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# Titomic Limited

## Appendix 4D Half-Year Ended 31 December 2017

**Name of Entity:** Titomic Limited  
**ABN:** 77 602 793 644  
**Half-Year Ended:** 31 December 2017  
**Previous Period:** 31 December 2016

### Results for Announcement to the Market

Revenue for ordinary activities	-	-	to	-
Net loss from ordinary activities after tax attributable to members	Up	401.1%	to	(\$1,554,638)
Net loss for the period attributable to members	Up	401.1%	to	(\$1,554,638)

### Net tangible assets per security

31 December 2017

30 June 2017

Net tangible asset backing (per share)	\$5.00	\$0.91
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### Explanation of Results

An explanation of the key financial elements contributing to the revenue and result above can be found in the Review of Operations included within the Directors' Report.

### Distributions

No dividends have been paid or declared by the Company for the current financial period. No dividends were paid for the previous financial period.

### Changes in Controlled Entities

There have been no changes in controlled entities during the half-year 31 December 2017.

### Other Information Required by Listing Rule 4.2A

N/A

### Interim Review

The interim financial statements have been reviewed by the Company's independent auditor with an Emphasis of matter.

*To be read in conjunction with the 30 June 2017 Annual Report*

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## **Titomic Limited**

ABN 77 602 793 644

### **Interim Financial Report**

**For the Half-Year Ended 31 December 2017**



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# Titomic Limited

ABN 77 602 793 644

## Interim Financial Report - 31 December 2017

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This financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2017 and any public announcements made by Titomic Limited during the half-year reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

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## Corporate Directory

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### Directors

Mr. Philip Vafiadis  
*Non-Executive Chairman*

Mr. Jeffrey Lang  
*Executive Director*

Mr. Simon Marriott  
*Executive Director*

Prof. Richard Fox  
*Non-Executive Director*

Mr. Richard Willson  
*Independent Non-Executive Director*

Mr. John Barnes  
*Independent Non-Executive Director*

### Company Secretaries & Chief Financial Officers

Mr. Phillip Hains

Mr. Peter Vaughan

### Chief Executive Officer

Mr. Jeffrey Lang

### Registered Office

Level 3, 62 Lygon Street,  
Carlton, Victoria 3053, Australia  
Telephone: +61(0)3 9824 5254  
Facsimile: +61(0)3 9822 7735

### Principal Place of Business

Building 1, 371 Ferntree Gully Road  
Mount Waverly, Victoria 3149 Australia  
Telephone: +61 (0)3 9558 8822

### Share Registry

Computershare Investor Services Limited  
Yarra Falls, 452 Johnston Street  
Abbotsford, Victoria 3067 Australia  
Telephone: 1300 137 328  
Facsimile: +61 (0)3 9473 2500

### Auditor

Pitcher Partners  
Level 19, 15 William Street  
Melbourne, Victoria, 3000 Australia  
+61 (0)3 8610 5000

### Solicitors

Holding Redlich  
Level 8, 555 Bourke Street  
Melbourne, Victoria, 3000 Australia  
+61 (0)3 9321 9999

### Bankers

National Australia Bank (NAB)  
330 Collins Street  
Melbourne VIC  
3000 Australia

### Securities exchange listings

Australian Securities Exchange (Code: TTT)

### Website

[www.titomic.com](http://www.titomic.com)

## Directors' Report

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Your Directors present their report on the Company the end of, or during, the half-year 31 December 2017.

### **Directors**

The following persons held office as Directors of Titomic Limited during the financial period:

Mr. Philip Vafiadis	Non-Executive Chairman	
Mr. Jeffrey Lang	Executive Director & CEO	
Mr. Simon Marriott	Executive Director	
Mr. Richard Fox	Non-Executive Director	
Mr. Richard Willson	Independent Non-Executive Director	
Mr. John Barnes	Independent Non-Executive Director	(Appointed: 1 <sup>st</sup> February 2018)

### **Principal Activities**

Titomic Limited (formally Titomic Pty Limited) (Titomic) holds the exclusive rights to commercialise a patented additive manufacturing technology process developed by the Commonwealth Scientific & Industrial Research Organisation (CSIRO).

The technology is based on the application of cold-gas dynamic spraying (also known as Kinetic Fusion or Cold Spray) of titanium or titanium alloy particles/ powder onto a scaffold surface to rapidly produce titanium or titanium/composite products and parts to a scale and quality not possible via any other additive manufacturing process.

The Titomic Kinetic Fusion process is an automated robotic process and which can effectively create complex objects in 3D, which already has several industrial applications such as for protective coating technologies.

### **Review of Operations and significant events for the reporting period**

The Company reported a loss for the half-year ended 31 December 2017 of \$1,554,638 (2016: \$310,220).

### **Key Highlights:**

- Successful Completion of \$6.5M IPO
- Development of World-Class Manufacturing Facility
- Opportunities in New Industries
- Execution of Collaboration Agreements
- Building an Experienced, High Calibre Team
- Titomic Appointments Mr. John Barnes as Non-Executive Director
- Strengthening the Patent Portfolio to Extend Market Reach

### **Successful Completion of IPO**

During the half year Titomic successfully raised A\$6.5 million through an Initial Public Offering (IPO) and commenced trading on the Australian Securities Exchange on 21st September 2017.

### **Developing a World-Class Manufacturing Facility**

Titomic has utilised funding raised from the IPO to develop its new fully-automated manufacturing facility in Melbourne. At 40.5 cubic metres (9 metres x 3 metres x 1.5 metres) in size, Titomic's custom 3D printer will be the largest metal 3D printer in the world. It will also be the world's fastest, with a 3D printing build speed of up to 45 kilograms per hour.

The robotics and critical componentry for the manufacturing systems arrived in November 2017 and the development of the facility remains on schedule with the manufacturing facility anticipated to be open in Q1 CY2018, with production trials expected to commence in Q2 CY2018. In late 2017, the Company relocated its head office into its new facility and is already benefiting from a more collaborative work environment.

Once complete, the 3D printing production line will be capable of manufacturing and finishing/polishing complex-shaped titanium products for a number of industries including sporting goods, aerospace, military, marine, automotive, building and construction, industrial equipment, medical and mobility equipment.

## Directors' Report

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### **Opportunities in New Industries**

During the period, Titomic attended a number of industry seminars and trade shows which provided an opportunity for the Company to showcase its proprietary Titomic Kinetic Fusion manufacturing process.

In October 2017, the Company was awarded the 'Best Maritime Innovation' award at Pacific 2017 International Maritime Exposition in Sydney, confirming Titomic's advanced manufacturing application for the maritime industry - a previously unexplored market for Titomic.

Pacific 2017 International Maritime Exposition was a three-day conference in Sydney, which included a two-day Innovation Showcase organised by the Defence Science Institute, Industry Defence and Security Australia Limited and Defence SA. It is the only comprehensive international exhibition of its kind in the Indo-Asia-Pacific region, showcasing commercial maritime and naval defence industries to decision-makers from around the world.

By applying cold-gas dynamic spraying of titanium, or titanium alloy particles, on to a scaffold to produce a load-bearing structure, the Titomic Kinetic Fusion process has many advantages over traditional forms of manufacturing, including its faster production speed, and unlimited shape and size capabilities.

The advantages of the Titomic system are unilateral across a number of load-bearing titanium alloy industries with the Company also attracting interest from the aerospace industry, which is the largest beneficiary of titanium components. In early February 2018 Titomic exhibited at the Singapore Airshow as part of Team Defence Australia and attended the International Titanium Conference conference in Singapore. The Singapore Airshow is the largest event of its kind in Asia attracting high level government, military and corporate delegates, enabling face to face discussions with government bodies, additive manufacturing research institutes, global aviation, defence, space and industrial equipment players.

Throughout the remainder of the year, Titomic plans to attend or exhibit at both domestic and international shows across a number of different industries including the Australasian Oil & Gas Expo, National Manufacturing Week, Queensland Mining and Engineering Expo, Eurobike in Germany, Land Forces, International Titanium Association in USA, and FormNext in Germany.

These events provide opportunities for Titomic to showcase its Titomic Kinetic Fusion process capabilities to a number of different industries enabling productive engagements with leading technical experts and global industry representatives.

### **Execution of Collaborative Agreements**

In December 2017, as foreshadowed by the Company at the time of its IPO, Titomic was pleased to establish and announce strategic alliances with two internationally recognised companies.

The first collaborative agreement was signed with Perth-based mining and oil & gas engineering services company, Callidus Welding Solutions. Callidus Welding Solutions is part of the Callidus Group, itself part of the private Dutch company Pon Holdings which provides passenger cars, commercial vehicles and bicycles, earth moving equipment, ships engines and electrical engineering in the Netherlands and internationally.

In line with expectations, Titomic and Callidus started working together in February 2018 to scope out projects for Callidus' product development range.

Titomic signed its second collaborative agreement, this time with a major North American bicycle and cycling product manufacturer. This agreement, which commenced in December 2017, will see Titomic design and develop a high-performance titanium concept bicycle.

Looking ahead to the rest of the 2017 financial year, negotiations are at various stages with a number of other potential new customers and partners across the consumer & sporting goods, aerospace, European naval and Australian ship building industries. Titomic looks forward to updating its shareholders as these negotiations continue to finalisation.

### **Building an Experienced, High Calibre Team**

Since the Company's IPO in September 2017, Titomic has continued to develop and strengthen its in-house operational team through the appointment of several highly-experienced, industry known personnel.

#### ***Leon Gairns – General Manager of R&D Division***

In December 2017, the Company appointed Mr Leon Gairns as the General Manager of its R&D Division. Mr. Gairns is an engineering professional with more than 20 years' experience in design, process and manufacturing operations. He has held previous roles in project delivery, design and additive manufacturing for a leading electric automaker, and automotive brands including Toyota, Ford and General Motors. His project experience in the aerospace, industrial and medical sectors will be pivotal to his management of Titomic's bespoke R&D projects across various industries.

#### ***Peter Teschner – General Manager of Bike Division***

In December 2017, the Company appointed Mr Peter Teschner as the General Manager of its Bike Division.

Mr. Teschner is one of the most experienced bicycle designers in the industry with over 25 years' experience. His work with the finest materials such as titanium, scandium alloy blends and carbon fibre has resulted in his bicycles being recognised globally for their innovative build and superior performance qualities.

Mr Teschner's experience and skill in designing and manufacturing bicycles will help position Titomic at the leading edge of future bicycle industry trends and help to identify opportunities for growth, partnership, and to benchmark output. He will also perform a critical role in delivering on the exciting collaborative agreement with Titomic's North American bicycle partner.

#### ***John E. Barnes - Non-Executive Director***

In February 2018, Mr. John Barnes joined Titomic's Board as a Non-Executive Director.

Mr. Barnes has more than 25 years' experience in various roles including product development in aerospace with Honeywell (NYSE:HON), as a former senior Leader of Lockheed Martin Aeronautics (NYSE: LMT) , Vice President of Advanced Manufacturing & Strategy at Arconic (NYSE:ARNC) and program director at CSIRO. Under his leadership, his teams have implemented technology on the F-22, F-35, Airbus A350 as well as provided solutions to patients seeking orthopaedic bone replacements. He has also contributed to industry publications such as the Wohlers Report and is well respected for his experience in implementation, materials development, powders processing and applications in the aerospace & defence industries.

Titomic expects to continue strengthening its team as new partnerships and collaborative agreements are confirmed. This will include the appointment of individuals in key positions as the Company expands into other key industries.

### **Strengthening the Patent Portfolio to Extend Market Reach**

In September 2017 the US patent was granted and in December the Company received notification that the Chinese patent was also granted. The Australian patent was granted in January 2018.

These patents relate to the application of cold-gas dynamic spraying of titanium or titanium alloy particles onto a scaffold to produce a load-bearing structure. These recently granted patent jurisdictions add to the already granted New Zealand and Japanese patents further expand Titomic's market opportunities to cover some of the world's largest economies. Titomic has been advised that the European patent office has completed examining the patent applications and the Company expects these patents to be granted in the near term.

## Directors' Report (Continued...)

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### **Significant Changes in the State of Affairs**

There have been no other significant changes in the state of affairs of the Company during the period.

### **Matters Subsequent to the End of the Financial Year**

- On 31 January 2018, the Company was granted the Australian patent for the application of cold-gas dynamic spraying of titanium or titanium alloy particles onto a scaffold to produce a load-bearing structure, better known as Titomic Kinetic Fusion.
- On 1 February 2018, the Company appointed a new Non-Executive Director, Mr John Barnes.

No other matter or circumstance has arisen since 31 December 2017 that has significantly affected, or may significantly affect:

- (a) the Company's operations in future financial periods, or
- (b) the results of those operations in future financial periods, or
- (c) the Company's state of affairs in future financial periods.

### **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 review for the half-year is provided with this report.

### **Rounding of amounts**

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

Signed in accordance with a resolution of the Directors for and on behalf of the Company;



Mr Jeffrey Lang  
Chief Executive Officer

Dated: This the 27<sup>th</sup> day of February 2018

## Auditor's Independence Declaration



TITOMIC LIMITED  
ABN 77 602 793 644

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

In relation to the independent auditor's review for the half year ended 31 December 2017, to the best of my knowledge and belief there have been:

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

A handwritten signature in black ink, appearing to read "B Powers".

B POWERS  
Partner

Date: 27 February 2018

A handwritten signature in black ink, appearing to read "Pitcher Partners".

PITCHER PARTNERS  
Melbourne

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**Statement of Profit and Loss and Other Comprehensive Income  
For the Half Year Ending 31 December 2017**

	Notes	31 December 2017 \$	31 December 2016 \$
<b><u>Revenue and other income</u></b>			
Interest revenue	4	14,536	-
<b><u>Expenses</u></b>			
Corporate administration expenses	4	(639,447)	(105,569)
Depreciation and amortisation expenses		(14,667)	-
Research and development expenses		(376,086)	(28,619)
Consulting, employee and director expenses	4	(434,565)	(156,190)
Travel and entertainment expenses		(86,342)	(19,642)
Marketing and promotion		(18,067)	(200)
<b>Loss before income tax</b>		<b>(1,554,638)</b>	<b>(310,220)</b>
Income tax expense		-	-
<b>Loss for the period</b>		<b>(1,554,638)</b>	<b>(310,220)</b>
<b>Other comprehensive loss for the period</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive loss for the period</b>		<b>(1,554,638)</b>	<b>(310,220)</b>
		<b>Cents</b>	<b>Cents</b>
<b>Loss per share for profit attributable to the ordinary equity holders of the Company</b>			
Basic loss per share		(1.61)	(1.00)
Diluted loss per share		(1.61)	(1.00)

*The above Statement of Profit and Loss and Comprehensive Income should be read in conjunction with the accompanying notes.*

**Statement of Financial Position**  
**As at 31 December 2017**

	Notes	31 December 2017 \$	31 December 2016 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		3,174,164	357,144
Trade and other receivables	5	215,101	154,413
Other current assets		110,899	72,000
<b>Total current assets</b>		<b>3,500,164</b>	<b>583,557</b>
<b>Non-current assets</b>			
Property, plant and equipment	6	2,915,740	1,034,476
Intellectual property	7	261,971	269,051
<b>Total non-current assets</b>		<b>3,177,711</b>	<b>1,303,527</b>
<b>TOTAL ASSETS</b>		<b>6,677,875</b>	<b>1,887,084</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	8	456,139	665,014
Provisions		22,185	4,614
<b>Total current liabilities</b>		<b>478,324</b>	<b>669,628</b>
<b>Non-current liabilities</b>			
Other payables	9	278,249	296,495
<b>Total non-current liabilities</b>		<b>278,249</b>	<b>296,495</b>
<b>TOTAL LIABILITIES</b>		<b>756,573</b>	<b>966,123</b>
<b>NET ASSETS</b>		<b>5,921,302</b>	<b>920,961</b>
<b>EQUITY</b>			
Issued capital	10	8,593,191	2,159,045
Reserves		314,109	193,276
Accumulated losses		(2,985,998)	(1,431,360)
<b>TOTAL EQUITY</b>		<b>5,921,302</b>	<b>920,961</b>

*The above Statement of Financial Position should be read in conjunction with the accompanying notes.*

**Statement of Changes in Equity**  
**For the Half Year Ended 31 December 2017**

	<u>Attributable to owners of Titomic Limited</u>			
	<u>Issued Capital</u> \$	<u>Other Reserves</u> \$	<u>Accumulated Losses</u> \$	<u>Total</u> \$
<b>Balance at 1 July 2016</b>	1,048	-	(37,941)	(36,893)
Loss for the period	-	-	(310,220)	(310,220)
<b>Total comprehensive income for the period</b>	-	-	<b>(310,220)</b>	<b>(310,220)</b>
<b><u>Transactions with owners in their capacity as owners:</u></b>				
Shares issued, net of costs	2,422,254	-	-	2,422,254
<b>Balance at 31 December 2016</b>	<b>2,423,302</b>	-	<b>(348,161)</b>	<b>2,075,141</b>
<b>Balance at 1 July 2017</b>	<b>2,159,045</b>	<b>193,276</b>	<b>(1,431,360)</b>	<b>920,961</b>
Loss for the period	-	-	(1,554,638)	(1,554,638)
<b>Total comprehensive income for the period</b>	-	-	<b>(1,554,638)</b>	<b>(1,554,638)</b>
<b><u>Transactions with owners in their capacity as owners:</u></b>				
Shares issued, net of costs	6,434,146	-	-	6,434,146
Share based payment	-	120,833	-	120,833
<b>Balance at 31 December 2017</b>	<b>8,593,191</b>	<b>314,109</b>	<b>(2,985,998)</b>	<b>5,921,302</b>

*The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.*

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**Statement of Cash Flows**  
**For the Half Year Ended 31 December 2017**

	31 December 2017	31 December 2016
	\$	\$
<b><u>Cash flows from operating activities</u></b>		
Payments to suppliers and employees	(1,740,463)	(165,269)
Interest received	14,536	-
Finance costs	(196)	(205)
<b>Net cash (outflow) from operating activities</b>	<b>(1,726,123)</b>	<b>(165,474)</b>
<b><u>Cash flows from investing activities</u></b>		
Payments for property, plant and equipment	(1,888,851)	-
Deposits paid	-	(45,455)
<b>Net cash (outflow) from investing activities</b>	<b>(1,888,851)</b>	<b>(45,455)</b>
<b><u>Cash flows from financing activities</u></b>		
Proceeds from issues of shares and other equity securities	7,100,000	2,600,000
Share issue transaction costs	(665,854)	(177,746)
Repayment of related party borrowings	(2,152)	-
Proceeds from issues of related party borrowing	-	2,152
<b>Net cash inflow from financing activities</b>	<b>6,431,994</b>	<b>2,424,406</b>
<b>Net increase in cash and cash equivalents</b>	<b>2,817,020</b>	<b>2,213,477</b>
Cash and cash equivalents at the beginning of the financial year	357,144	-
<b>Cash and cash equivalents at end of period</b>	<b>3,174,164</b>	<b>2,213,477</b>

*The above Statement of Cash Flows should be read in conjunction with the accompanying notes.*

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# Notes to the Financial Statements

## For the Half Year Ended 31 December 2017

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### 1 Basis of Preparation of Half-Year Report

These condensed consolidated Financial report for the half-year reporting period ended 31 December 2017 have been prepared in accordance with accounting standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. These Financial Report also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

These condensed consolidated Financial report do not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2017 and any public announcements made by Titomic Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

#### (a) New and amended standards adopted by the group

There are no new accounting standards or interpretations that affect the financial position of the Company to be adopted in this reporting period.

#### (b) Going concern

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

As an early stage business, there are often significant risks associated with product development and regulatory approvals required by technology companies to advance their products. Additionally, the timing of these approvals are also difficult to predict.

The Company's ability to continue as a going concern and meet its liabilities and future commitments as and when they fall due is dependent upon a number of factors including, but not limited to:

- the ability to commercialise the Cold-Spray technology and generate future sales to enable the Company to generate profit and positive cash flows from operating activities; and
- obtaining additional funding as and when required.

From 1 July 2016, the Company has commenced start-up operations with loans from both related parties and from broking firm PAC Partners. The Company successfully raised \$2,600,000 (before costs) in November 2016 through the completion of two seed capital raisings to commence preliminary operations associated with research and commercialisation of the Company's technology.

The Company completed a further seed capital raising for \$600,000 (before costs) in July 2017 and an Initial Public Offering (IPO) on the Australian Stock Exchange raising \$6,500,000 (before costs) in September 2017.

During the half year ended 31 December 2017, the Company incurred a loss from ordinary activities of \$1,554,638 and held a net assets position of \$5,921,302 (June 2017: \$920,961), with total current assets exceeding total current liabilities by \$3,021,840 (June 2017: current liabilities exceeded current assets by \$86,071).

Based on the current budgeted forecasts and assumptions prepared, the Company forecast that its operating cash outflows will exceed its operating cash inflows as it continues to commercialise its Cold-Spray technology together with further research programs.

Titomic will need to access additional funding to meet future commitments and to pay its debts as and when they fall due, as well as fund its ongoing research and commercialisation programs.

The Directors have concluded that the going concern basis is appropriate, based on analysis of the Company's internal cash flow forecasts and estimates of future operating and capital expenditure commitments. The Board and Management are confident that the Company will be able to access, as and when necessary, the required additional funds through a number of available funding opportunities, including some of which the Company has accessed in the past. The Directors therefore consider the going concern basis of accounting appropriate for the Company.

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

## Notes to the Financial Statements

### For the Half Year Ended 31 December 2017 (Continued...)

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The financial report does not include any adjustment relating to the recoverability or classification of recorded asset amounts nor to the amounts or classification of liabilities that might be necessary should the Company have insufficient cash reserves 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 Condensed Statement of Financial Position are likely to be significantly less than the amounts disclosed and the extent of the liabilities may differ significantly from those reflected.

#### (c) R&D tax incentives

The Company's research and development activities are eligible under an Australian Government tax incentive for eligible expenditure from 1 July 2011. Management has assessed these activities and expenditure to determine which are likely to be eligible under the incentive scheme. For the six month period to 31 December 2017 the Company has not included an item in other income (2016: -) on the basis that a reliable estimate is not readily available at the date of signing this report.

## 2 Significant accounting policies

All accounting policies adopted are consistent with the most recent Annual Financial Report for the year ended 30 June 2017.

The accounting policies have been applied consistently throughout the Company for the purposes of preparing this financial report. The principal accounting policies adopted are consistent with those of the previous accounting period and corresponding interim reporting period; unless otherwise stated.

#### Rounding of amounts

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

## 3 Segment information

The Company continues to operate in one segment, being the development of 3D printing technology. It does not have any reportable business or geographic segments. Segment details therefore are fully reflected in the body of the interim financial report.

**Notes to the Financial Statements**  
**For the Half Year Ended 31 December 2017** (Continued...)

**4 Revenue and expenses**

	31 December 2017 \$	31 December 2016 \$
<b><u>Other income</u></b>		
Interest revenue	14,536	-
<b><u>Corporate administration expenses</u></b>		
Accounting fees	107,600	-
Legal Fees	16,271	42,727
Auditor fees	46,755	45,000
Corporate advisory fees	135,000	15,731
ASX Fees	61,688	-
Insurance expenses	74,346	-
Occupancy Costs	147,368	1,665
Other administration expenses	50,419	446
	<b>639,447</b>	<b>105,569</b>
<b><u>Consulting, employee and director expenses</u></b>		
Consulting expenses	(32,092)	82,214
Employee related expenses	259,066	58,826
Superannuation expenses	15,091	5,150
Directors' fees	71,667	10,000
Share-based payment expenses	120,833	-
	<b>434,565</b>	<b>156,190</b>

**5 Trade and other receivables**

	31 December 2017 \$	30 June 2017 \$
GST receivables	215,101	153,365
Formation cost	-	1,048
	<b>215,101</b>	<b>154,413</b>

**Notes to the Financial Statements**  
**For the Half Year Ended 31 December 2017** (Continued...)

**6 Property, plant and equipment**

	31 December 2017 \$	30 June 2017 \$
<b><u>Work-in-Progress</u></b>		
Building Fitout - Unit 1, 371 Ferntree Gully Road	300,810	-
Capital WIP - Robots Equipment	2,544,159	992,225
<b>Total assets in the course of construction</b>	<b>2,844,969</b>	<b>992,225</b>
<b><u>Other property, plant and equipment</u></b>		
Furniture, fittings and equipment	53,705	23,806
Plant and equipment	17,066	18,445
<b>Total other property, plant and equipment</b>	<b>70,771</b>	<b>42,251</b>
<b>Total Property, plant and equipment</b>	<b>2,915,740</b>	<b>1,034,476</b>

	Plant and Equipment \$	Furniture, fittings and equipment \$	Other Property, Plant and Equipment \$	Total \$
<b><u>Year ended 30 June 2017</u></b>				
Opening net book amount	-	-	-	-
Additions	19,150	26,447	992,225	1,037,822
Depreciation charge	(705)	(2,641)	-	(3,346)
<b>Closing net book amount</b>	<b>18,445</b>	<b>23,806</b>	<b>992,225</b>	<b>1,034,476</b>
<b><u>Year ended 31 December 2017</u></b>				
Opening net book amount	18,445	23,806	992,225	1,034,476
Additions	-	36,107	1,852,744	1,888,851
Depreciation charge	(1,379)	(6,208)	-	(7,587)
<b>Closing net book amount</b>	<b>17,066</b>	<b>53,705</b>	<b>2,844,969</b>	<b>2,915,740</b>

**7 Intangible assets**

	31 December 2017 \$	30 June 2017 \$
<b>Licenses</b>		
Opening balance at 1 July	283,212	283,212
Accumulated Amortisation	(21,241)	(14,161)
<b>Closing balance at 31 December</b>	<b>261,971</b>	<b>269,051</b>

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

In August 2013, Force Industries Pty Ltd (a related party of Jeff Lang, Tim Fox and Richard Fox) ("Force") exercised an option to acquire an exclusive royalty bearing licence to exploit intellectual property owned by the Commonwealth Scientific and Industrial Research Organisation (CSIRO). The licence is in respect of Australian Patent Application No 2012901345 "Manufacturing Process", and any applicable Know-How and relevant subject matter. The term of the licence was to the expiration, lapsing or cessation of all licenced patents, a maximum of 20 years.

Force Industries Pty Ltd and CSIRO agreed in January 2016 to novate the licence to Titomic. All existing and accrued obligations of the Licence Agreement were novated to Titomic effective from this date. The novation was for nil consideration.

The license agreement provides for royalty payments payable to CSIRO on future sales. Under the agreement, Force must pay CSIRO 1.5% of attributable gross sales revenue and 20% of non-sales revenue attributable to products within the licensed field.

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

- Minimum \$350,000 of Research Fees payable by Titomic to CSIRO over a five-year period from license grant date; or
- Minimum royalty payments structured as following:

Period	Minimum royalty
Year 1	\$-
Year 2	\$25,000
Year 3	\$50,000
Year 4 and every subsequent agreement year until the end of the license term	\$75,000

The value of the novated license agreement acquired from Force has been calculated with reference to the fair value of consideration given to acquire the license at the time of novation. This comprises the present value of contracted future cash outflows to maintain the license, which have been novated to Titomic. The minimum \$350,000 has been spread evenly over a five-year period and discounted using an indicative discount rate of 7.50% pa, to determine the cost of the intangible asset acquired.

**Notes to the Financial Statements**  
**For the Half Year Ended 31 December 2017** (Continued...)

**8 Current liabilities - Trade and other payables**

	31 December 2017 \$	30 June 2017 \$
<b>Current liabilities</b>		
Trade payables	133,935	305,822
Accrued expenses	297,204	359,192
CSIRO IP Liability	25,000	-
	<b>456,139</b>	<b>665,014</b>

**9 Non-current liabilities – Other payables**

	31 December 2017 \$	30 June 2017 \$
<b>Non-Current liabilities</b>		
CSIRO IP Liability	278,249	296,570
Borrowings	-	2,152
Other payables	-	(2,227)
	<b>278,249</b>	<b>296,495</b>

**10 Equity**

	31 December 2017		31 December 2016	
	No. of Shares (Qty)	\$	No. of Shares (Qty)	\$
<b>(a) Issued Capital</b>				
<b>Total Share Capital</b>	<b>113,298,217</b>	<b>8,593,191</b>	<b>71,645,833</b>	<b>2,423,302</b>

	No. of Shares	\$
<b>Details</b>		
<b>Balance at 1 July 2017</b>	<b>71,645,833</b>	<b>2,159,045</b>
Issue of share capital at \$0.18 each by placement (13 July 2017)	3,333,334	600,000
Issue of share capital at \$0.20 at IPO (18 September 2017)	32,500,000	6,500,000
Issue of shares to consultant (18 September 2017)	5,819,050	1,163,810
<i>Less:</i> Transaction costs arising on share issue	-	(1,829,664)
<b>Balance at 31 December 2017</b>	<b>113,298,217</b>	<b>8,593,191</b>

**(b) Rights of each type of share**

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held. At shareholders meetings each ordinary share gives entitlement to one vote when a poll is called.

## 11 Share-based payments

### (a) Expenses recognised from share-based payment transactions

The expense recognised in relation to the share-based payment transactions was recognised within employee benefits expense within profit or loss amounting to \$120,833 during the period.

## 12 Contingencies

The Company had no contingent liabilities at 31 December 2017 (30 June 2017: nil).

## 13 Commitments

### (a) Capital commitments

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

	31 December 2017 \$	30 June 2017 \$
Property, plant and equipment	1,250,110	2,161,613

The above commitments include capital expenditure commitments of \$1,189,300 to Advanced Robotics Australia and \$60,810 to Plasma Giken Co Ltd.

### (b) Non-cancellable operating leases

The company leased a warehouse on 1 April 2017 under a non-cancellable operating lease expiring in 5 years.

	31 December 2017 \$	30 June 2017 \$
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	181,500	181,500
Later than one year but not later than five years	724,768	778,858
	<b>906,268</b>	<b>960,358</b>

## 14 Related party disclosures

### **Professor Richard Fox**

During period ending 31 December 2017, an amount of \$2,152 that remained outstanding to Prof Fox as at 30 June 2017 was repaid on 27 October 2017.

### **Innovyz Investments Pty Ltd**

Philip Vafiadis is a Director and Chairman of Titomic. Mr Vafiadis is the founding owner, and Director of Innovyz Investments Pty Ltd and Innovyz Institute Pty Ltd. Innovyz provided professional management and consulting advisory services to Titomic throughout the reporting period totaling \$80,001.

The service fees paid to Innovyz for services rendered are charged at arms-length commercial rates.

### **Red Heeler Holdings Pty Ltd**

Simon Marriott is a Director and Industry and Technical Adviser of Titomic. Mr Marriott is owner and Director of Red Heelers Holding Pty Ltd. Red Heelers Holdings Pty Ltd provided professional consulting advisory services to Titomic throughout the reporting period totaling \$92,160.

### **15 Events occurring after the reporting period**

On 31 January 2018, the Company was granted the Australian patent for the application of cold-gas dynamic spraying of titanium or titanium alloy particles onto a scaffold to produce a load-bearing structure, better known as Titomic Kinetic Fusion.

On 1 February 2018, the Company appointed a new Non-Executive Director, Mr John Barnes.

No other matter or circumstance has occurred subsequent to period end that has significantly affected, or may significantly affect, the operations of the Company, the results of those operations or the state of affairs of the Company or economic entity in subsequent financial periods.

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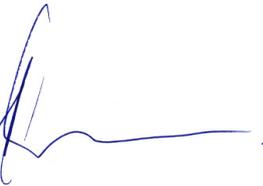
## Directors' Declaration

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In the Directors' opinion:

- (a) the Financial Report and notes set out on pages 7 to 18 are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
  - (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the half-year on that date, and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors for and on behalf of the Company;



Mr. Philip Vafiadis  
Non-Executive Chairman

Dated: This the 27<sup>th</sup> day of February 2018



TITOMIC LIMITED  
ABN 77 602 793 644

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

**Report on the Half-Year Financial Report**

We have reviewed the accompanying half-year financial report of Titomic Limited "the Company" which comprises the condensed statement of financial position as at 31 December 2017, the condensed statement of comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

*Directors' Responsibility for the Half-Year Financial Report*

The directors of the Company are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

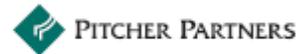
*Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Company's financial position as at 31 December 2017 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Titomic Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

*Independence*

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Titomic Limited, would be in the same terms if given to the directors as at the time of this auditor's report.



TITOMIC LIMITED  
ABN 77 602 793 644

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

*Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Titomic Limited is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Company's financial position as at 31 December 2017 and of its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting and Corporations Regulations 2001*.

*Emphasis of Matter in relation to Going Concern*

We draw attention to Note 1(b) in the financial report, which indicates that the Company incurred a net loss of \$1,554,638 for the half year ended 31 December 2017. As stated in Note 1(b) this event, along with the other matters as set forth in Note 1(b), indicate that a material uncertainty exists that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of the matter.

B POWERS  
Partner

27 February 2018

PITCHER PARTNERS  
Melbourne

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