141,975</b>	<b>369,175</b>	<b>2,697,197</b>	<b>4,208,347</b>
Grant Revenue	1,059,905	-	-	1,059,905
R&D Tax Incentive	786,045	-	-	786,045
Interest Revenue	23,023	-	-	23,023
Segment Revenue	3,010,948	369,175	2,697,197	6,077,320
<i>Intersegment Eliminations</i>				(1,588,926)
<b>Total Revenue</b>				<b>4,488,394</b>
<b>EBITDA and Impairment</b>	(8,707,264)	(1,690,976)	(124,824)	(10,523,064)
Depreciation, Amortisation & Impairment				(4,342,787)
Net Interest				(467,049)
<b>Profit/(Loss) before Income Tax Expenses</b>				(15,332,900)
Income Tax Expenses				-
<b>Profit/(Loss) after Income Tax Expenses</b>				(15,332,900)
<b>Assets</b>				
Segment Assets	7,210,374	86,208	1,891,018	9,187,600
<i>Intersegment Eliminations</i>				(2,834,548)
<b>Total Assets</b>				<b>6,353,052</b>
<b>Liabilities</b>				
Segment Liabilities	6,087,046	2,789,849	1,025,663	9,902,558
<i>Intersegment Eliminations</i>				(2,834,549)
<b>Total liabilities</b>				<b>7,068,010</b>

**Titomic Limited**  
**Notes to the consolidated financial statements**  
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**5. Segment information (continued)**

<b>Consolidated - 30 June 2022</b>	<b>Australian segment \$</b>	<b>USA \$</b>	<b>Europe \$</b>	<b>Total \$</b>
<b>Revenue</b>				
External customer sales	2,376,815	31,498	973,152	3,381,465
<i>Intersegment sales</i>	64,841	-	473,853	538,694
<b>Total sales revenue</b>	<b>2,441,656</b>	<b>31,498</b>	<b>1,447,005</b>	<b>3,920,159</b>
Grant revenue	779,298	-	-	779,298
R&D tax Incentive	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
<i>Intersegment eliminations</i>				(538,694)
<b>Total revenue</b>				<b>5,320,623</b>
<b>EBITDA and Impairment</b>	(14,807,978)	(4,482)	441,816	(14,370,644)
Depreciation, Amortisation & Impairment				(2,549,833)
Net interest				(51,409)
<b>Profit/(loss) before income tax expense</b>				<b>(16,971,886)</b>
Income tax expense				-
<b>Loss after income tax expense</b>				<b>(16,971,886)</b>
<b>Assets</b>				
<b>Segment assets</b>	16,108,583	89,967	1,961,225	18,159,775
<i>Intersegment eliminations</i>				(3,341,419)
<b>Total assets</b>				<b>14,818,355</b>
<b>Liabilities</b>				
<b>Segment liabilities</b>	7,188,223	1,167,313	356,342	8,711,878
<i>Intersegment eliminations</i>				(1,306,143)
<b>Total liabilities</b>				<b>7,405,735</b>

**Titomic Limited**  
**Notes to the consolidated financial statements**  
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**6. Revenue**

	<b>Consolidated</b>	
	<b>30 June 2023</b>	<b>30 June 2022</b>
	<b>\$</b>	<b>\$</b>
Revenue from contracts with customers	2,619,421	3,381,465
R&D tax incentive	786,045	1,140,086
Space grant revenue	1,020,499	743,806
Other grants	39,406	35,492
Interest received	23,023	19,774
	<u>4,488,394</u>	<u>5,320,623</u>

*Disaggregation of revenue*

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

	<b>Consolidated</b>	
	<b>30 June 2023</b>	<b>30 June 2022</b>
	<b>\$</b>	<b>\$</b>
<i>Major product lines</i>		
Machines	1,192,962	2,655,498
Projects	520,985	439,819
Consumables	905,474	286,148
	<u>2,619,421</u>	<u>3,381,465</u>
<i>Geographical regions</i>		
Australia	1,097,794	201,760
Europe	1,152,452	3,148,207
US	369,175	31,498
	<u>2,619,421</u>	<u>3,381,465</u>
<i>Timing of revenue recognition</i>		
Goods transferred at a point in time	<u>2,619,421</u>	<u>3,381,465</u>

**7. Loss from operations**

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

	<b>Consolidated</b>	
	<b>30 June 2023</b>	<b>30 June 2022</b>
	<b>\$</b>	<b>\$</b>
<b>Employee Benefits Expense</b>		
Share-based payments	1,512,078	3,317,109
Superannuation guarantee contributions	453,513	474,979
Salaries, wages and other employee benefits	4,426,523	5,725,377
	<u>6,392,114</u>	<u>9,517,465</u>

7. Loss from operations (continued)

	Consolidated 30 June 2023	Consolidated 30 June 2022
	\$	\$
<b>Depreciation and amortisation expenses</b>		
Depreciation on property, plant and equipment	1,203,327	1,350,720
Depreciation on right of use assets	380,894	117,818
Amortisation of intangible assets	70,096	283,385
	<u>1,654,317</u>	<u>1,751,923</u>

	Consolidated 30 June 2023	Consolidated 30 June 2022
<b>Finance Cost Expensed</b>		
Financial liabilities measured at amortised cost:		
Other interest	385,013	15,261
Lease liabilities	82,036	36,148
	<u>467,049</u>	<u>51,409</u>

8. Remuneration Expense on Tri-D Transaction & Dycomet acquisition

	Consolidated 30 June 2023	Consolidated 30 June 2022
	\$	\$
Share based payments expense (Dycomet)	130,880	110,718
Share based payments expense (Tri-D)	4,371	980,280
Cash remuneration (Tri-D)	18,387	1,373,856
Taxes due (Tri-D)	8,777	134,401
	<u>162,415</u>	<u>2,599,255</u>

**Tri-D Dynamic 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 21.

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.

## **8. Remuneration Expense on Tri-D Transaction & Dycomet acquisition (continued)**

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 USD80,000 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 34.

## **9. Share based payment expenses**

	<b>Consolidated</b>	
	<b>30 June 2023</b>	<b>30 June 2022</b>
	<b>\$</b>	<b>\$</b>
Share based payments expense - Directors	819,370	1,267,902
Share based payments expense on cancellation of Directors' Performance rights	-	636,641
Share based payments expense - Employees	692,708	234,068
Share based payment expense to Lightforce to settle a liability	-	87,500
	<u>1,512,078</u>	<u>2,226,111</u>

## **10. Impairment loss**

	<b>Consolidated</b>	
	<b>30 June 2023</b>	<b>30 June 2022</b>
Impairment of property, plant and equipment - space grant	739,934	477,286
Impairment of property, plant and equipment - other	498,002	-
Impairment of right of use assets	974,164	-
Impairment of intangibles	476,370	-
Impairment of goodwill	-	320,624
	<u>2,688,470</u>	<u>797,910</u>

Management considers the relationship between its market capitalisation and the book value of its equity, among other factors, when reviewing for indicators of impairment. As at 30 June 2023, the market capitalisation of the Company was above its book value; however, there were other internal indicators of impairment.

As a result, management performed an impairment test as at 30 June 2023. The impairment test was based on a value in use methodology in accordance with AASB 136: Impairment of Assets. Given the uncertainty attached to future cashflows, an impairment loss has been recognised for those intangible and other non-current assets that had a value in use or fair value less cost to sell below its carrying amount in accordance with the accounting standard.

## 11. Income tax expense

	Consolidated 30 June 2023 \$	30 June 2022 \$
<b>Income tax expense</b>		
Income tax expense	-	-
Aggregate income tax expense	-	-
<b>Reconciliation of income tax expense to prima facie tax payable</b>		
Loss before income tax expense	(15,332,899)	(16,971,886)
Tax at the statutory tax rate of 25%	3,833,225	4,242,972
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Non-assessable R&D tax incentive income	196,511	285,022
Non-allowable expenses	(864,254)	(1,159,626)
Tax losses for which no deferred tax asset is recognised	(3,135,220)	(3,038,666)
Timing differences for which no DTA is recognised	241,215	9,403
Tax losses of foreign controlled entities not recognised	(271,477)	(339,105)
Income tax expense	-	-

## Unrecognised potential tax benefits

	Consolidated 30 June 2023 \$	30 June 2022 \$
Unused tax losses for which no deferred tax asset has been recognised	14,666,369	11,769,454

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.

## 12. Loss per share

	Consolidated 30 June 2023 \$	30 June 2022 \$
<b>Earnings per share for loss from continuing operations</b>		
Loss after income tax	(15,332,899)	(16,971,886)
	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares used in calculating basic and diluted earnings per share	219,514,652	187,602,729
Weighted average number of ordinary shares used in calculating basic and diluted earnings per share	219,514,652	187,602,729
	<b>Cents</b>	<b>Cents</b>
Basic earnings per share	(6.98)	(9.05)
Diluted earnings per share	(6.98)	(9.05)



## 12. Loss per share (continued)

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.

## 13. Cash and cash equivalents

	<b>Consolidated</b>	
	<b>30 June 2023</b>	<b>30 June 2022</b>
	<b>\$</b>	<b>\$</b>
Cash at bank	<u>1,470,969</u>	<u>7,108,180</u>

## 14. Trade and other receivables

	<b>Consolidated</b>	
	<b>30 June 2023</b>	<b>30 June 2022</b>
	<b>\$</b>	<b>\$</b>
Trade receivables	305,874	847,101
Other receivables	<u>103,307</u>	<u>104,812</u>
	<u>409,181</u>	<u>951,913</u>

## 15. Inventories

	<b>Consolidated</b>	
	<b>30 June 2023</b>	<b>30 June 2022</b>
Raw material at cost	1,778,629	1,526,520
Less: Provision for obsolescence	(198,339)	(263,557)
Work in progress at cost	1,290,036	1,289,392
Less: Provision for obsolescence	(538,214)	(687,405)
Finished goods - at cost	401,141	244,681
Less: Provision for obsolescence	-	-
	<u>2,733,253</u>	<u>2,109,631</u>

## 16. Other current assets

	<b>Consolidated</b>	
	<b>30 June 2023</b>	<b>30 June 2022</b>
	<b>\$</b>	<b>\$</b>
Prepayments	828,985	158,108
Deposits	<u>369,900</u>	<u>519,301</u>
	<u>1,198,885</u>	<u>677,409</u>

**Titomic Limited**  
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**17. Property, plant and equipment**

	<b>Consolidated</b>	
	<b>30 June 2023</b>	<b>30 June 2022</b>
	<b>\$</b>	<b>\$</b>
Building fitouts	215,788	68,146
Less: Accumulated depreciation	(41,768)	(9,268)
Less: Provision for impairment	(22,540)	-
	<u>151,480</u>	<u>58,878</u>
Factory equipment	1,108,787	1,632,452
Less: Accumulated depreciation	(257,977)	(956,287)
Less: Provision for impairment	(525,148)	-
	<u>325,662</u>	<u>676,165</u>
Computer Equipment	66,516	367,575
Less: Accumulated depreciation	(27,417)	(293,143)
Less: Provision for impairment	(30,768)	-
	<u>8,331</u>	<u>74,432</u>
Machinery	1,071,711	3,487,492
Less: Accumulated depreciation	(876,165)	(2,415,781)
Less: Provision for impairment	(195,546)	-
	<u>-</u>	<u>1,071,711</u>
Capital work in progress	-	141,679
	<u>485,473</u>	<u>2,022,865</u>

**Reconciliations**

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

<b>Consolidated</b>	<b>Building Fit outs</b>	<b>Factory Equipment</b>	<b>Computer Equipment</b>	<b>Machinery</b>	<b>Capital Work in progress</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Balance at 1 July 2021	-	287,534	90,115	2,124,099	2,931	2,504,679
Additions	10,380	74,610	23,182	-	966,160	1,074,332
Additions through business combinations (note 34)	61,325	224,011	-	-	-	285,336
Disposals	(1,083)	-	-	-	-	(1,083)
Exchange differences	(2,476)	(9,043)	-	-	-	(11,519)
Impairment of assets	-	-	-	-	(477,286)	(477,286)
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
Additions	124,306	88,311	-	-	712,630	925,247
Disposals	-	(4,535)	(16,841)	-	-	(21,376)
Impairment of assets	(22,540)	(525,148)	(30,768)	(195,546)	(463,934)	(1,237,936)
Transfers in/(out)	32,604	348,846	8,925	-	(390,375)	-
Depreciation expense	(41,768)	(257,977)	(27,417)	(876,165)	-	(1,203,327)
Balance at 30 June 2023	<u>151,480</u>	<u>325,662</u>	<u>8,331</u>	<u>-</u>	<u>-</u>	<u>485,473</u>

**18. Right-of-use assets**

	<b>Consolidated</b>	
	<b>30 June 2023</b>	<b>30 June 2022</b>
	<b>\$</b>	<b>\$</b>
Buildings	1,528,167	1,519,709
Less: Accumulated depreciation	(498,712)	(117,818)
Less: Provision for impairment	(974,164)	-
	<u>55,291</u>	<u>1,401,891</u>

*Reconciliations*

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

	Australian Head office \$	Australian Factory \$	Netherlands Office \$	Total \$
<b>Consolidated</b>				
Balance at 1 July 2021	-	-	-	-
Additions	438,930	973,719	-	1,412,649
Additions through business combinations (note 34)	-	-	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
Additions	-	-	8,458	8,458
Impairment of assets	(243,850)	(730,314)	-	(974,164)
Depreciation expense	(146,310)	(194,719)	(39,865)	(380,894)
Balance at 30 June 2023	<u>-</u>	<u>-</u>	<u>55,291</u>	<u>55,291</u>

The details on contractual terms and conditions pertinent to material lease arrangements are explained in note 23

**19. Intangible assets**

	<b>Consolidated</b>	
	<b>30 June 2023</b>	<b>30 June 2022</b>
	<b>\$</b>	<b>\$</b>
Technology - at cost	438,857	438,857
Less: Accumulated amortisation	(101,278)	(53,970)
Less: Provision for impairment	(337,579)	-
	<u>-</u>	<u>384,887</u>
Customer relations - at cost	264,483	264,483
Less: Accumulated amortisation	(146,235)	(126,976)
Less: Provision for impairment	(118,248)	-
	<u>-</u>	<u>137,507</u>
Brand - at cost	28,095	28,095
Less: Accumulated amortisation	(7,551)	(4,023)
Less: Provision for impairment	(20,544)	-
	<u>-</u>	<u>24,072</u>
	<u>-</u>	<u>546,466</u>

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**19. Intangible assets (continued)**

*Reconciliations*

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

<b>Consolidated</b>	<b>Goodwill \$</b>	<b>Technology \$</b>	<b>Customer \$</b>	<b>Brands \$</b>	<b>Total \$</b>
Balance at 1 July 2021	-	-	-	-	-
Additions through business combinations (note 34)	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
Impairment of assets	-	(337,578)	(118,248)	(20,544)	(476,370)
Amortisation expense	-	(47,309)	(19,259)	(3,528)	(70,096)
Balance at 30 June 2023	-	-	-	-	-

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## **19. Intangible assets (continued)**

Impairment testing was applied to plant, property & equipment, right-of-use assets and intangible assets in both Australia and Europe cash-generating units. For further information on the impairment testing refer to note 2.

The recoverable amount of these assets has been determined by a value-in-use calculation using a discounted cash flow model, based on a 5-year projection period approved by management, together with a terminal value.

Key assumptions are those to which the recoverable amount of an asset or cash-generating units is most sensitive.

The following key assumptions were used in the discounted cash flow model for the Australia division:

- 15% post-tax discount rate
- 44% per annum projected revenue growth rate
- 5% per annum increase in operating costs and overheads.

The discount rate of 15% pre-tax reflects management's estimate of the time value of money and the consolidated entity's weighted average cost of capital adjusted for the Australia division, the risk-free rate and the volatility of the share price relative to market movements.

Management believes the projected 44% revenue growth rate is prudent based on the low base currently from which this is projected.

Compared to prior years, management have reduced their estimation of the increase in operating costs and overheads, due to a restructuring of the business to contain costs, leading to the assumption of a 5% average increase per year.

The following key assumptions were used in the discounted cash flow model for the Europe division:

- 15% post-tax discount rate
- 35% average per annum projected revenue growth rate
- 20% per annum increase in operating costs and overheads

The discount rate of 15% pre-tax reflects management's estimate of the time value of money and the consolidated entity's weighted average cost of capital adjusted for the Europe division, the risk-free rate and the volatility of the share price relative to market movements in the parent entity.

Management have estimated a 10% growth as reasonable for this mature division of the business based on recent performance.

Compared to prior years, management have made an estimation of an average 20% increase in operating costs and overheads to support the anticipated average revenue growth of 35%.

There were no other key assumptions for the Europe division.

### **Sensitivity**

As disclosed in note 2, the directors have made judgements and estimates in respect of impairment testing.

Should these judgements and estimates not occur the resulting asset carrying amounts may decrease. The sensitivities are as follows:

- Revenue growth assumptions are uncertain and may not be achieved
- The discount rate could increase beyond the 15% assumed in the calculation

## **20. Trade and other payables**

	<b>Consolidated</b>	
	<b>30 June 2023</b>	<b>30 June 2022</b>
	<b>\$</b>	<b>\$</b>
Trade payables	645,127	216,161
Accrued expenses	63,279	599,778
Other payables	270,631	286,820
	<u>979,037</u>	<u>1,102,759</u>

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**21. Provisions (current)**

	<b>Consolidated</b>	
	<b>30 June 2023</b>	<b>30 June 2022</b>
	<b>\$</b>	<b>\$</b>
Employee benefits	271,036	328,314
Contingent employee benefits (Tri-D)	-	707,898
Taxes payable on Tri-D transaction	152,947	141,874
Deferred consideration (Dycomet)	411,733	192,474
	<u>835,716</u>	<u>1,370,560</u>

**22. Borrowings**

	<b>Consolidated</b>	
	<b>30 June 2023</b>	<b>30 June 2022</b>
	<b>\$</b>	<b>\$</b>
Bridging loan	600,000	-
Insurance premium funding	417,725	-
	<u>1,017,725</u>	<u>-</u>

The bridging loan was drawn to supplement working capital while the Company finalised a capital raising process. The remaining loan balance was repaid during July 2023 on successful completion of a pro rata, accelerated renounceable entitlement offer.

During the year, the Company utilised an insurance premium funding facility which is repaid in monthly instalments across the duration of the insurance premium. There was no Insurance Funding entered into within the prior year period. This process was finalised in July 2022.

**23. Other financial liabilities (current)**

	<b>Consolidated</b>	
	<b>30 June 2023</b>	<b>30 June 2022</b>
Government grant liabilities	38,738	1,021,237
CSIRO IP Liability	660,714	529,698
Contract liabilities	819,108	341,585
Lease liability	406,853	373,104
	<u>1,925,413</u>	<u>2,265,624</u>

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 25.

**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.

## **23. Other financial liabilities (current) (continued)**

### **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.

## **24. Provisions (non current)**

	<b>Consolidated</b>	<b>Consolidated</b>
	<b>30 June 2023</b>	<b>30 June 2022</b>
	<b>\$</b>	<b>\$</b>
Employee benefits	64,918	77,427
Deferred consideration for Dycomet acquisition (note 34)	289,888	155,967
Contingent consideration for Dycomet acquisition (note 34)	176,476	176,476
Lease make good	48,505	48,505
Warranties	31,877	31,877
	<u>611,664</u>	<u>490,252</u>

## **25. Other financial liabilities (non-current)**

	<b>Consolidated</b>	<b>Consolidated</b>
	<b>30 June 2023</b>	<b>30 June 2022</b>
	<b>\$</b>	<b>\$</b>
Lease liabilities	704,670	1,051,739
CSIRO IP Liability	993,785	1,124,801
	<u>1,698,455</u>	<u>2,176,540</u>

Lease liabilities are explained in the disclosure note 23

### **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:

25. Other financial liabilities (non-current) (continued)

- (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.



## 26. Issued capital

	Consolidated			
	30 June 2023 Shares	30 June 2022 Shares	30 June 2023 \$	30 June 2022 \$
Ordinary shares - fully paid	<u>238,989,955</u>	<u>202,530,093</u>	<u>63,790,575</u>	<u>57,853,211</u>
<i>Movements in ordinary share capital</i>				
Details	Date	Shares	Issue price	\$
Balance	1 July 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		-	\$0.00	(746,969)
Balance	30 June 2022	202,530,093		57,853,211
Issue of share capital for Tri-D consideration	28 Jul 2022	1,044,683	\$0.23	236,620
Issue of share capital to employees	29 Aug 2022	1,175,883	\$0.29	341,006
Issue of share capital to employees	2 Sep 2022	846,952	\$0.28	237,148
Issue of share capital	8 Dec 2022	16,735,556	\$0.16	2,677,690
Issue of share capital for Tri-D consideration	21 Dec 2022	500,000	\$0.16	80,000
Issue of share capital to employees	21 Dec 2022	80,000	\$0.16	12,800
Issue of share capital to employees	17 Feb 2023	150,000	\$0.43	64,500
Issue of share capital to Repkon	23 Feb 2023	14,045,694	\$0.16	2,247,310
Issue of share capital to employees	17 Mar 2023	150,000	\$0.43	64,500
Issue of share capital to directors	4 May 2023	1,093,750	\$0.16	175,000
Issue of share capital to directors	4 May 2023	187,344	\$0.12	22,500
Issue of share capital to employees	19 May 2023	250,000	\$0.30	75,000
Issue of share capital to employees	19 May 2023	200,000	\$0.24	48,000
Less: Transaction cost arising on shares' issue		-	\$0.00	(344,710)
Balance	30 June 2023	<u>238,989,955</u>		<u>63,790,575</u>

### ***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.

**27. Share based payments reserves**

	<b>Consolidated</b>	
	<b>30 June 2023</b>	<b>30 June 2022</b>
	<b>\$</b>	<b>\$</b>
Tri D & Dycomet Shares reserves	419,664	1,090,998
Directors & employee incentive plan	2,672,845	2,241,659
Options reserve	117,719	2,256,646
Reserve for forfeited share rights and options	3,862,737	1,018,407
Pre share placement funds reserve	750,000	-
	<u>7,822,965</u>	<u>6,607,710</u>

**(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
	<u>16,655,808</u>					<u>2,420,651</u>

**27. Share based payments reserves (continued)**

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

The share-based payments reserve also includes share-based payment expense attributable to the employees' incentive plan disclosed in note 32.

**(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%	31 May 2027	85.00%	37,000
02 May 2022	600,000	\$0.185	\$0.60	2.90%	31 May 2027	85.00%	39,000
02 May 2022	600,000	\$0.185	\$0.80	2.90%	31 May 2027	85.00%	34,800
02 May 2022	800,000	\$0.185	\$1.00	2.90%	31 May 2027	85.00%	40,800
	<u>2,500,000</u>						<u>151,600</u>

**(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.

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**27. Share based payments reserves (continued)**

*Movements in reserves*

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

<b>Consolidated</b>	<b>Other reserves \$</b>	<b>Tri D &amp; Dycomet Shares reserves \$</b>	<b>Directors &amp; employee incentive plan \$</b>	<b>Options reserves \$</b>	<b>Forfeited rights and options \$</b>	<b>Total \$</b>
Balance at 1 July 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 forfeited reserves upon cancellation of rights	-	-	(636,641)	-	636,641	-
Transfer to forfeited reserves upon expiry of rights	-	-	(286,691)	-	286,691	-
Transfer to equity capital upon issue of shares	-	-	(235,096)	-	-	(235,096)
Balance at 30 June 2022	-	1,090,998	2,241,659	2,256,646	1,018,407	6,607,710
Share based payments expense for the year	-	516,331	1,490,172	49,103	-	2,055,606
Transfer to equity capital upon issue of shares	-	(804,948)	(377,781)	-	-	(1,182,729)
Transfer to profit or loss upon forfeiture	-	(381,804)	(25,818)	-	-	(407,622)
Transfer to forfeited reserves upon expiry of rights	-	-	(656,301)	(2,188,030)	2,844,331	-
Advance payment for share capital issued post year end	750,000	-	-	-	-	750,000
Balance at 30 June 2023	<u>750,000</u>	<u>420,577</u>	<u>2,671,931</u>	<u>117,719</u>	<u>3,862,738</u>	<u>7,822,965</u>

**(e) Employee incentive plan**

In January 2023, the Directors established a short term incentive plan for all employees. Under the plan, employees are able to opt in to salary sacrifice up to 10% of their monthly gross salary for rights over shares in the Company. The rights vest 6 months after each salary sacrifice event. If the employee remains employed a further 12 months later, they become entitled to an additional 50% of rights.

Rights to be issued under the employee incentive plan per the above vesting details are as follows:

<b>Month of issue</b>	<b>No of rights</b>
July 2023	96,085
August 2023	115,601
September 2023	110,429
October 2023	311,234
November 2023	99,070
December 2023	153,785
	<u>886,204</u>

**28. Accumulated losses**

	<b>Consolidated</b>	
	<b>30 June 2023</b>	<b>30 June 2022</b>
	<b>\$</b>	<b>\$</b>
Accumulated losses at the beginning of the financial year	(56,997,147)	(40,025,261)
Loss after income tax expense for the year	<u>(15,332,899)</u>	<u>(16,971,886)</u>
Accumulated losses at the end of the financial year	<u><u>(72,330,046)</u></u>	<u><u>(56,997,147)</u></u>

**29. Dividends**

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

**30. Remuneration of auditors**

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

	<b>Consolidated</b>	
	<b>30 June 2023</b>	<b>30 June 2022</b>
	<b>\$</b>	<b>\$</b>
<i>Audit services</i>		
Audit or review of the financial statements - BDO Audit Pty Ltd	202,361	153,407
<i>Non Audit Services - BDO Audit Pty Ltd</i>		
Corporate Finance Specialist Services *	-	11,449
* These services related to advice performed prior to the appointment of BDO as auditors and was not relied upon by the former auditors		
Total remuneration	<u><u>202,361</u></u>	<u><u>164,856</u></u>

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**31. Cash flow information**

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

	<b>Consolidated</b>	
	<b>30 June 2023</b>	<b>30 June 2022</b>
	<b>\$</b>	<b>\$</b>
Loss after income tax expense for the year	(15,332,899)	(16,971,886)
Adjustments for:		
Depreciation and amortisation	1,654,316	1,761,840
Impairment	2,688,470	797,910
Share-based payments	1,647,329	3,317,109
Other non cash items	-	35,773
Change in operating assets and liabilities:		
(Increase) Decrease in other current assets	(253,152)	273,505
Increase (Decrease) in provisions	(69,787)	72,071
Increase in employee benefits	-	820,471
Increase (decrease) in deferred revenue	(504,976)	1,292,303
Increase (Decrease) in other liabilities	(343,645)	(520,262)
(Increase) Decrease in trade and other receivables	542,732	(663,900)
(Increase) Decrease in inventories	(623,622)	368,026
Increase (Decrease) in trade payables	(123,722)	(266,700)
Net cash used in operating activities	<u>(10,718,956)</u>	<u>(9,683,740)</u>

**30 June 2023 30 June 2022**

**Non-cash investing and financing activities**

Additions to the right of use assets

8,458 1,412,649

**Non-cash operating and financing activities**

Insurance prepayments funded through a premium funding arrangement

417,725 -

**32. Share Based Payments - Employee Incentive Plan**

**(a) Employee incentive plan**

In July 2022, the Directors established a new Employee LTI plan and for certain retention incentives. 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. This allotted certain employees share rights, which would vest over time (first tranche vested virtually immediately and shares were issued in early Sept 2022). The remaining shares vested over a period of 2 years. The only condition to be satisfied was that the employee remained employed at vesting date. There were no market conditions or other restrictions on the shares.

The share rights were valued at the market closing price on 29 July 2022 of \$0.255. There is no adjustment for the impact of discounting as it is deemed to be immaterial.

*Details of the performance rights for the year ended 30 June 2023, are as follows:*

Grant date	Expiry date	Exercise price	Balance at the beginning of the year	Granted during the year	Exercised during the year	Expired / forfeited during the year	Balance at the end of the year	Exercisable at the end of the year
28-Jul-2022	28-Jul-2024	\$0.0000	-	2,599,999	(846,952)	(607,848)	1,145,199	-

### 32. Share Based Payments - Employee Incentive Plan (continued)

The establishment of the previous employee incentive plan was approved by shareholders at the 2019 annual general meeting. The plan was 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. This policy expired with no rights being issued.

*Details of the performance rights for the year ended 30 June 2023, are as follows:*

Grant date	Expiry date	Exercise price	Balance at the beginning of the year	Granted during the year	Exercised during the year	Expired / forfeited during the year	Balance at the end of the year	Exercisable at the end of the year
29-Nov-19	29-Nov-22	\$0.0000	586,474	-	-	(586,474)	-	-

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

Grant date	Expiry date	Exercise price	Balance at the beginning of the year	Granted during the year	Exercised during the year	Expired / forfeited during the year	Balance at the end of the year	Exercisable at the end of the year
29-Nov-19	29-Nov-22	\$0.0000	731,204	-	-	(143,730)	586,474	-

#### 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 2023 \$	30 June 2022 \$
Share based payments expense for performance rights issued under employee incentive plan	129,000	159,068
Share based payments expense for the issue of share capital	123,000	75,000
	<u>252,000</u>	<u>234,068</u>

### 33. 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 2023 \$	30 June 2022 \$
Short-term employee benefits	1,041,969	1,393,159
Post-employment benefits	73,263	78,354
Long-term benefits	56,395	38,869
Ex gratia payments	-	341,951
Share-based payments	835,813	1,904,543
	<u>2,007,440</u>	<u>3,756,876</u>

### **33. Directors' and Executives' Compensation (continued)**

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 2023 and 30 June 2022.

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

### **34. Business combinations**

On 30 November 2021, Titomic Limited acquired 100% of the ordinary shares of Dycomet Europe B.V. for a total consideration 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*.



### 34. Business combinations (continued)

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

	<b>Fair value</b>
	<b>\$</b>
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)
	<hr/>
Net assets acquired	1,714,651
Goodwill	320,625
	<hr/>
Acquisition-date fair value of the total consideration transferred	<u>2,035,276</u>
Representing:	
Cash paid or payable to vendor	1,107,069
Vendor's loan repayment (RTR Loan)	403,292
Contingent consideration (Note 24)	176,474
Deferred consideration - current (Note 21)	192,474
Deferred consideration - Non current (Note 24)	155,967
	<hr/>
	<u>2,035,276</u>

### 35. Interests in subsidiaries and joint ventures

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

Name	Principal place of business / Country of incorporation	Ownership interest	
		30 June 2023	30 June 2022
		%	%
Titomic USA Inc	USA	100.00%	100.00%
Dycomet Europe B.V.	Netherlands	100.00%	100.00%
Aranco Yatirim Insaat A.S. (Repkon JV)	Turkey	49.00%	49.00%

### 36. Parent Entity Information (continued)

#### 36. Parent Entity Information

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

	<b>Consolidated</b>	
	<b>30 June 2023</b>	<b>30 June 2022</b>
	<b>\$</b>	<b>\$</b>
<b>Statement of profit or loss or other comprehensive income</b>		
Loss after income tax	(13,361,138)	(17,161,870)
Total comprehensive income/(loss)	(13,361,138)	(17,161,870)
<b>Statement of financial position</b>		
Total current assets	7,158,383	11,074,136
Total assets	7,210,379	16,108,583
Total current liabilities	3,910,849	4,586,272
Total liabilities	6,087,047	7,253,064
	<b>Consolidated</b>	<b>Consolidated</b>
	<b>30 June 2023</b>	<b>30 June 2022</b>
<b>Equity</b>		
Issued capital	63,790,575	57,853,211
Directors and employee incentives plan	2,672,845	2,241,659
Tri D & Dycomet	418,116	1,090,998
Options reserves	117,719	2,256,646
Forfeited reserves	3,862,737	1,018,407
Accumulated losses	(72,330,046)	(57,187,131)
Pre share placement funds reserve	750,000	-
	<u>(718,054)</u>	<u>7,273,790</u>

#### *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 2023. (2022: nil)

#### *Contingent liabilities*

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

#### *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 2023. (2022: nil).

### 37. Related party transactions

#### *Parent entity*

Titomic Limited is the parent entity.

#### *Subsidiaries*

Interests in subsidiaries are set out in note 35.

### 37. Related party transactions (continued)

#### *Key management personnel*

Disclosures relating to key management personnel are set out in note 33 and the remuneration report included in the Directors' report.

#### *Transactions with related parties*

The following transactions occurred with related parties:

	<b>Consolidated</b>	
	<b>30 June 2023</b>	<b>30 June 2022</b>
	<b>\$</b>	<b>\$</b>
<i>Payment for goods and services from related parties</i>		
Payment for services from Dycomet	1,310,029	473,853
Payment for services from USA	-	-
<i>Sale proceeds for goods and services to related parties</i>		
Sale of services to Dycomet	-	-
Sale of services to USA	295,340	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:

	<b>Consolidated</b>	
	<b>30 June 2023</b>	<b>30 June 2022</b>
	<b>\$</b>	<b>\$</b>
<i>Current Receivables</i>		
Trade receivables from Dycomet	729	-
Trade receivables from USA	2,789,849	1,167,313
<i>Current payables:</i>		
Trade payables to Dycomet	37,231	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.

### 38. Contingent liabilities and contingent assets

#### **Summons from Composite Technology Pty Ltd**

As announced on December 6, 2022, Titomic was served with a Summons filed with the Supreme Court of NSW which names the Plaintiff as Composite Technology R&D Pty Ltd ABN 52 094 571 187 and the Defendant as Titomic.

The claim set out in the Summons is commercially misleading and Titomic denies and will vigorously defend the claim. Titomic has issued a counterclaim since the Summons was received in December 2022.

The directors are of the opinion, based on independent legal advice, that the Company will not be liable to the allegations in the claim and have accounted for a provision of legal fees at 30 June 2023.

The Company had no other contingent liabilities other than those pertinent to acquisition costs as disclosed in note 34 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 25, should future revenues exceed predetermined thresholds.

The Company has no contingent assets as at 30 June 2023 (2022: nil).

39. Events after the reporting period

During July 2023, the Company completed a fully underwritten pro rata accelerated renounceable entitlement offer to existing eligible shareholders and a non-underwritten placement offer to raise approximately \$6,500,000 (before costs). A total of \$750,000 was received prior to 30 June 2023 and 75,000,000 shares were issued on 3 July 2023. In July, \$5,549,624.44 was received and 549,624,440 shares were issued on 24 July 2023. The remaining \$250,000 is expected from a Director, subject to AGM approval. Funds raised will be used to develop increased manufacturing capacity, enhance capability for increased sales opportunities of current products and new business opportunities and to provide additional working capital.

Humphrey Nolan, Herbert Koeck, Dag Stromme, Christopher Healy and Jon Nield participated in the Retail Entitlement Offer and as a result they now hold the following ordinary shares in the Company:

Humphrey Nolan	330,000
Herbert Koeck	5,536,506
Dag Stromme	5,188,441
Christopher Healy	422,242
Jon Nield	304,728

On 7 August 2023, the Company issued 1,818,095 shares in relation to the second instalment of the Tri-D equity share component, which vested 24 months after the transaction date as described in note 8. In addition, the Company issued 450,000 shares on 13 September 2023 to the remaining founder of Tri-D as part of a negotiated severance agreement in lieu of the terms outlined in the LTI agreement as described in note 8.

No other matter or circumstance has arisen since 30 June 2023 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.

**Titomic Limited**  
**Directors' declaration**  
**30 June 2023**

In the Directors' opinion:

- the attached financial statements and notes comply with the *Corporations Act 2001*, the Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- the attached financial statements and notes give a true and fair view of the Consolidated entity's financial position as at 30 June 2023 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable, subject to the matters disclosed under Going Concern in Note 1.

The Directors have been given the declarations required by section 295A of the *Corporations Act 2001*.

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

On behalf of the Directors



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Humphrey Nolan  
Chairman

29 September 2023

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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 2023, 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 2023 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.

## Share Based Payments

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>As disclosed in Notes 7, 8, 9, 27 and 32, the Group has performance rights, share rights and share options to directors, key management personnel, and employees which have been accounted for as Share-based payments for the year ended 30 June 2023. Certain share-based payments were cancelled or expired during the year. In addition, in the prior year, the Group acquired Dycomet Europe B.V., which included an element of consideration to be settled through the issue of shares as described in Note 34. Note 1 discloses the accounting policy used by the Group for its recognition of share-based payments.</p> <p>Share-based payments are a complex accounting area which include assumptions utilised in the fair value calculations and estimates 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 valued and/or inappropriately disclosed.</p> <p>We have identified the accounting for Share Based Payments as a key audit matter given the significant accounting estimates involved and audit attention required.</p>	<p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> <li>• Obtaining an understanding of the relevant agreements.</li> <li>• Making inquiries with the directors and management to understand the share-based payment arrangements and evaluate management's assessment of the likelihood of meeting the performance conditions attached to the performance rights.</li> <li>• Recalculating the estimated fair value of the options using a relevant option valuation methodology, and assessing the valuation inputs using BDO Corporate Finance specialists, where appropriate.</li> <li>• Assessing the accounting treatment of cancelled, modified, and lapsed performance rights, share options or share rights.</li> <li>• Verifying the disclosures in the financial statements and remuneration report complies with Australian Accounting Standards and the <i>Corporations Act 2001</i>.</li> </ul>

## Accounting for Space Grant Revenue

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>Note 6 discloses the "Space Grant Revenue" and Note 1 discloses the accounting policy used by the Group for its recognition of the grant. The grant was used for ongoing research and development of certain machinery to be used in line with the grant program. As disclosed in Note 10, the space grant equipment was subject to impairments in the current and previous financial year.</p> <p>We have identified the accounting for Space Grant Revenue to be a key audit matter given the complexity involved in understanding the agreement and the audit attention required.</p>	<p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> <li>• Obtaining an understanding of the Space Grant Revenue recognition policies to ensure continued compliance with applicable Accounting Standards and consistent application from previous financial years.</li> <li>• Testing a sample of expenditures during the year to verify the expenditure was in accordance with the Grant Agreement.</li> <li>• Reviewing the capital assets acquired under the space grant program for impairment.</li> <li>• Verifying the adequacy of the disclosures in the financial statements.</li> </ul>

## Impairment of Intangibles and Other Non-Current Assets

Key audit matter	How the matter was addressed in our audit
<p>Note 10 describes the impairment loss recognised in the current year. This is further described in Notes 17, 18 and 19 for the Property, Plant and Equipment, Right-of-use Assets, and Intangible Assets, respectively. Note 1 describes the accounting policy for impairment of assets.</p> <p>Management identified indicators of potential impairment and have undertaken assessments of recoverable amount for each of these assets by determining an appropriate value in use. As a result of this impairment assessment, management have recognised an impairment expense.</p> <p>Evaluation of the recoverable amount of these assets requires significant Management judgement in determining the assumptions supporting the value in use assessment of the cash generating unit, such as forecast sales and margins, the selection of discount rate applied, and terminal growth rate.</p> <p>We have identified the Impairment of Intangibles and Other Non-Current Assets to be a key audit matter given the complexity involved in understanding the agreement and the audit attention required.</p>	<p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> <li>• Obtaining an understanding of Management's determination of the Cash Generating Units (CGUs) based on our understanding of the Group.</li> <li>• Obtaining an understanding of the key controls associated with the preparation of the valuation models used to assess the recoverable amounts of the Company's CGUs.</li> <li>• Critically evaluating and challenging Management's methodologies and assumptions utilised in their value in use models.</li> <li>• Performing sensitivity testing of Management's value in use models, including sensitising the cash flows, discount rate, and terminal growth rate.</li> <li>• Verifying the impairment expense being appropriately apportioned to the impaired assets.</li> <li>• Verifying the adequacy of the disclosures in the financial statements.</li> </ul>

### 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 2023, 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](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 28 to 34 of the directors' report for the year ended 30 June 2023.

In our opinion, the Remuneration Report of Titomic Limited, for the year ended 30 June 2023, 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**



Katherine Robertson  
Director

Melbourne, 29 September 2023

## Shareholders information

The shareholder information set out below was applicable as at 15 September 2023.

### (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	858	451,086	0.05
1,001 - 5,000	1,241	3,388,726	0.39
5,001 - 10,000	500	3,938,061	0.45
10,001 - 100,000	1,147	41,240,591	4.76
100,001 and over	539	817,075,710	94.34
Rounding			0.01
<b>TOTAL</b>	<b>4,285</b>	<b>866,094,174</b>	<b>100</b>

All ordinary shares carry one vote per share.

### Top 21 ordinary fully paid shareholders

The names of the 21 largest holders of quoted equity securities are listed below:

Name	Units	% Units
GLENEAGLE SECURITIES NOMINEES PTY LIMITED	130,000,000	15.01
QUALITY LIFE PTY LTD <THE NEILL FAMILY A/C>	53,668,750	6.20
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	44,851,033	5.18
CITICORP NOMINEES PTY LIMITED	44,598,708	5.15
BUTTONWOOD NOMINEES PTY LTD	42,447,356	4.90
GLENEAGLE SECURITIES (AUS)PTY LTD	35,000,000	4.04
MR PATRICK THOMAS BERGIN	28,341,385	3.27
REPKON MAKINA VE KALIP SANAYI VE TICARET ANONIM SIRKETI	23,661,078	2.73
JASFORCE PTY LTD	19,000,000	2.19
MR MATTHEW DAVID ROSENBERG	12,100,000	1.40
CARPE DIEM ASSET MANAGEMENT PTY LTD	11,217,836	1.30
LANDSDOWNE (AUST) NOMINEES PTY LTD <THE R & D PEGUM A/C>	10,215,098	1.18
EXIT OUT PTY LTD <THE DISCRETIONARY A/C>	10,000,000	1.15
FREO NOMINEES PTY LTD <DALE MONSON S/F NO 2 A/C>	10,000,000	1.15
WOODLANDS ASSET MANAGEMENT PTY LTD	10,000,000	1.15
JEFFREY DAVID LANG <AKASHA FAMILY A/C>	8,221,008	0.95
ROSSBEL PTY LIMITED <THE ROSSBEL A/C>	6,873,155	0.79
HERBERT KOECK	5,536,506	0.64
MR LEO RADOM + MRS FAYE RADOM <RADOM SUPER FUND A/C>	5,049,500	0.58
IWE STAR PTY LTD <T STAR SUPERFUND A/C>	5,000,000	0.58
LEOJOHN PROPRIETARY LIMITED	5,000,000	0.58
<b>Totals: Top 21 holders of ORDINARY FULLY PAID (Total)</b>	<b>520,781,413</b>	<b>60.13</b>
<b>Total Remaining Holders Balance</b>	<b>345,312,761</b>	<b>39.87</b>

### (b) Listed securities

#### Description (ASX Security Code)

#### Units

Options (TTTO)  
Exercisable at \$0.40 Expiring on 2 Feb 2024

58,621,961

### (c) Unlisted Securities

#### Description (ASX Security Code)

#### Units

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

Unquoted Options Exercisable at \$0.40 Expiring on 8 May 2026	22,312,500
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 (%)
GLENEAGLE SECURITIES NOMINEES PTY LIMITED	130,000,000	15.01
QUALITY LIFE PTY LTD <THE NEILL FAMILY A/C>	53,668,750	6.20
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	44,851,033	5.18
CITICORP NOMINEES PTY LIMITED	44,598,708	5.15
BUTTONWOOD NOMINEES PTY LTD	42,447,356	4.90
<b>TOTAL</b>	<b>315,565,847</b>	<b>36.44</b>

#### (e) Shareholders Enquiries

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

Computershare  
GPO Box 3224  
Melbourne VIC

#### (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 29 September 2023, the Company has used its cash and assets readily convertible to cash in a manner consistent with its stated business objectives.

**End of shareholders information**

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# Together, we can make it possible.

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