
Titomic Limited

Appendix 4D Half-Year Ended 31 December 2018

Name of Entity: Titomic Limited
ABN: 77 602 793 644
Half-Year Ended: 31 December 2018
Previous Period: 31 December 2017

Results for Announcement to the Market

Revenue for ordinary activities	Up	1,083.04%	to	\$171,967
Net loss from ordinary activities after tax attributable to members	Up	130.35%	to	(\$3,581,142)
Net loss for the period attributable to members	Up	130.35%	to	(\$3,581,142)

Net tangible assets per security

31 December 2018
(Cents)

30 June 2018
(Cents)

Net tangible asset backing (per share)

9.40

12.21

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 2018.

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 – Pitcher Partners.

To be read in conjunction with the 30 June 2018 Annual Report

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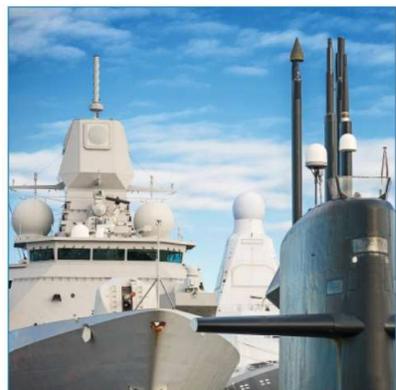


Titomic Limited

ABN 77 602 793 644

Interim Financial Report

For the Half-Year Ended 31 December 2018



Titomic Limited

ABN: 77 602 793 644

Interim Financial Report - 31 December 2018

Contents	Page
Corporate Directory	1
Directors' Report	2
Auditor's Independence Declaration	9
<u>Financial Report</u>	
Condensed Statement of Profit or Loss and Other Comprehensive Income	10
Condensed Statement of Financial Position	11
Condensed Statement of Changes in Equity	12
Condensed Statement of Cash Flows	13
Notes to the Condensed Financial Statements	14
Directors' Declaration	21
Independent Auditor's Review Report	22

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 2018 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*.

Corporate Directory

Directors	Mr. Philip Vafiadis <i>Non-Executive Chairman</i>
	Mr. Jeffrey Lang <i>Managing Director</i>
	Prof. Richard Fox <i>Non-Executive Director</i>
	Mr. Richard Willson <i>Independent Non-Executive Director</i>
Company Secretary & Chief Financial Officer	Mr. Peter Vaughan
Registered Office & Principal Place of Business	Building 3, 270 Ferntree Gully Road Notting Hill Victoria 3168 Telephone: +61(0)3 9558 8822
Share Registry	Computershare GPO Box 3224 Melbourne Victoria 3001
Auditors	Pitcher Partners GPO Box 5193 Melbourne Victoria 3001
Solicitors	Holding Redlich GPO Box 2154 Melbourne Victoria 3001
Bankers	National Australia Bank (NAB) Level 2, 330 Collins Street Melbourne Victoria 3000
Securities Quoted	Australian Securities Exchange Ordinary Fully Paid Shares (Code: TTT)
Website	http://www.titomic.com/

Directors' Report

The Directors present their report together with the condensed financial report of Titomic Limited (the Company) for the half-year ended 31 December 2018 and independent review thereon.

DIRECTORS

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

Mr. Philip Vafiadis	Non-Executive Chairman
Mr. Jeffrey Lang	Managing Director
Prof. Richard Fox	Non-Executive Director
Mr. Richard Willson	Independent Non-Executive Director

PRINCIPAL ACTIVITIES

Titomic Limited ("Titomic") is positioned to change the value proposition of Titanium, to unlock new applications and open opportunities that are now technically and economically viable with its proprietary Titomic Kinetic Fusion™ (TKF) technology platform.

TKF overcomes the limitations of typical additive manufacturing (3D printing) for metals to manufacture complex parts without shape or size constraints. TKF offers production run capability, leasing or sale of systems to organisations that enables speed-to-market, superior products with lower production inputs and using fewer resources for a more sustainable future.

Titomic's TKF systems are a key element to providing Titomic and its customers with first to market mover advantages for industrial scale manufacturing for industry sectors such as aerospace, defence, resources (oil & gas, mining, industrial equipment), marine, construction, automotive, medical and consumer & sporting goods.

REVIEW OF OPERATIONS AND SIGNIFICANT EVENTS FOR THE REPORTING PERIOD

The Company reported a loss for the half-year ended 31 December 2018 of \$3,581,142 (2017: \$1,554,638).

Key Highlights:

- Commenced R&D Production and Prototyping at its World-Class Titomic Manufacturing Bureau
- Installation of new TKF1000 production and R&D system
- First customer revenues received for R&D feasibility projects
- Commenced securing global metal powder supply chain
- Commenced Strategic Research Programs with major research bodies for TKF certification
- Continued organisational expansion to develop a high calibre operational and technical team

COMMENCED R&D PRODUCTION AND PROTOTYPING AT ITS WORLD-CLASS TITOMIC MANUFACTURING BUREAU

Titomic commissioned its TKF9000 in May 2018 where it became the world's largest and fastest additive manufacturing system with a build envelope of 40.5m³ and build speed of up to 45 kilograms per hour, capable of manufacture without size constraints. The TKF9000 is at the centre of the Titomic Production Bureau and represents its industrial size and scale capabilities.

The Bureau also features an automated TKF robotic production line which is due to be launched with the installation of the polishing cell for the finishing of complex-shaped titanium products.



Titomic's TKF 9000 at Titomic's Manufacturing Bureau in Melbourne.

INSTALLATION OF NEW TKF1000 PRODUCTION AND R&D SYSTEM

The Company, recently installed and is in the final stages of commissioning, its newly developed Titomic Kinetic Fusion™ system, the TKF1000 production and R&D system. This system has been engineered to provide compact capability for all industries, academia and research organisations. This off-the-shelf, turnkey additive manufacturing system offers rapid, agile manufacturing, prototyping, research and development. With industry leading build rates and a build envelope of 750 cm³, the TKF1000 enables in-house manufacturing capability to increase self-reliance, reduce lead times and simplify supply chains.



Photos of the Titomic TKF1000 Production and R&D system outside (left) and inside (right).

In line with building a world class production facility, Titomic's implementation of its ISO 9001 certification and advanced cybersecurity standards in line with Australian Signals Directorate has commenced.



CSIRO and Titomic representatives alongside The Victorian Governor and Mr Howard QC at Titomic's R&D Production Centre.

With the installation of this advanced infrastructure, Titomic can now offer OEM (Original Equipment Manufacturer) production run capability to contract manufacture limited production runs for customers utilising excess capacity available on the TKF production systems at Titomic's Melbourne bureau, lowering previous cost-based barriers to entry for customer adoption for the new technology.

Titomic's OEM capability offering will enable customers who want to purchase and install their own TKF systems an immediate production capability to begin producing whilst they await delivery and installation of their system.

To accommodate the company's growing operational and technical team, Titomic expanded into a new head office within close proximity to the Melbourne Bureau. The Hon. Linda Dessau AC, Governor of Victoria, visited Titomic to see first-hand how Titomic's self-sustaining R&D production bureau accrues in-house STEM capabilities whilst advancing Victorian innovation to return manufacturing capabilities to Australian shores.

FIRST CUSTOMER REVENUES RECEIVED FOR FEASIBILITY PROJECTS

Titomic has commenced feasibility projects with several customers in industry sectors including sporting goods, aerospace, defence, marine and resources generate its first revenues.

This is testament of TKF's potential applications across a multitude of industries. The TKF process extends speed, scale and production advantages over traditional manufacturing.

Directors' Report

As Titomic progresses various customer projects, the team has been promoting Titomic's capabilities at industry events which has resulted in an accumulation of a vast pipeline for revenue opportunities as customers understand the genuine speed and industrial scale production advantages over traditional manufacturing methods.



Titomic's MD Jeff Lang & GM of Bike and Transport Mr. Peter Teschner at Eurobike in Friedrichshafen, Germany 2018.

In line with its superior value proposition for the Bicycle industry to produce TKF manufactured super titanium bicycle components Titomic exhibited at Eurobike in Friedrichshafen, Germany in July 2018, and at Taichung Bike, Taiwan in September 2018.

As Titomic progresses various customer projects, the team has been promoting Titomic's capabilities at industry events which has resulted in an accumulation of a vast pipeline for revenue opportunities as customers understand the genuine speed and industrial scale production advantages over traditional manufacturing methods.



DT Swiss CTO Martin Walthert with Titomic MD Jeff Lang.

Following the Eurobike tradeshow, Titomic's team followed up with major Swiss manufacturer of bicycle components, DT Swiss, regarding the production of bicycle hubs and rims, followed by a site visit at DT Swiss' Headquarters in Biel, Switzerland in November 2018 to progress discussions further.

Titomic has initiated Phase II of its collaborative relationship with the major North American bike brand company to fabricate and test 5 bicycle frames ahead of Phase III, which will include producing and testing 150 TKF produced bicycle frames for road and destructive testing.

Another key industry focus of Titomic's is Defence.

In partnership with its customer TAUU Pty Ltd, Titomic successfully launched the first ruggedised tactical unmanned aerial vehicle (UAV) at the international defence exposition Land Forces, Adelaide in September 2018. The completion of this prototype led to the parties executing a Phase II \$1.8 million exclusive defence program with TAUU which commenced in December 2018 to complete feasibility studies with prototypes of 5 soldier systems & sensors products manufactured using TKF systems. Following successful completion of Phase II, the parties will move to commencing production trials for the 5 products under Phase III of the partnership.



The UAV prototype exhibited at Land Forces, Adelaide 2018.



SA Premier Steven Marshall with TAUU Founder Nathan Kalisch, and Titomic's MD Jeff Lang



Titomic demonstrated Industrial Scale Additive Manufacturing at Formnext in Frankfurt, Germany, where Titomic had a significant presence to display titanium and super alloy products manufactured using TKF.

Formnext is a global exhibition on additive manufacturing and intelligent industrial production. From this event alone, Titomic generated significant interest amongst international companies from consumer goods, aerospace, oil & gas, mining industries, contributing to a diversified sales pipeline.

Other projects announced with customers include Callaway, Fincantieri and Callidus which are in various stages of phase completion the outcomes of which will provide commercial reference points to validate the adoption of TKF manufacturing processes across sporting goods, marine, and resources industries.

During the second half of the 2019 financial year, Titomic will attend or exhibit at both domestic and international trade and industry shows to showcase the TKF process' capabilities and progress opportunity negotiations across a number of industry sectors starting with a major presence at the Avalon International Air show in March 2019 alongside Aerospace industry primes, many of which Titomic is in discussions with already.

Titomic looks forward to updating its shareholders as its many negotiations progress to fruition.

COMMENCED SECURING GLOBAL METAL POWDER SUPPLY CHAIN

Titomic's extensive research and analysis program of the titanium metal powder market in 2018 represented the most significant and advanced global due diligence review of the Titanium supplier and manufacturing market undertaken for the additive manufacturing industry to date. This program saw Titomic extensively review over 70 global Titanium powder producing and trading companies and analyse approx. 100 different Titanium powder samples.

This proprietary information is invaluable as it provides Titomic with a sustainable supply chain matrix of the world's titanium powders for various grades and qualities of powders to suit differing industry demands. This is a strategic market advantage which Titomic now has over other 3D metal printing technologies as the Company now has access to titanium powders at a suitable quality, sufficient quantity, and competitive price which previously has been a significant vertical supply chain inhibitor for industries' acceptance to progress adoption of digital additive manufacturing processes.

Currently, laser AM systems can only produce parts with the input of highly-expensive, high grade, ultra-refined titanium powders restricting applications to high-value parts for industries such as aerospace & medical with large profit margins. The problem with these applications is that these industries require highly-regulated certifications for products which may take years, and adoption rates by these industries are very low.

The advantage of the TKF process is in its ability to utilise a broader range of powder types relative to the industrial output level required for the product in an industry. The strategic alliances which Titomic has now secured for the supply of Titanium powders has enabled Titomic to seek arrangements with powder producers to lower the cost of many of their powders based on the consumption volumes Titomic's TKF processes will be utilising. The powder suppliers understand the economic advantage selling a significant volume of powders at a lower price point, in comparison to them currently selling small quantities of powders at a high margin.

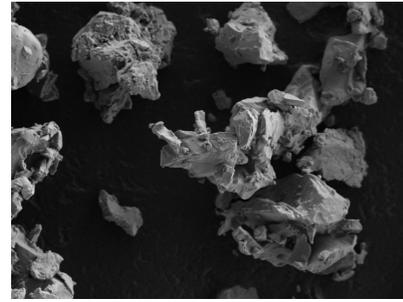
These alliances include:

- a supply arrangement for cost-effective HDH metal powders from Lasting Titanium, China; and
- a supply arrangement for mid-grade SS-PREP metal powders from Sino-Euro, China;

all which enable Titomic's customers to secure cost-effective powders suitable for their product application to additively manufacture products in direct competition against traditional manufacturers.

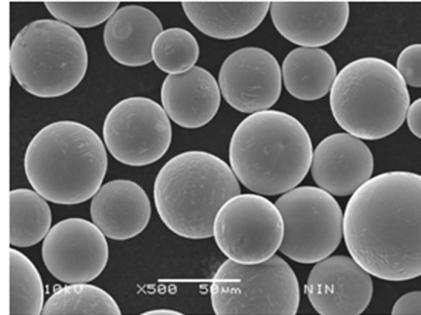
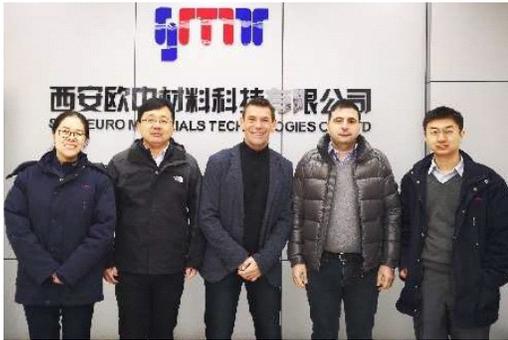
In addition, through these powder supply arrangements, Titomic will also co-develop next generation metal powders for Titomic TKFs with the supply partners, whilst Sino-Euro will use their existing powder customer networks to become distributor agents to sell Titomic TKF systems in China.

Titomic at Lasting Titanium



HDH Commercially Pure (CP) Titanium Powder

Titomic at Sino-Euro

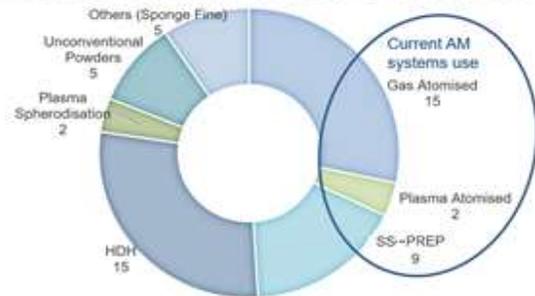


SS-PREP Titanium Powder (Grade 5)

10+ TTT SUPPLIER POWDER PRODUCER COUNTRIES



TYPES OF POWDERS & NUMBER OF TTT SUPPLIERS



COMMENCED STRATEGIC RESEARCH PROGRAMS WITH MAJOR RESEARCH BODIES FOR TKF CERTIFICATION

Titomic's strong relationships with academia has led to significant research projects being initiated to achieve various industry standards whilst exploring the next generation of material science.

In line with the strategic plan to bolster Titomic's leadership in industrial scale metal additive manufacturing, Titomic's has commenced two significant research programs;

- a \$2.6M IMCRC in conjunction with CSIRO and RMIT to create new certified industry standards recognised by the FAA, DoD and NASA, to certify Titanium metal parts produced using TKF systems to open new commercial opportunities for TKF adopters to manufacture high-grade Titanium products; and
- a \$4.9M SEAM project in conjunction with Swinburne and ANSTO to develop a Smart Factory designed to utilise advanced automated robotic systems to integrate the core principles of Industry 4.0, optimise particle acceleration methods, and create cyber-physical systems for commercial additive manufacturing of heterogeneous materials composition all using TKF systems as a commercial AM solution for industries.

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Directors' Report

CONTINUED ORGANISATIONAL EXPANSION TO DEVELOP A HIGH CALIBRE OPERATIONAL AND TECHNICAL TEAM

To accommodate the Company's accelerated growth, Titomic has expanded its team and shifted to a new head office. This continued expansion has seen the development and strengthening of its in-house technical and operational team. The Company currently has 30 employees across the organisation and is expanding rapidly in an effort to keep up with a forever increasing market demand.

Titomic expects to continue bolstering its internal team not only directly but also through engagements with new key partnerships and collaborative agreements as they're confirmed.



(From Left) RMIT's Dr Liz Jazwinska, Titomic Managing Director Jeff Lang, CSIRO's Keith Mclean and IMCRC's Jason Coonan

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 8th February 2019, the Company announced it has exclusively licensed two additional patents from CSIRO for patents for producing pipe and continuous pipe, as well as additional related background know-how regarding the production of fittings. These new patents will open new revenue opportunities for Titomic within the combined industry segments of valves and pipelines with a global value of \$350 billion.

The key transaction terms of the Exclusive License Agreement with CSIRO are as follows:

- Titomic to pay CSIRO \$125,000 in cash as an upfront fee for licensing the technologies;
- Titomic will pay CSIRO a royalty on gross revenues received directly from the sales of products produced using either of the licensed patents in accordance with Titomic's IPO Prospectus; and
- Where Titomic directly sub-licenses any entire license field sector to a third party without adding any value to the intellectual property, Titomic will pay CSIRO a one-time 20% royalty from the revenues received, regardless of multiple licensed patents contained in the product;
- Titomic will pay minimum annual royalties to CSIRO of;

Period (Year)	Minimum Royalty Fee Payable
2018 - 2019	\$50,000
2019 - 2020	\$75,000
2020 - 2021	\$75,000
Agreement year 4 and every subsequent agreement year until the end of the licence Term	\$150,000

- In addition to the \$350,000 research fees payable to CSIRO for Titomic's initial Load-Bearing Structure patent as disclosed in Titomic's IPO Prospectus, with the exclusive licensing of the two new patents Titomic will pay an additional \$200,000 per annum research fee to CSIRO for 3 years to collaborative develop and explore other Cold Spray related IP projects.

No other matter or circumstance has arisen since 31 December 2018 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.

Directors' Report

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
Managing Director

Date this the 27th Day of February 2019

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TITOMIC LIMITED
ABN 77 602 793 644
AUDITORS' INDEPENDENCE DECLARATION
TO THE DIRECTORS OF TITOMIC LIMITED

In relation to the independent auditor's review for the half year ended 31 December 2018, to the best of my knowledge and belief there have been:

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



B POWERS
Partner
27 February 2019



PITCHER PARTNERS
Melbourne

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**Condensed Statement of Profit and Loss and Other Comprehensive Income
For the Half Year Ending 31 December 2018**

	Notes	31 December 2018 \$	31 December 2017 \$
<u>Revenue and Other Income</u>			
Revenue and Other Income	4	171,967	14,536
<u>Expenses</u>			
Corporate Administration Expenses	4	(893,507)	(639,447)
Depreciation and Amortisation Expenses		(310,833)	(14,667)
Research and Development Expenses	4	(415,843)	(376,086)
Consulting, Employee and Director Expenses	4	(1,797,079)	(434,565)
Travel and Entertainment Expenses		(204,018)	(86,342)
Marketing and Promotion Expenses		(131,829)	(18,067)
Loss before income tax		(3,581,142)	(1,554,638)
Income Tax Expense		-	-
Loss for the period		(3,581,142)	(1,554,638)
Other comprehensive loss for the period		-	-
Total comprehensive loss for the period		(3,581,142)	(1,554,638)

	Cents	Cents
<u>Loss per share for profit attributable to the ordinary equity holders of the Company</u>		
Basic loss per share	(2.91)	(1.61)
Diluted loss per share	(2.91)	(1.61)

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

Condensed Statement of Financial Position
As at 31 December 2018

	Notes	31 December 2018 \$	30 June 2018 \$
ASSETS			
Current assets			
Cash and cash equivalents		6,729,360	10,347,168
Trade and other receivables	5	164,490	494,160
Inventories		225,816	205,129
Other current assets		343,153	334,677
Assets classified as held for sale		40,455	134,404
Total current assets		7,503,274	11,515,538
Non-current assets			
Property, plant and equipment	6	5,327,009	4,293,946
Intellectual property	7	215,156	220,669
Total non-current assets		5,542,165	4,514,615
TOTAL ASSETS		13,045,439	16,030,153
LIABILITIES			
Current liabilities			
Trade and other payables	8	555,911	423,882
Provisions		99,542	43,340
Deferred revenue		232,674	55,104
Total current liabilities		888,127	522,326
Non-current liabilities			
Other payables	8	394,733	284,928
Total non-current liabilities		394,733	284,928
TOTAL LIABILITIES		1,282,860	807,254
NET ASSETS		11,762,579	15,222,899
EQUITY			
Issued capital	9	19,987,131	19,987,131
Reserves		555,544	434,722
Accumulated losses		(8,780,096)	(5,198,954)
TOTAL EQUITY		11,762,579	15,222,899

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

Condensed Statement of Changes in Equity
For the Half Year Ended 31 December 2018

	<i>Attributable to owners of Titomic Limited</i>			Total
	Issued Capital \$	Reserves \$	Accumulated Losses \$	
Balance at 1 July 2017	2,159,045	193,276	(1,431,360)	920,961
Loss for the period	-	-	(1,554,638)	(1,554,638)
Total comprehensive income for the period	-	-	(1,554,638)	(1,554,638)
<i>Transactions with owners in their capacity as owners:</i>				
Shares issued, net of costs	6,434,146	-	-	6,434,146
Share based payment	-	120,833	-	120,833
Balance at 31 December 2017	8,593,191	314,109	(2,985,998)	5,921,302
Balance at 1 July 2018	19,987,131	434,722	(5,198,954)	15,222,899
Loss for the period	-	-	(3,581,142)	(3,581,142)
Total comprehensive income for the period	-	-	(3,581,142)	(3,581,142)
<i>Transactions with owners in their capacity as owners:</i>				
Share based payment	-	120,822	-	120,822
Balance at 31 December 2018	19,987,131	555,544	(8,780,096)	11,762,579

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

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Condensed Statement of Cash Flows
For the Half Year Ended 31 December 2018

	31 December 2018 \$	31 December 2017 \$
<u>Cash flows from operating activities</u>		
Receipts from customers	211,234	-
Payments to suppliers and employees	(2,875,013)	(1,740,659)
Government grants/refund	212,917	-
Interest received	77,487	14,536
Net cash (outflow) from operating activities	(2,373,375)	(1,726,123)
<u>Cash flows from investing activities</u>		
Payments for property, plant and equipment	(1,244,433)	(1,888,851)
Net cash (outflow) from investing activities	(1,244,433)	(1,888,851)
<u>Cash flows from financing activities</u>		
Proceeds from issues of shares and other equity securities	-	7,100,000
Share issue transaction costs	-	(665,854)
Repayment of related party borrowings	-	(2,152)
Net cash inflow from financing activities	-	6,431,994
Net (decrease)/increase in cash and cash equivalents	(3,617,808)	2,817,020
Cash and cash equivalents at the beginning of the financial year	10,347,168	357,144
Cash and cash equivalents at end of period	6,729,360	3,174,164

The above Condensed 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 2018

1. Basis of Preparation of Half-Year Report

These Condensed Financial report for the half-year reporting period ended 31 December 2018 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 Financial reports 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 2018 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*.

a) *New and amended standards adopted by the entity*

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

Impacts of AASB 15 on the financial statements

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

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

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

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

Titomic Ltd has not restated comparatives on the adoption of AASB 15.

Impacts of AASB 9 on the financial statements

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

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

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

Titomic Ltd has not restated comparatives on the adoption of AASB 9.

Notes to the Financial Statements For the Half Year Ended 31 December 2018

b) *Going concern*

For the half year ended 31 December 2018, the Company incurred a loss from ordinary activities of \$3,581,142 (31 December 2017: \$1,554,638 loss) and had a net decrease in cash held of \$3,617,808 (31 December 2017 net increase in cash held: \$2,817,020). The net asset position of the Company at 31 December 2018 was \$11,762,579 (30 June 2018: \$15,222,899).

Following the Company's successful Initial Public Offer (IPO) of \$6M in September 2017 and subsequent \$12M capital raise in April 2018, the Company has delivered a world-class R&D production facility in Melbourne with prototype, research and OEM production capabilities through the design, build and installation of three separate Titomic Kinetic Fusion (TKF) production systems:

- 1) the TKF9000;
- 2) the TKF Robotic Production Line; and
- 3) the TKF1000.

The Company has also furthered its market opportunities by complementing its initial exclusively licensed CSIRO patented technology for the production of titanium load-bearing structures, with two additional patented technologies also exclusively licensed from CSIRO for:

- 1) the production of titanium pipe; and
- 2) the production of titanium continuous pipe

Both significantly increase the Company's potential to generate future patent revenue streams across multiple industry sectors.

The Company has continued to focus on its strategic goals, as represented by the size and scale of the physical assets built, the calibre and strength of the organisational team assembled and the commencement of world-leading external research programs with key research institutes through the previously announced IMCRC and SEAM projects. Combined, these core capabilities will provide a platform to enable the delivery of customer projects through the sale of TKF systems or direct OEM manufacturing for customers.

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

Should the need arise, the Company will seek to raise additional capital to fund working capital and expansion through capital raises.

As a result of the above, the Directors have concluded that the going concern basis is appropriate.

c) *Research and Development tax refund*

Research and development tax refund is recognized when it has been established that the conditions of the tax incentive have been met and that the expected amount of tax incentive can be reliably measured.

2. Significant Accounting Policies

All accounting policies with the exception of those stated in Note 1(a) are consistent with the most recent Annual Financial Report for the year ended 30 June 2018. 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 2017/191, the amounts in the directors' report and in the financial report have been rounded to the nearest dollar.

Notes to the Financial Statements
For the Half Year Ended 31 December 2018

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.

4. Revenue and Expenses

	31 December 2018 \$	31 December 2017 \$
<u>REVENUE</u>		
Operating Revenue	69,730	-
Other Income	24,750	-
Interest Revenue	77,487	14,536
TOTAL REVENUE	171,967	14,536
<u>EXPENSES</u>		
<u>Corporate Administration Expenses</u>		
Accounting Fees	52,642	107,600
Legal Fees	126,779	16,271
Auditor Fees	62,522	46,755
Corporate Advisory Fees	-	135,000
ASX Fees	37,850	61,688
Insurance Expenses	113,090	74,346
Occupancy Expenses	286,254	147,368
Other Administration Expenses	214,370	50,420
	893,507	639,447
<u>Research and Development Expenses</u>		
R&D Legal Patents and IP Fees	18,407	(16,014)
R&D Employees and Consulting Fees	267,422	311,174
Other R&D Expenses	130,014	80,926
	415,843	376,086
<u>Consulting, Employee and Director Expenses</u>		
Consulting Expenses	98,293	(32,092)
Employee Related Expenses	1,350,515	259,066
Director Fees	124,323	71,667
Share-based Payment Expenses	120,822	120,833
Superannuation Expenses	103,126	15,091
	1,797,079	434,565

Notes to the Financial Statements
For the Half Year Ended 31 December 2018

5. Trade and Other Receivables

	31 December 2018 \$	30 June 2018 \$
Trade Receivables	159,293	251,148
Other Receivables	5,197	243,012
	164,490	494,160

6. Property, Plant and Equipment

	31 December 2018 \$	30 June 2018 \$
Property, Plant and Equipment		
Leasehold Buildings	854,685	570,605
Factory Equipment	167,823	95,239
Furniture & Fittings	233,413	72,402
Machinery	2,823,558	2,966,025
Capital WIP - Robotic Equipment	1,247,530	589,675
Total Property, plant and equipment	5,327,009	4,293,946

	Leasehold Buildings \$	Factory Equipment \$	Furniture & Fittings \$	Machinery \$	Capital WIP – Robotic Equipment \$	Total \$
<u>Year ended 30 June 2018</u>						
Opening net book amount	-	18,445	23,806	-	992,225	1,034,476
Additions	575,413	83,688	62,517	1,998,380	647,277	3,367,275
Transfers	-	-	-	992,225	(992,225)	-
Impairment charge	-	-	-	-	(57,602)	(57,602)
Depreciation charge	(4,808)	(6,894)	(13,921)	(24,580)	-	(50,203)
Closing net book amount	570,605	95,239	72,402	2,966,025	589,675	4,293,946
<u>Year ended 31 December 2018</u>						
Opening net book amount	570,605	95,239	72,402	2,966,025	589,675	4,293,946
Additions	304,264	90,120	183,901	8,293	657,855	1,244,433
Depreciation charge	(20,184)	(17,536)	(22,890)	(150,760)	-	(211,370)
Closing net book amount	854,685	167,823	233,413	2,823,558	1,247,530	5,327,009

**Notes to the Financial Statements
For the Half Year Ended 31 December 2018**

7. Intellectual Property

	31 December 2018 \$	30 June 2018 \$
Licenses		
Opening Balance as at 1 July	220,669	269,051
Amortisation	(5,513)	(48,382)
Closing balance at 31 December	215,156	220,669

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 2017 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 2018

8. Liabilities - Trade and Other Payables

	31 December 2018 \$	30 June 2018 \$
<u>Current Liabilities</u>		
Trade Payables	383,107	131,870
Accrued Expenses & Other Liabilities	172,804	292,012
Total Current Trade and Other Payables	555,911	423,882
<u>Non-Current Liabilities</u>		
CSIRO IP Liability	290,284	284,928
Other Liabilities	104,449	-
Total Non-Current Trade and Other Payables	394,733	284,928
Total Trade and Other Payables	950,644	708,810

9. Equity

	31 December 2018		30 June 2018	
	No. of Shares	\$	No. of Shares	\$
a) <i>Issued Capital</i>				
Total Equity	122,898,217	19,987,131	122,898,217	19,987,131

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.

10. Share-Based Payments

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 \$120,822 during the period ended 31 December 2018 (31 December 2017: \$120,833).

11. Contingencies

The Company had no contingent liabilities at 31 December 2018 (30 June 2018: nil).

Notes to the Financial Statements For the Half Year Ended 31 December 2018

12. 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 2018 \$	30 June 2018 \$
Property, Plant and Equipment	1,076,105	497,318
	1,076,105	497,318

b) Non-cancellable Operating Leases

The company leased a warehouse on 1 April 2018 under a non-cancellable operating lease expiring in 5 years and a Head Office and Car Park on 15 August 2018 under a non-cancellable operating lease expiring in 3 years.

	31 December 2018 \$	30 June 2018 \$
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within 1 year	389,904	199,485
Later than one year but not later than five years	925,146	579,373
	1,315,050	778,858

13. Events occurring after the reporting period

On 8th February 2019, the Company announced it has exclusively licensed two additional patents from CSIRO for patents for producing pipe and continuous pipe, as well as additional related background know-how regarding the production of fittings. These new patents will open new revenue opportunities for Titomic within the combined industry segments of valves and pipelines with a global value of \$350 billion.

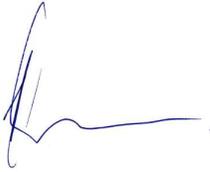
For more information, please refer to the Matters Subsequent to the End of the Financial Year within the Review of Operations.

Directors' Declaration

In the Directors' opinion:

- (a) the Financial Report and notes set out on pages 10 to 20 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 2018 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 27th Day of February 2019

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TITOMIC LIMITED
ABN 77 602 793 644
INDEPENDENT AUDITORS' 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 2018, 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 2018 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 the Company, 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 the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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TITOMIC LIMITED
ABN 77 602 793 644
INDEPENDENT AUDITORS' 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 2018 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*.



B POWERS
Partner



PITCHER PARTNERS
Melbourne

27 February 2019

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