

TITOMIC LIMITED APPENDIX 4E PRELIMINARY FINAL REPORT

YEAR ENDED 30 JUNE 2020

Name of Entity	Titomic Limited
ABN or Equivalent Company Reference	77 602 793 644
Current Financial Period	30 June 2020
Corresponding Financial Period	30 June 2019

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Revenue for Ordinary Activities	Up	36.0%	to	\$2,006,375
Net Loss After Tax (From Ordinary Activities) For the Period Attributable to Members	Up	45.0%	to	(\$10,826,806)
Net Loss After Tax for the Period Attributable to Members	Up	45.0%	to	(\$10,826,806)

DISTRIBUTIONS

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

	30 June 2020	30 June 2019
Net Tangible Assets Per Share (cents)	14.74	4.82

EXPLANATION OF RESULTS

Refer to the Directors' Report.

CHANGES IN CONTROLLED ENTITIES

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

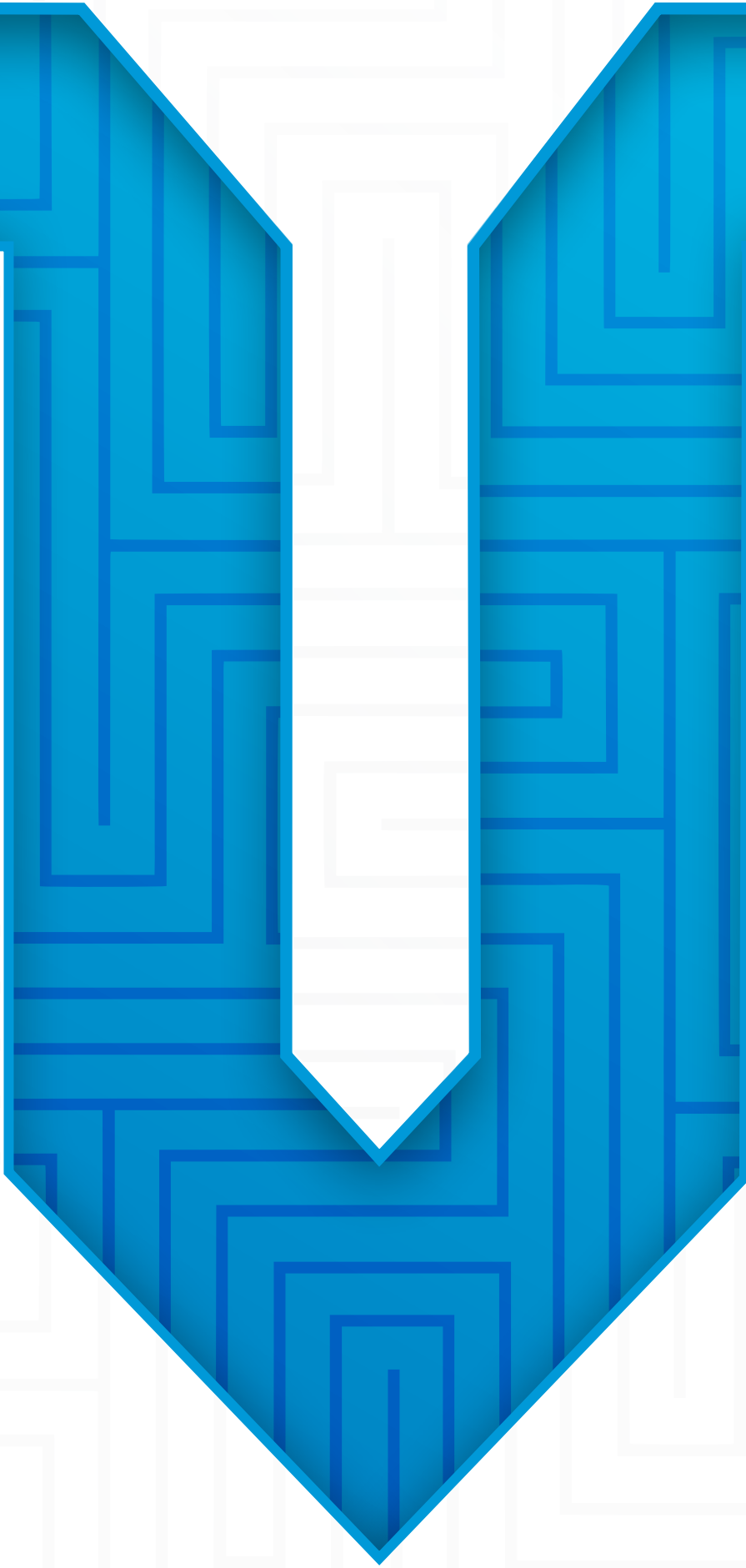
OTHER INFORMATION REQUIRED BY LISTING RILE 4.3A

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

AUDIT

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

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ANNUAL REPORT

COMPANY DIRECTORY

DIRECTORS

Dr Andreas Schwer
(Independent Non-Executive Chairman)

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

Mr Jeffrey Lang
(Managing Director)

Professor Richard Fox
(Non-Executive Director)

Mr Humphrey Nolan
(Independent Non-Executive Director)

Mr Richard Willson
(Non-Executive Director)

COMPANY SECRETARY

Mr Peter Vaughan

PRINCIPAL PLACE OF BUSINESS

3 270 Ferntree Gully Road
Notting Hill VIC 3168
AUSTRALIA

Ph: 03 9558 8822

REGISTERED OFFICE IN AUSTRALIA

3 270 Ferntree Gully Road
Notting Hill VIC 3168
AUSTRALIA

Ph: 03 9558 8822

SHARE REGISTRY

COMPUTERSHARE
GPO Box 3224
Melbourne VIC 3001
AUSTRALIA

AUDITORS

PITCHER PARTNERS
Level 13, 664 Collins Street
Docklands VIC 3008
AUSTRALIA

SOLICITORS

K&L GATES
GPO Box 4388
Melbourne VIC 3001
AUSTRALIA

BANKERS

NATIONAL AUSTRALIA BANK
Level 2, 330 Collins Street
Melbourne VIC 3000
AUSTRALIA

SECURITY QUOTED

AUSTRALIAN SECURITIES EXCHANGE

Ordinary Fully Paid Shares
(Code: TTT)

Listed Options
(Code: TTTO)

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**REVIEW OF OPERATIONS AND
SIGNIFICANT EVENTS FOR THE PERIOD**

REVIEW OF OPERATIONS AND SIGNIFICANT EVENTS FOR THE PERIOD

NET ASSETS

year ending June 30 2020

\$25,574,441

2019: \$8,468,841

CASH AND CASH EQUIVALENTS

year ending June 30 2020

\$17,458,051

2019: \$1,412,477

STATUTORY AFTER-TAX LOSS

year ending June 30 2020

\$10,826,806

2019: \$7,489,077

At the end of the financial year the company had net assets of \$25,574,441 (2019: \$8,468,841) and \$17,458,051 in cash and cash equivalents (2019: \$1,412,477). Titomic Limited reported the statutory after-tax loss for the year ended 30 June 2020 of \$10,826,806 (2019: \$7,489,077).

During the 2019 Annual General Meeting, Managing Director Jeff Lang stated that 2020 would be the Company's year of commercialisation. Titomic Limited's commercialisation in 2020 has received significant interest and sale leads from the defence, aerospace, mining, and transportation industry primes, with several projects initiated that will lead to considerable revenue opportunities for Titomic Limited and its Titomic Kinetic Fusion® (TKF) technology. As we commercialise and validate the TKF technology, we are focused on TKF machine sales, OEM production, and prototyping and R&D services to deliver sales revenue.

HIGHLIGHTS OF THE YEAR



SUPPLY AGREEMENT WITH AP&C

2 SEPTEMBER 2019

Titomic Limited signed a multi-faceted agreement with AP&C, a GE Additive company. Under the agreement, AP&C will provide a reliable, global supply of aerospace-grade titanium alloy powder, Ti-6Al-4V. The agreement also includes a memorandum of understanding, whereby Titomic Limited and AP&C will cooperate and co-develop titanium and titanium alloy powders optimised for use in Titomic Kinetic Fusion® systems. The agreement further establishes Titomic Limited's strong global supply chain of metal powder feedstocks.



MELBOURNE TKF BUREAU

2 SEPTEMBER 2019

Titomic has been digitising our TKF manufacturing process towards Industry 4.0 principles within our Melbourne TKF Bureau as a benchmark smart factory of the future for industrial scale metal additive manufacturing. Part of this process has seen the hiring of a new Production Manager and several Engineers to maximise utilisation of TKF Systems and ongoing improvements to best practices such as ISO 9001 quality assurance, cyber security and digital operational platforms.



ENHANCING A HIGH-CALIBRE EXECUTIVE TEAM

23 SEPTEMBER 2019

Titomic Limited continues to expand and grow its world-leading team, promoting business growth and heightened capability. In September of 2019, Titomic Limited was pleased to welcome Mr Robert Turner as the company's Chief Financial Officer. Mr Turner joins the Titomic Limited team after holding numerous senior executive roles, including Chief Financial Officer of Crown Resorts Group and ASX listed company, Webjet.



TITOMIC PARTNERS WITH GILMOUR SPACE TECHNOLOGIES

3 OCTOBER 2019

Titomic Limited signed a Statement of Strategic Intent with aerospace company Gilmour Space Technologies. The agreement will see the development of Titomic Kinetic Fusion® to manufacture high-performance rocket and aerospace componentry. The agreement facilitates cooperation across multiple exciting fields within the global space industry.



TITOMIC KINETIC FUSION® SURPASSES ASTM STANDARDS

28 OCTOBER 2019

Titomic Limited received overwhelmingly positive test results from a \$2.6M co-funded research project involving the IMCRC, CSIRO, and RMIT University. Independent results showed that parts built from titanium using Titomic Kinetic Fusion® provided an ultimate tensile strength of 634Mpa and elongation of 27.7%, surpassing requirements of ASTM International standards by 83.8% and 38.5% respectively. These conclusive results provide the evidence from an independent third party that Titomic Kinetic Fusion® can achieve the necessary mechanical properties for high-value applications within the aerospace and defence industries, and positions Titomic Limited as the global leader of industrial scale metal additive manufacturing.



WORLD'S LARGEST AM PART - PROVEN AEROSPACE CAPABILITY

21 NOVEMBER 2019

At the world's most prominent additive manufacturing tradeshow, Formnext, Titomic Limited unveiled a 5.5-metre-long rocket; the world's largest additively manufactured titanium part. The rocket was manufactured using the TKF 9000 in just 27.6 hours, showcasing Titomic Limited's ability to rapidly create aerospace parts from highly desirable materials such as titanium.

The rocket is a scaled down replica of Gilmour Space Technologies' ERIS-S, a 27-metre rocket and was produced in just four days - from design file to finished part.



TITOMIC PARTNERS WITH THALES, A GLOBAL DEFENCE PRIME

10 FEBRUARY 2020

Titomic Limited signed an agreement with global technology company, Thales. The agreement will see the development of advanced additive manufacturing methods in Australia to support Thales's development of next-generation soldier weapons systems for the Australian Defence Force. Titomic Limited will use Titomic Kinetic Fusion® to manufacture lighter, stronger, and better performing soldier system components to deliver advantages for the next-generation Australian soldier.



TITOMIC ENTERS SALES AGREEMENT WITH COMPOSITE TECHNOLOGY

FEBRUARY 26TH, 2020

Titomic Limited entered into an agreement with Composite Technology, an international defence manufacturer for the sale of two Titomic Kinetic Fusion® Manufacturing Systems. The contract will generate USD \$16.8 million in sales for Titomic Limited. The deal is the commercialisation of two years of R&D and quality assurance conducted by Titomic Limited and will see Composite Technology manufacture defence products using Titomic Kinetic Fusion® which will be certified as NATO replacement parts.



TITOMIC COMPLETES AUD \$19 MILLION OVERSUBSCRIBED CAPITAL RAISE

26 FEBRUARY 2020

Titomic Limited completed a successful capital raise of AUD \$19 million through an oversubscribed private placement. The net proceeds raised will be used to provide additional capability to the existing TKF Bureau, secure additional human resources to support Titomic Limited's expansion, establish Titomic Limited's offshore operations, and provide additional working capital to support the Company's sales growth of both TKF Systems and powder feed stock inventory. An additional share purchase plan (SPP) has been offered to existing shareholders to raise an additional AUD \$1 million.



TITOMIC SIGNS PARTNERSHIP WITH US ACCENT AEROSPACE

12 MARCH 2020

Titomic Limited partners with Accent Aerospace to disrupt global tooling supply using TKF metal additive manufacturing to meet aerospace and defence industry demand. Accent Aerospace has supported several composite based aircraft programs by producing some of the world's largest mold tools for carbon fiber fuselage and wing skins for aerospace primes. This partnership will build on the current development activities of Titomic Limited in order to product metal tooling with reduced porosity, with improved tool wear resistance and deliver a more sustainable green production process by reducing material waste.



TITOMIC APPOINTS TKF SALES AND DISTRIBUTION PARTNER IN TURKEY

19 MARCH 2020

Titomic Limited has entered into an agreement with Turkish based BTech Innovation as Titomic Limited's authorised distribution of (Titomic Kinetic Fusion® TKF) systems and metal powders into Turkey. This new strategic partnership with BTech Innovation, a global leader in the 3D printing industry receiving awards including a GE innovation prize, will provide local technical support, sales, distribution and maintenance services, while also representing Titomic Limited's current sales leads with defence and aerospace primes in Turkey.



TITOMIC SIGNS PARTNERSHIP WITH US TRITON SYSTEMS FOR US DOD R&D

31 MARCH 2020

The two companies have signed a strategic agreement which leverages Triton's expensive access to DoD and sector expertise with Titomic Limited's TKF technology to develop innovative products and solutions under the US DoD grant scheme. The primary goal of this partnership is for the companies to jointly apply the unique capabilities of Titomic Limited's TKF industrial scale metal additive manufacturing systems to the next general of materials and products for the US DoD. These materials will combine the flexibility of TKF additive manufacturing process with the "engineered properties" of dissimilar metal combinations.



TITOMIC RECEIVES AIRBUS PURCHASE ORDER AND STATEMENT OF WORK FOR TKF AM PARTS

9 APRIL 2020

Titomic Limited has received a purchase order from Airbus for a TKF additive manufactured 3D near-net demonstrator parts for a targeted application to be performance tested in mock qualification. Titomic Limited will support, advise, and perform works towards creation and provision of parts and research data for the advancement of multi material 3D near-net demonstrator parts for Airbus using TKF additive manufacturing. This will be achieved through an initial material and process development phase followed by a representative geometry demonstration.



TITOMIC BECOMES REGISTERED RESEARCH SERVICE PROVIDER

17 APRIL 2020

Titomic Limited is the first additive manufacturer to be registered as a Research Service Provider (RSP) to provide scientific, technical expertise and resources to perform research and development on behalf of other companies. Titomic Limited stands to bolster its position as a world leader in advanced metal additive manufacturing and provide certified validation of materials, prototypes and parts for high technology industries such as aerospace and defence.



TITOMIC RECEIVES AUSTRALIAN DEPARTMENT OF DEFENCE PURCHASE ORDER

15 APRIL 2020

Titomic Limited has received a purchase order from Australian Department of Defence for a TKF additive manufactured classified demonstrator part for a targeted application to be performance tested in mock qualification.



TITOMIC RECEIVES GOVERNMENT GRANT FOR CYBER SECURITY MANAGEMENT PLAN

31 JULY 2020

Titomic Limited has received a grant from the Australian Government's Centre for Defence Industry Capability. The grant will provide Titomic Limited an incentive of \$98,300 to implement world class cyber security practices

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REVIEW OF OPERATIONS AND SIGNIFICANT EVENTS FOR THE PERIOD

and a cyber security management plan. These initiatives will prepare the Company to become ISO27001 and NIST800-171 compliant. Receipt of these cyber security accreditations will enable Titomic Limited to engage with global defence primes and meet their security criteria and certification standards to further critical and classified defence contract opportunities.



SUCCESSFUL ISO9001:2015 SURVEILLANCE AUDIT

AUGUST 4TH, 2020

Titomic Limited recently passed a surveillance audit to ensure the Company is continuing to comply with ISO9001 standards. This certifies that Titomic Limited is compliant with the ISO9001 standard that defines the requirements for a Quality Management System (QMS). During the successful completion of this surveillance audit, Titomic Limited demonstrated working knowledge and evidence of compliance to ISO9001:2015 and a commitment to Best Practices. Titomic Limited retained continuous certification with no minor or major non-conformances of ISO9001:2015. This result confirms readiness to undertake the preparation for certification to AS9100:2016.

BUSINESS DEVELOPMENT

It is imperative that Titomic Limited, as a start-up advanced manufacturing technology company evolving its unique value proposition, creates solid foundations which validate our technology to provide industry with the robust commercial outcomes they require. The additive manufacturing (3D Printing) industry has promised a lot to manufacturing but has yet to realise the commercial viability required to deliver improved affordability, productivity, and performance that industry demands of new manufacturing technology. Titomic Limited's industrial scale additive manufacturing has focused on providing comparative production cost with traditional metal manufacturing while improving productivity and enhanced product performance.

In 2020, Titomic Limited announced a significant milestone for the Company's commercialisation of Titomic Kinetic Fusion® Metal AM Systems with an agreement with the Australian R&D division of a global defence manufacturer, Composite Technology. This AUD\$25.5M equipment sale agreement for two Titomic Kinetic Fusion® Metal AM Systems and the certification for defence related products (NATO Replacement Parts) produced using TKF.

The TKF manufacturing process will be certified in conformance with approval for Composite Technology to deliver defence products to the global defence market and further validate Titomic Limited as a global leader in industrial scale additive manufacturing with the world's fastest metal additive manufacturing build rates of up to 75kg per hour.

MELBOURNE TKF BUREAU

This year, the Melbourne TKF Bureau has continued to develop and deliver advanced metal manufacturing solutions for major primes across several industries within the defence, aerospace, mining, and marine sectors and beyond.

The Melbourne TKF Bureau further developed its Industry 4.0 capabilities, combined with its ISO9001 quality assurances and best practices, to provide cutting-edge advanced manufacturing services to its extensive customer base including Boeing, Airbus, Thales, and more. Titomic prides itself on creating the next generation of green technology with up to 60% reduction in carbon footprint at this facility using renewable energy and sustainable Smart Factory processes.

Titomic Limited has combined industrial scale additive manufacturing with LEAN production processes to create a symbiosis between automated AI data exchange manufacturing technologies with proven automotive industry process improvement techniques. The Melbourne TKF Bureau provides OEM manufacturing, prototyping, and R&D services, and is validating the TKF Smart Factory model that we will replicate globally as the Company advances its commercial expansion.



APPOINTMENT OF KEY STAFF

31 JULY 2020

Titomic Limited has recently appointed two key management personnel at the TKF Melbourne Bureau with extensive leadership experience in automotive manufacturing and world-class project management and quality control processes. Mr Michael Rochford as Head of Operations brings a wealth of best-practice experience and leadership and Mr Alf Moore as Production Manager will oversee and optimise the production and manufacturing activities of the Melbourne TKF Bureau.

RESEARCH & DEVELOPMENT

Titomic Limited, as the global leader in industrial scale additive manufacturing, must maintain its cutting-edge technology advantages and research and development efforts are intrinsic to maintaining the next-generation manufacturing capabilities for our valued clients, and are important to further the optimisation of Titomic Kinetic Fusion® for ongoing commercial advantage for Titomic Limited.

Titomic Limited continues to partner with the CSIRO on ongoing advanced metal manufacturing and green technology to enhance Australia's independent sovereign manufacturing capability. Titomic Limited has key R&D partnerships; the IMCRC project for aerospace structures with CSIRO, RMIT, and SEAM (Surface Engineered Additive Manufacturing) with Swinburne University and ANSTO (Australian Nuclear Science and Technology Organisation). Titomic Limited also works on several collaborative R&D projects with Australian universities with current projects including RMIT for space satellites, Melbourne University for UAV drones, and Swinburne University nuclear physics of metallurgical structures.

The Melbourne TKF Bureau has accomplished several research and development achievements:



Commission of the Bureau's third TKF manufacturing system.



Validation of multiple metal alloys optimised for TKF Manufacturing Systems including:

- > 4340 - a high-tensile steel for defence armament casings, barrels, and aircraft parts,
- > Inconel - a heat and pressure resistant alloy
- > Ti6Al4V - a high-strength, corrosion-resistant titanium alloy
- > Micro-melt - a high-hardness steel alloy for use in nuclear energy, and wear-resistant parts in mining.



Development of advanced robotics for metal near-net-shape parts to replace metal castings and forgings, reducing carbon footprint of metal parts by 60% on average. [Click here to view the May Video Update.](#)



Development of heterogeneous materials method and process of manufacturing technology IP for next-generation high-performance metal structures and parts. [Click here to view the video.](#)

INTELLECTUAL PROPERTY - NEW PATENTS

Titomic Limited in 2020 has filed two new patents that further enhance its existing suite of patents with the intent to further strengthen the intellectual property surrounding its Titomic Kinetic Fusion® technology and provide considerable competitive advantage for its unique industrial scale additive manufacturing process. Titomic Limited's suite of patents and IP technology roadmap is strategically directed to provide significant commercial opportunities by protecting our unique value proposition as the Company advances its global expansion.

New patents include;



METALLISED COMPOSITE

AU202090148

This patent refers to commercial applications within the aerospace, defence and energy sectors.



MULTI-MATERIAL DEVICE FOR HEAT TRANSFER AND A METHOD OF MANUFACTURE

PCT AU2020050346

This patent refers to commercial applications within the defence, space and energy sectors.

TECHNICAL ADVISORY COMMITTEE (TAC)

AUGUST 2019

Titomic Limited's Technical advisory Committee (TAC) of globally-leading scientific experts across several technological fields, chaired by Titomic Limited co-founder and Director Professor Richard Fox, support the Company's commercialisation strategy to scientifically validate new materials and Titomic Kinetic Fusion®. Titomic Limited's TAC reviews technical issues, identifies research and development opportunities, and ensures that that Company's IP technology roadmap is relevant, balanced and meets the necessary validations and certifications for industry and the scientific community.

For further information on Titomic Limited's Technical Advisory Committee (TAC) [click here](#).

BEST PRACTICES AND QUALITY SYSTEMS

Titomic Limited continually develops its Industry 4.0 capabilities surrounding the implementation and development of IT infrastructure, software for TKF Systems, a quality management system, Industry 4.0, and IoT practices. The Company's prides itself on setting the benchmark for best practices for a sustainable green technology manufacturing future combined with its ISO9001 quality assurances to provide cutting-edge advanced manufacturing services.

Titomic Limited combines industrial scale additive manufacturing with LEAN production processes to create a symbiosis between automated AI data exchange manufacturing technologies with proven automotive industry process improvement techniques. The Melbourne TKF Bureau provides OEM manufacturing, prototyping and R&D services and is validating the TKF Smart Factory model that we will replicate globally as the Company advances its commercial expansion. Titomic Limited is currently implementing world class cyber security practices and a cyber security management plan. These initiatives will prepare the Company to become ISO27001 and NIST800-171 compliant. Receipt of these cyber security accreditations will enable Titomic Limited to engage with global defence primes and meet their security criteria and certification standards to further critical and classified defence contract opportunities.

For further information on Titomic's Best Practices Policy, [click here](#).

BOARD OF DIRECTORS

Titomic Limited has recently appointed multiple high-caliber Board members, including a globally-recognised Chairman, Dr Schwer and industry-leading Non-Executive Directors; Mr Stromme and Mr Nolan. These Board members bring deep corporate and technical skills to Titomic's Board that will be invaluable as the Company advances its global expansion.



NEW CHAIRMAN APPOINTED: GLOBAL DEFENCE AND AEROSPACE SPECIALIST, DR ANDREAS SCHWER

1 JULY 2020

Titomic Limited has appointed Dr Andreas Schwer as Titomic's Non-Executive Chairman. With a 25-year career across defence, manufacturing, and aviation, Dr Schwer brings a wealth of experience, insight, and a deep understanding of the needs of Titomic as the Company moves into its commercialisation and global expansion phase. Dr Schwer joined SAMI as their inaugural CEO and has held roles of Chairman of the Board & President of Rheinmetall International, and CEO of Rheinmetall's Combat Systems Division - both arms of Rheinmetall AG, a major international defence prime. Prior to joining Rheinmetall, Dr Schwer held various executive management positions within Airbus Group and The Manitowoc Company.



APPOINTMENT OF NON-EXECUTIVE DIRECTOR: MR HUMPHREY NOLAN

1 JULY 2020

Mr Humphrey 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.



APPOINTMENT OF NON-EXECUTIVE DIRECTOR: MR DAG W.R. STROMME

1 JULY 2020

Mr Stromme is a professional investor and entrepreneur with close to 30 years of experience from successful private ownership and leading European, as well as global, financial institutions. Until 2015, Mr Stromme was a senior industry advisor to Triton, an investment firm with €17B under management. He joined Morgan Stanley in New York in 1990 and was a Managing Director of Morgan Stanley London from 2001 to 2007 and Co-Head of Nordic Investment Banking from 2000 to 2007.



RESIGNATION OF CHAIRMAN, MR PHILIP VAFIADIS

30 JUNE 2020

Coinciding with news of the appointment of additional directors - Mr Stromme and Mr Nolan - the Company's inaugural Chairman, Mr Philip Vafiadis, resigned. Titomic Limited has thanked Mr Vafiadis for his valuable contributions and has requested he remain as a Strategic Advisor to Titomic Limited for two years.

END OF REVIEW OF OPERATIONS AND SIGNIFICANT EVENTS FOR THE PERIOD

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DIRECTORS' REPORT

DIRECTORS' REPORT

The directors present their report together with the financial report of Titomic Limited (the Company) for the financial year ended 30 June 2020 and Auditors' Report thereon.

DIRECTORS, KEY MANAGEMENT PERSONNEL AND COMPANY SECRETARY

Dr Andreas Schwer	Non-Executive Chairman (<i>appointed 1 July 2020</i>)
Mr Jeffrey Lang	Managing Director
Prof Richard Fox	Non-Executive Director
Mr Richard Willson	Independent Non-Executive Director
Mr Dag W.R. Stromme	Non-Executive Director (<i>appointed 1 July 2020</i>)
Mr Humphrey Nolan	Non-Executive Director (<i>appointed 1 July 2020</i>)
Mr Peter Vaughan	Company Secretary
Mr Philip Vafiadis	Non-Executive Chairman (<i>resigned 30 June 2020</i>)

PRINCIPAL ACTIVITIES

Titomic Limited is an Australian public listed company specialising in technology solutions for industrial scale metal additive manufacturing using its unique patented Titomic Kinetic Fusion® technology with its principal activities in defence, aerospace, mining, energy and transport industries.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

On 11th March 2020 the World Health Organisation declared an ongoing global outbreak of a novel coronavirus, known as 'coronavirus disease 2019' (COVID-19) as a pandemic.

While the broader economy has been impacted significantly, Titomic Limited has thus far experienced a limited impact from the COVID-19 pandemic as the Company has industry-specific obligations relating to primary metal and metal product manufacturing and has exemption permits for on-site work to produce goods and materials necessary for or related to supporting defence industries both in Australia and globally.

Following the guidance of Victoria's Chief Health Officer, Titomic Limited has enacted a COVID Safe Plan, focusing on safety, prevention, and response in the event that COVID-19 is linked to the workplace. Titomic Limited has maintained its operational activity, notwithstanding the fact that some staff have been working from home and there has been some minor supply chain delays from Victorian and some overseas suppliers. Ultimately, there has been very little short-term implications to Titomic Limited's business with respect to either revenue or operational expenditure.

LIKELY DEVELOPMENTS

With many industries being devastated by the effects of COVID-19 to their businesses and operations, Titomic Limited is fortunate enough to have a diversified customer base to protect against the impact any one industry might be experiencing in these difficult times and are attuning our business development efforts accordingly.

While the full impact of the pandemic globally may not be fully quantifiable for some time, in the short term Titomic Limited has been relatively unaffected and continues to operate at its normal capacity and extends its sincere gratitude to our valued clients, shareholders, suppliers and staff for their continued support as we do everything possible to operate

DIRECTORS' REPORT

within the permitted COVID-19 regulatory restrictions and guidelines.

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

The activities outlined in the review of operations and outlook are inherently risky and the board is unable to provide certainty of the expected timing and financial results of these activities, or that any or all of these likely developments will be achieved. All future activities are subject to various risks and there are no assurances that these targeted milestones will be reached or that the stated timeframes will be met.

EVENTS SINCE THE END OF THE FINANCIAL YEAR



1ST JULY 2020

As announced to the ASX, appointment of Dr Andreas Schwer to serve as Non-Executive Chairman of Titomic Limited and appointment of Mr Dag W.R. Stromme and Humphrey Nolan to serve as Non-Executive Directors of Titomic Limited.

14TH AUGUST 2020

As announced to the ASX, Credit Suisse Holdings (Australia) Limited became a 5.36% substantial shareholder in Titomic Limited via its CS Third Nominees Pty Ltd holder.

ENVIRONMENTAL REGULATION

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

DIVIDEND PAID, RECOMMENDED AND DECLARED

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

DIRECTORS & COMPANY SECRETARIES

The qualifications, experience and special responsibilities of each person who has been a Director of the Company at any time during or since 1 July 2019 is provided below, together with details of the Company secretary as at year end.



DR ANDREAS SCHWER

Independent Non-Executive
Chairman
(Appointed 1 July 2020)

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 now 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 Defense & Space and Helicopters divisions, and an executive role at the equipment manufacturing group, The Manitowoc Company.

OTHER CURRENT DIRECTORSHIPS

Dr Schwer does not hold any current directorships.

FORMER DIRECTORSHIPS IN LAST 3 YEARS

Dr Schwer has not held any listed Company directorships in the past 3 years.

SPECIAL RESPONSIBILITIES

- Board Chairman

INTEREST IN SECURITIES

N/A



MR DAG W.R. STROMME

Independent Non-Executive
Director
(Appointed 1 July 2020)

EXPERIENCE AND EXPERTISE

Mr Dag W.R. Stromme is an investor and entrepreneur with close to 30 years of experience from successful private ownership and leading European, as well as global, financial institutions. He has been running his own investment

office, PAACS Invest, since 2015. Mr Stromme was until 2015 a senior industry advisor to Triton, an investment firm with €17B under management. He joined Morgan Stanley in New York in 1990, focusing on mergers and acquisitions and was a Managing Director of Morgan Stanley London from 2001 to 2007 and Co-Head of Nordic Investment Banking from 2000 to 2007. Mr Stromme has been a director of various public and non-public companies. He is currently controlling shareholder and Chairman of Racom AS, a technology Company focused on security for public and private institutions, and a director of Arundo Analytics Inc, a US IIoT software Company. Mr Stromme is an active investor in several healthcare and technology companies, including EXACT Therapeutics, RemovAid and Iterate, a leading technology venture builder.

OTHER CURRENT DIRECTORSHIPS

Mr Stromme does not hold any current directorships.

FORMER DIRECTORSHIPS IN LAST 3 YEARS

- Director - Axactor AB (Resigned September 2017)

SPECIAL RESPONSIBILITIES

- Remuneration & Nomination Committee Member

INTEREST IN SECURITIES

Ordinary Shares: **784,274**



MR JEFFREY LANG

Managing Director

EXPERIENCE AND EXPERTISE

Mr Jeffrey Lang is an experienced senior executive and technologist in R&D of advanced manufacturing technologies and implementation on automated manufacturing operations in Australia, 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. A corporate and innovation visionary, Mr Lang has led multiple efforts in the development of future advanced

DIRECTORS' REPORT

technologies by driving a culture of "outside the box" creative thinking to successfully manage collaborations & partnerships with vested interests in advanced technologies and product innovation. Mr Lang assists companies and organisations with creative solution resolution by analysis of conceptual ideas and products to effectively transfer new technologies through to commercialisation.

AWARDS

Australian Stockbrokers Award - Best Corporate Deal of the year 2018 Titomic Limited (ASX:TTT)

Camellia Award - Awarded by the Chinese Government to outstanding foreign experts in appreciation of their contributions and enthusiastic support for social and economic development.

ISPO Brand New Award - European Industry award for best new innovative product design and technology development.

SPE Specialised Plastic Engineers - Award for Industry contribution as a speaker at Victorian Industry workshops on composite Materials & Production Technologies.

OTHER CURRENT DIRECTORSHIPS

Mr Lang does not hold any current directorships.

FORMER DIRECTORSHIPS IN LAST 3 YEARS

Mr Lang has not held any listed Company directorships in the past 3 years

SPECIAL RESPONSIBILITIES

- ▶ Managing Director
- ▶ Chief Technical Officer (CTO)

INTERESTS IN SECURITIES

Ordinary shares: **9,421,008**

Performance Shares: **80,840 (Hurdle Price \$2.78)**

Expiry: 28/11/21

399,574 (Hurdle Price \$1.70)

Expiry: 29/11/22



PROF RICHARD FOX

Non-Executive Director

EXPERIENCE AND EXPERTISE

Prof Richard Fox is the co-founder of Force Industries, one of Australia's leading designer and manufacturer of composite boards for board sports. He is the former director of Research at St Vincents Hospital Melbourne. Prof Fox was also the former Director of Clinical Haematology & Medical Oncology, Royal Melbourne Hospital 1985-2006. Prof Fox was the inaugural Chairman of the CRC for

Cancer Therapeutics & was awarded the Order of Australia in 2007.

OTHER CURRENT DIRECTORSHIPS

Prof Fox does not hold any current directorships.

FORMER DIRECTORSHIPS IN LAST 3 YEARS

Prof Fox has not held any listed Company directorships in the past 3 years.

SPECIAL RESPONSIBILITIES

- ▶ Audit & Risk Committee Member
- ▶ Remuneration & Nomination Committee Member

INTERESTS IN SECURITIES

Ordinary shares: **23,298,012**

Performance Shares: **16,168 (Hurdle Price \$2.78)**

Expiry: 28/11/21

79,915 (Hurdle Price \$1.70)

Expiry: 29/11/22



MR HUMPHREY NOLAN

Independent Non-Executive
Director
(Appointed 1 July 2020)

EXPERIENCE AND EXPERTISE

Mr Nolan is a seasoned Board Director and CEO with 30 years' experience driving strategic and operational change across industrial, logistics and distribution industries. Mr Nolan has held senior leadership positions within global logistics companies, including at the P&O Group. Mr Nolan is currently Chairman of both the Nolan Group and Tapex Group; both leading distributors of technical and industrial textiles operating across Australia and New Zealand.

OTHER CURRENT DIRECTORSHIPS

Mr Nolan does not hold any current directorships

FORMER DIRECTORSHIPS IN LAST 3 YEARS

- ▶ **Non-Executive Director** - Hilton Haulage LLP *(Resigned December 2019)*

SPECIAL RESPONSIBILITIES

- ▶ Audit & Risk Committee Member

INTERESTS IN SECURITIES

Ordinary Shares: **75,000**

**MR RICHARD WILLSON**

Non-Executive Director

EXPERIENCE AND EXPERTISE

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

Mr Willson has a Bachelor of Accounting from the University of South Australia, is a fellow of CPA Australia, and a Fellow of the Australian Institute of Company Directors.

OTHER CURRENT DIRECTORSHIPS

Non-Executive Director - AusTin Mining Limited (ASX:ANW)

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

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

Non-Executive Director - Graphene Technology Solutions Limited

Non-Executive Director - Unity Housing Company

Non-Executive Director - Variety SA

FORMER DIRECTORSHIPS IN LAST 3 YEARS

Non-Executive Director - FirstWave Cloud Technologies Limited (ASX:FCT)

Non-Executive Director - Patron Resources Limited

SPECIAL RESPONSIBILITIES

- Audit & Risk Committee Chairman
- Remuneration & Nomination Committee Chairman

INTERESTS IN SECURITIES

Ordinary Shares: **120,000**

Performance Shares: **16,168 (Hurdle Price \$2.78)**

Expiry: 28/11/21

79,915 (Hurdle Price \$1.70)

Expiry: 29/11/22

**MR PETER VAUGHAN**

Company Secretary

EXPERIENCE AND EXPERTISE

Mr Peter Vaughan is a public Company specialist who has worked in the listed Company environments of ASX, AIM and NASDAQ for more than 15 years across several industries both in Australia and overseas. He has served on, and provided finance, compliance and operations management, and corporate advisory services to several private, not-for-profit and public Company Boards, related committees and Senior Management.

Mr Vaughan has served as Company Secretary & Chief of Business to a number of listed and unlisted public companies and has led several Initial Public Offerings (IPOs), Registered Training Organisations (RTOs) and a number of significant secondary capital raisings on Australian and US listed markets. Mr Vaughan has also held a number of Director and Treasurer positions within for-profit and not-for-profit organisations.

Mr Vaughan is a Chartered Accountant who also holds a Senior Executive MBA from Melbourne University and has been awarded a number of awards for his volunteer work with Wildlife Victoria and the State Emergency Service including a Pride of Australia Award in 2011, and a Chartered Accountants award in 2010.

OTHER CURRENT DIRECTORSHIPS

Mr Vaughan does not hold any current directorships.

FORMER DIRECTORSHIPS IN LAST 3 YEARS

Mr Vaughan has not held any listed Company directorships in the past 3 years.

SPECIAL RESPONSIBILITIES

None

INTERESTS IN SECURITIES

Ordinary Shares: **63,050**

Performance Shares: **162,632 (Hurdle Price \$1.70)**

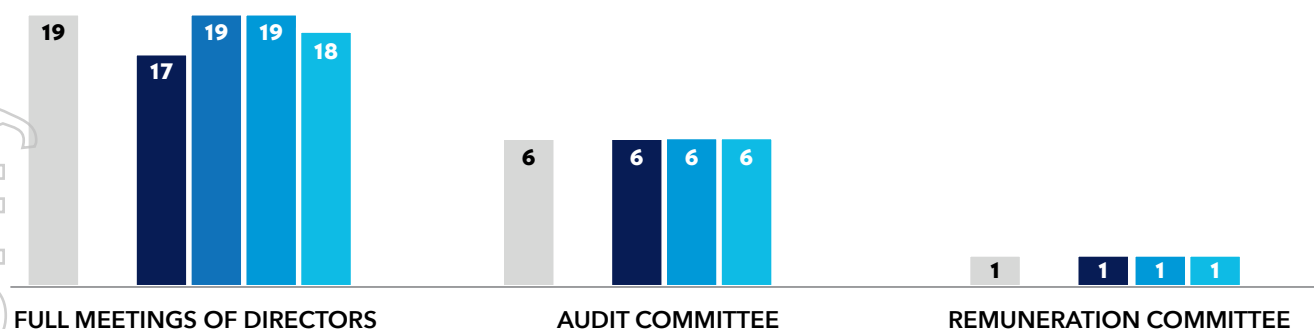
Expiry: 29/11/22

**MR PHILIP VAFIADIS**

Non-Executive Chairman
(Resigned 30 June 2020)

DIRECTORS' MEETINGS

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



■ No. of meetings held during the time the Director held office or was a member of the committee during the year

■ Mr Philip Vafiadis*

■ Mr Jeffrey Lang

■ Prof Richard Fox

■ Mr Richard Willson

* Mr Philip Vafiadis resigned 30 June 2020

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

	Audit and Risk Committee	Remuneration and Nomination Committee
Committee Chairman	Mr Richard Willson	Mr Richard Willson
Committee Member	Mr Humphrey Nolan	Mr Dag W.R. Stromme
Committee Member	Prof Richard Fox	Prof Richard Fox

DIRECTORS' INTERESTS IN SHARES OR OPTIONS

Directors Relevant Interests In :	Ordinary Shares	Performance Securities*
Dr Andreas Schwer	Nil	Nil
Mr Jeffrey Lang	9,421,008	80,840 ¹ 399,574 ²
Mr Dag W.R. Stromme	784,274	Nil
Mr Humphrey Nolan	75,000	Nil
Prof Richard Fox	23,298,012	16,168 ¹ 79,915 ²
Mr Richard Willson	120,000	16,168 ¹ 79,915 ²
TOTAL	33,698,294	672,580

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

¹ Performance Hurdle: 140,123 Performance Share Rights

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

² Performance Hurdle: 692,595 Performance Share Rights

Performance Hurdle is set at a share price equal to 150% of the Company's 30-day VWAP share price which is \$1.70 on the date shareholder approval was granted (29 November 2019), and must be satisfied within 3 years of the granting of the Performance Share Rights (29 November 2019 to 28 November 2022).

SHARES UNDER OPTION

No options over unissued ordinary shares were outstanding at the end of the financial year.

SHARES ISSUED ON EXERCISE OF OPTIONS

The following ordinary shares of Titomic Limited were issued during or since the end of financial year as a result of the exercise of an option:

Date Issued	Number of Ordinary Shares Issues	Amount Paid Per Share (\$)
31 May 2020	1,463,666	0.30

There are no amounts unpaid on shares issued on the exercise of options.

INDEMNIFICATION AND INSURANCE OF DIRECTORS, OFFICERS AND AUDITORS**(a) INSURANCE OF OFFICERS**

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

During the financial year, the Company paid a premium in respect of a contract to insure the Directors and executives of the Company against a liability to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

(b) INDEMNITY OF AUDITORS

The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied for leave of Court to bring proceedings on behalf of the Company.

AUDITOR'S INDEPENDENCE DECLARATION

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

NON-AUDIT SERVICES

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

Non-audit services are approved by resolution of the audit committee and approval is provided in writing to the board

DIRECTORS' REPORT

of Directors. There were no non-audit services provided by the auditors of the Company during the year, namely Pitcher Partners (Melbourne), network firms of Pitcher Partners, and other non-related audit firms, as detailed below. The Directors are satisfied that the provision of the non-audit services during the year by the auditor is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001* for the following reasons:

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

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

	2020 (\$)	2019 (\$)
Other Services	----	----
TOTAL REMUNERATION FOR NON AUDIT SERVICES	----	----

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.

END OF DIRECTORS REPORT

REMUNERATION REPORT (AUDITED)

The Directors present the Titomic Limited 2020 Remuneration Report, outlining key aspects of our remuneration policy and framework, and remuneration awarded this year to Titomic Limited's Executive Directors, Non-Executive Directors and other Key management personnel.

(a) KEY MANAGEMENT PERSONNEL COVERED IN THIS REPORT

Dr Andreas Schwer	Non-Executive Chairman (<i>appointed 1 July 2020</i>)
Mr Jeffrey Lang	Managing Director
Prof Richard Fox	Non-Executive Director
Mr Richard Willson	Independent Non-Executive Director
Mr Dag W.R. Stromme	Non-Executive Director (<i>appointed 1 July 2020</i>)
Mr Humphrey Nolan	Non-Executive Director (<i>appointed 1 July 2020</i>)
Mr Peter Vaughan	Company Secretary
Mr Philip Vafiadis	Non-Executive Chairman (<i>resigned 30 June 2020</i>)

(b) REMUNERATION POLICY

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

Remuneration and Nomination Committee

Committee Chairman	Mr Richard Willson
Committee Member	Mr Dag W.R. Stromme
Committee Member	Prof Richard Fox

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

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

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

(c) ELEMENTS OF REMUNERATION

(i) SHORT-TERM INCENTIVES

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

Board Chairman:

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

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

Non-Executive Director:

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

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

Managing Director:

Total remuneration package will include:

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

Audit and Risk Committee:

Each Director of the Committee will receive:

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

Remuneration and Nomination Committee:

Each Director of the Committee will receive:

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

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

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

(d) LINK BETWEEN REMUNERATION AND PERFORMANCE

Remuneration is dependent on satisfaction of performance conditions:

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

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

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

(e) REMUNERATION EXPENSES FOR KMP

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

(e) Remuneration Expenses for KMP (Continued)

2019	Short Term Benefits		Post-Employment Benefits (\$)	Long Term Benefits (\$)	Share Based Payments (\$)	Total (\$)	Options as % of Total
	Cash and Salary Benefits (\$)	Annual Leave (\$)	Superannuation (\$)	Long Service Leave (\$)	Performance Securities (\$)		
DIRECTORS AND OTHER KMP							
Mr Philip Vafiadis	105,417	-----	-----	-----	51,057	156,474	33%
Prof Richard Fox	65,000	-----	-----	-----	120,798	185,798	65%
Mr Jeffrey Lang	288,799	13,462	20,558	-----	94,660	417,479	23%
Mr Richard Willson	68,493	-----	6,507	-----	4,737	79,737	6%
Mr Gilbert Michaca*	281,366	11,421	20,531	-----	-----	313,318	-----
TOTAL	809,075	24,883	47,596	-----	271,252	1,152,806	24%

* Mr Gilbert Michaca resigned 22 October 2018

2020	Short Term Benefits		Post-Employment Benefits (\$)	Long Term Benefits (\$)	Share Based Payments (\$)	Total (\$)	Options as % of Total
	Cash and Salary Benefits (\$)	Annual Leave (\$)	Superannuation (\$)	Long Service Leave (\$)	Performance Securities (\$)		
DIRECTORS AND OTHER KMP							
Mr Philip Vafiadis**	210,000	-----	-----	-----	29,849	239,849	12%
Prof Richard Fox	65,000	-----	-----	-----	17,908	82,908	22%
Mr Richard Willson	81,507	-----	7,743	-----	17,908	107,158	17%
Mr Jeffrey Lang	350,000	59,231	21,003	-----	89,543	519,777	17%
TOTAL	706,507	59,231	28,746	-----	155,209	949,693	16%

** Mr Philip Vafiadis resigned 30 June 2020. Cash and salary benefits include termination benefit of \$105,000.

(f) CONTRACTUAL ARRANGEMENTS WITH EXECUTIVE KMPS

Managing Director (MD)

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

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

Either the Company or Mr Jeffrey Lang may terminate the employment contract with 6 months written notice. The Company

REMUNERATION REPORT

(f) Contractual Arrangements with Executive KMP's (Continued)

may terminate Mr Jeffrey Lang employment contract without notice in some circumstances.

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

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

Mr Jeffrey Lang and/or his nominee will receive \$150,000 worth of Performance Share Rights, subject to achievement of the Performance Hurdle, the Company's 30-day VWAP share price on the date shareholder approval is granted, and must be satisfied within 3 years of the date of the granting of the Performance Share Rights or the Performance Share Rights will lapse and expire. If the performance hurdle is achieved, Titomic Limited will issue one new fully paid ordinary share to Mr Jeffrey Lang for each Performance Share Rights as follows:

$$NS = \$150,000/SVWAP \text{ where:}$$

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

(g) NON-EXECUTIVE DIRECTOR ARRANGEMENTS

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

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

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

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

(h) KEY MANAGEMENT PERSONNEL'S EQUITY HOLDINGS

Number of options held by key management personnel

During the 2020 financial year, 1,463,666 options were exercised by Directors or Other Key Management Personnel with 187,334 options expiring and lapsing without being exercised.

Number of shares held by key management personnel

	Balance at Start of the Year	Balance at Date of Appointment	Granted as Compensation	Net Change (other)	Balance at the End of the Year
Non-Executive Directors					
Mr Philip Vafiadis	5,375,000	-----	-----	(3,268,172)	2,106,828
Prof Richard Fox	27,944,012	-----	-----	(4,646,000)	23,298,012
Mr Richard Willson	100,000	-----	-----	20,000	120,000
Executive Directors					
Mr Jeffrey Lang	10,004,342	-----	-----	(583,334)	9,421,008
TOTAL	43,423,354			(8,477,506)	34,945,848

(h) Key Management Personnel's Equity Holdings (Continued)

Performance Securities Granted to Key Management Personnel

	Grant Date	Expiry Date	Granted	Performance Hurdle	Value at Grant Date (\$)
<i>Performance Hurdle 1</i>					
Mr Philip Vafiadis	28-Dec 2018	28-Nov-2021	26,947	\$2.78	36,063
Prof Richard Fox	28-Dec-2018	28-Nov-2021	16,168	\$2.78	21,638
Mr Richard Willson	28-Dec-2018	28-Nov-2021	16,168	\$2.78	21,638
Mr Jeffrey Lang	28-Dec-2018	28-Nov-2021	80,840	\$2.78	108,188
TOTAL	----	----	140,123	----	187,527
<i>Performance Hurdle 2</i>					
Mr Philip Vafiadis	29-Dec 2019	29-Nov-2022	133,191	\$1.70	50,000
Prof Richard Fox	29-Dec-2019	29-Nov-2022	79,915	\$1.70	30,000
Mr Richard Willson	29-Dec-2019	29-Nov-2022	79,915	\$1.70	30,000
Mr Jeffrey Lang	29-Dec-2019	29-Nov-2022	399,574	\$1.70	150,000
TOTAL	----	----	692,595	----	260,000
TOTAL	----	----	832,718	----	447,527

Performance Hurdle: 140,123 Performance Share Rights

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

Performance Hurdle: 692,595 Performance Share Rights

Performance Hurdle is set at a share price equal to 150% of the Company's 30-day VWAP share price which is \$1.70 on the date shareholder approval was granted (29 November 2019) and must be satisfied within 3 years of the granting of the Performance Share Rights (29 November 2019 to 29 November 2022).

(i) CONSEQUENCES OF COMPANY'S PERFORMANCE ON SHAREHOLDER WEALTH

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

REMUNERATION REPORT

(i) Consequences of Company's Performance on Shareholders Wealth (Continued)

	2020	2019	2018
Revenue and Other Income (\$)	2,006,375	1,474,937	267,859
Increase in Revenue and Other Income (%)	36	451	3844
Loss Before Tax (\$)	(10,826,806)	(7,489,077)	(3,767,594)
Change in Share Price (%)	(70)	(25)	N/A
Dividend Paid to Shareholders (\$)	Nil	Nil	Nil
Return of Capital (\$)	Nil	Nil	Nil
Total Remuneration of KMP (\$)	949,693	1,152,806	975,686
Total Performance-Based Remuneration (\$)	155,209	271,252	258,356

(j) LOANS TO KEY MANAGEMENT PERSONNEL

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

(k) OTHER TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

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

(l) ADDITIONAL INFORMATION

(i) Voting of Shareholders at Last Year's Annual General Meeting

Titomic Limited received more than 99% of "yes" approval votes from shareholders on its remuneration report for the 2019 financial year at the Company's Annual General Meeting (AGM) in November 2019. The Company did not receive any specific feedback at the AGM or throughout the period regarding its remuneration practices.

Use of Remuneration Consultants

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

END OF REMUNERATION REPORT

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



Mr Jeffrey Lang
Managing Director
Melbourne
31 August 2020

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

In relation to the independent audit for the year ended 30 June 2020, 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*.



D A KNOWLES
Partner
31 August 2020



PITCHER PARTNERS
Melbourne

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STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2020

	Notes	30 June 2020 (\$)	30 June 2019 (\$)
Revenue and Other Income			
Revenue and Other Income	5	2,006,375	1,474,937
		2,006,375	1,474,937
Expenses			
Production and Related Expenses		(799,702)	(838,185)
Corporate and Administrative Expenses		(1,920,897)	(1,090,728)
Employee and Director Expenses		(5,929,261)	(5,028,414)
Share Based Payment Expenses		(458,428)	(136,822)
Marketing and Promotion Expenses		(738,324)	(128,788)
Depreciation Expenses		(2,243,450)	(1,461,033)
Amortisation Expenses		(133,511)	(76,595)
Other Expenses		(609,608)	(203,449)
LOSS BEFORE INCOME TAX		(10,826,806)	(7,489,077)
Income Tax Expense	7	-----	-----
LOSS FOR THE PERIOD		(10,826,806)	(7,489,077)
Other Comprehensive Loss for the Period		-----	-----
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		(10,826,806)	(7,489,077)
	Notes	Cents	Cents
Loss Per Share Attributable to the Ordinary Equity Holders of the Company			
Basic Loss Per Share	8	(8.07)	(6.09)
Diluted Loss Per Share	8	(8.07)	(6.09)

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

STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 30 JUNE 2020

Assets	Notes	30 June 2020 (\$)	30 June 2019 (\$)
Current Assets			
Cash and Cash Equivalents	9	17,458,051	1,412,477
Trade and Other Receivables	10	358,897	1,226,979
Inventories	11	2,007,752	393,429
Other Current Assets	12	2,781,820	612,142
TOTAL CURRENT ASSETS		22,606,520	3,645,027
Non-Current Assets			
Property, Plant and Equipment	13	4,287,772	5,543,658
Intangible Assets	14	2,397,582	2,531,092
Lease Assets	15	594,115	-----
TOTAL NON-CURRENT ASSETS		7,279,469	8,074,750
TOTAL ASSETS		29,885,989	11,719,777
Liabilities			
Current Liabilities			
Trade and Other Payables	16	1,191,569	953,328
Provisions	17	226,973	132,488
Other Financial Liabilities	18	683,173	315,490
Lease Liabilities	15	449,397	-----
TOTAL CURRENT LIABILITIES		2,551,112	1,401,306
Non-Current Liabilities			
Provisions	17	32,591	8,928
Other Financial Liabilities	18	1,405,488	1,840,702
Lease Liabilities	15	322,357	-----
TOTAL NON-CURRENT LIABILITIES		1,760,436	1,849,630
TOTAL LIABILITIES		4,311,548	3,250,936
NET ASSETS		25,574,441	8,468,841
Equity			
Issued Capital	19	45,853,616	20,404,638
Reserves	20	2,570,740	752,234
Accumulated Losses		(22,849,915)	(12,688,031)
TOTAL EQUITY		25,574,441	8,468,841

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

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2020

	Attributable to Owners of Titomic Limited			
	Issued Capital (\$)	Reserves (\$)	Accumulated Losses (\$)	Total (\$)
BALANCE AT 1 JULY 2018	19,987,131	434,722	(5,198,954)	15,222,899
Loss for the Period	-----	-----	(7,489,077)	(7,489,077)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	-----	-----	(7,489,077)	(7,489,077)
<i>Transactions with Owners in their Capacity as Owners</i>				
Shares Issued, Net of Costs	417,507	-----	-----	417,507
Share Based Payment	-----	317,512	-----	317,512
TOTAL	417,507	317,512	-----	735,019
BALANCE AT 30 JUNE 2019	20,404,638	752,234	(12,688,031)	8,468,841
BALANCE AT 1 JULY 2019	20,404,638	752,234	(12,688,031)	8,468,841
Loss for the Period	-----	-----	(10,826,806)	(10,826,806)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	-----	-----	(10,826,806)	(10,826,806)
<i>Transactions with Owners in their Capacity as Owners</i>				
Shares Issued, Net of Costs	25,448,978	-----	-----	25,448,978
Transfer of Performance Securities Pre-IPO	-----	(494,799)	494,799	-----
Transfer of Options Lapsed/Expired Pre-IPO	-----	(170,123)	170,123	-----
Share Based Payment	-----	458,428	-----	458,428
Options Issued	-----	2,025,000	-----	2,025,000
TOTAL	25,448,978	1,818,506	664,922	27,932,406
BALANCE AT 30 JUNE 2020	45,853,616	2,570,740	(22,849,915)	25,574,441

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

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2020

	Notes	30 June 2020 (\$)	30 June 2019 (\$)
Cash Flows from Operating Activities			
Receipts from Customers		309,020	299,742
Payments to Suppliers and Employees		(10,853,439)	(6,734,792)
Interest Received		76,051	152,532
Finance Costs		(69,462)	-----
Other Grants		2,626,427	252,917
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	22	(7,911,403)	(6,029,601)
Cash Flows from Investing Activities			
Payments for Property, Plant and Equipment		(998,096)	(2,624,730)
Loans to Other Entities		(88,885)	-----
Payments for Intellectual Property		-----	(311,322)
Proceeds from Sale of Held for Sale Assets		-----	40,455
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		(1,086,981)	(2,895,597)
Cash Flows from Financing Activities			
Proceeds from Issues of Shares and Other Equity Securities (net of costs)		25,448,978	(9,493)
Payments for the Principal Portion of Lease Liabilities		(405,020)	-----
NET CASH INFLOW (OUTFLOW) FROM FINANCING ACTIVITIES		25,043,958	(9,493)
Net Increase (Decrease) in Cash and Cash Equivalents		16,045,574	(8,934,691)
Cash and Cash Equivalents at the Beginning of the Financial Year		1,412,477	10,347,168
CASH AND CASH EQUIVALENTS AT END OF PERIOD	9	17,458,051	1,412,477

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

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) BASIS OF PREPARATION

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

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

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

(i) COMPLIANCE WITH IFRS

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

(ii) HISTORICAL COST CONVENTION

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

(iii) FAIR VALUE MEASUREMENT

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

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

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

(iv) SIGNIFICANT ACCOUNTING ESTIMATES

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

(v) NEW AND AMENDED STANDARDS ADOPTED BY THE GROUP

The AASB has issued a number of new and amended Australian 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.

NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Account Policies: (a) Basis of Preparation; (v) New and Amended Standards Adopted by the Group (Continued)

Impacts of AASB 16 on the Financial Statements

Titomic Limited adopted AASB 16 Leases from 1 July 2019.

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

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

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

In accordance with the transition requirements of AASB 16, the Company has elected to apply AASB 16 retrospectively to those contracts that were previously identified as leases under the predecessor standard, with the cumulative effect of initially applying the new standard recognised at the beginning of the current reporting period (i.e., at 1 July 2019). Accordingly, comparative information has not been restated.

The application of AASB 16 resulted in the recognition of right-of-use assets with an aggregate carrying amount of \$948,613 (referred to in these financial statements as "lease assets") and corresponding lease liabilities with an aggregate carrying amount of \$1,177,989. The weighted average incremental borrowing rate determined to be applicable in the calculation of the initial carrying amount of lease liabilities is 7%. The finance lease incentive of \$228,161 has been derecognised on initial application of AASB 16.

The following is a reconciliation of non-cancellable operating lease commitments disclosed at the end of the prior reporting period at 30 June 2019 to the aggregate carrying amount of lease liabilities recognised at the date of the initial application at 1 July 2019:

	\$
Aggregate Non-Cancellable Operating Lease Commitments at 30 June 2019	1,107,378
PLUS: Lease Payments Included in the Measurement of Lease Liabilities and Not Previously Included in Non-Cancellable Operating Lease Commitments	188,842
LESS: Impact of Discounting Lease Payments to their Present Value at 1 July 2019	(118,231)
Carrying Amount of Lease Liabilities Recognised at 1 July 2019	1,177,989

(b) GOING CONCERN

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

The Company incurred a loss from ordinary activities of \$10,826,806 during the year ended 30 June 2020

1. Summary of Significant Accounting Policies; (b) Going Concern (Continued)

(2019: \$7,489,077 loss). The Company had a net asset position of \$25,574,441 (2019: \$8,468,841). The Company had a net cash outflow from operating activities of \$7,911,403 (2019: \$6,029,601).

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

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

(c) REVENUE

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

Revenue from contracts with customers:

The Company derives revenue from:

- ▶ Advisory and Prototyping Consulting Services
- ▶ OEM Manufacturing Services
- ▶ TKF Systems and Spare Sales
- ▶ Metal Powders Sales

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

(i) SALE OF GOODS AND MANUFACTURING

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 Company 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) SERVICE INCOME

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

(iii) INTEREST

Interest revenue is recognised using the effective interest rate method.

(iv) GRANT AND R&D INCENTIVES

The Company 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 Company, and changes in government policy may reduce their applicability. R&D tax incentives are recorded as revenue when the Company has determined that it has a valid claim.

(v) RECEIVABLES FROM CONTRACTS WITH CUSTOMERS

A receivable from a contract with a customer represents the Company's unconditional right to consideration arising

NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Account Practices (Continued)

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.

(vi) RECEIVABLES FROM CONTRACTS WITH CUSTOMERS

The contract asset represents the value of the options issued to Composite Technology as part of the Equipment Sales Agreement.

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

(d) CASH AND CASH EQUIVALENTS

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

(e) TRADE RECEIVABLES

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

(f) LEASES

Further details of the Company's accounting policy for leases, for the full year period ended 30 June 2020, is as follows:

Lease Assets

At the commencement date of a lease (other than leases of 12-months or less and leases of low value assets), the Company recognises a lease asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

Lease assets are initially recognised at cost, comprising the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date of the lease, less any lease incentives received, any initial direct costs incurred by the Company, and an estimate of costs to be incurred by the Company in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Subsequent to initial recognition, lease assets are measured at cost (adjusted for any remeasurement of the lease liability), less accumulated depreciation and any accumulated impairment loss.

Lease assets are depreciated over the shorter of the lease term and the estimated useful life of the underlying asset, consistent with the estimated consumption of the economic benefits embodied in the underlying asset.

Lease Liabilities

Lease liabilities are initially recognised at the present value of the future lease payments (i.e., the lease payments that are unpaid at the commencement date of the lease). These lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined, or otherwise using the Company's incremental borrowing rate.

Subsequent to initial recognition, lease liabilities are measured at the present value of remaining lease payments (i.e., the lease payments that are unpaid at the reporting date). Interest expense on lease liabilities is recognised in profit or loss (presented as a component of finance costs). Lease liabilities are remeasured to reflect changes to lease terms, changes to lease payments and any lease modifications not accounted for as separate leases.

Variable lease payments not included in the measurement of lease liabilities are recognised as an expense when incurred.

1. Summary of Significant Accounting Policies; (f) Leases (Continued)

Leases of 12-months or Less and Leases of Low Value Assets

Lease payments made in relation to leases of 12-months or less and leases of low value assets (for which a lease asset and a lease liability has not been recognised) are recognised as an expense on a straight-line basis over the lease term.

(g) PROPERTY, PLANT AND EQUIPMENT

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Company and the cost of the asset can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

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

Buildings Fitout	10 - 20 years
Factory Equipments	3 - 10 years
Furniture and Fittings	3 - 5 years
Other Property, Plant and Equipment	1 - 3 years

(h) INTANGIBLE ASSETS

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

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

(i) LICENCES

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

(ii) RESEARCH AND DEVELOPMENT

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (Continued)

(i) INVENTORIES

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

(j) IMPAIRMENT OF NON-FINANCIAL ASSETS

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

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

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

(k) INCOME TAX

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

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

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

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

(l) PROVISIONS

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

(m) EMPLOYEE BENEFITS

(i) SHORT-TERM EMPLOYEE BENEFIT OBLIGATIONS

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

(ii) OTHER LONG-TERM EMPLOYEE BENEFIT OBLIGATIONS

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

1. Summary of Significant Accounting Policies; (m) Employee Benefits (Continued)

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

(iii) RETIREMENT BENEFIT OBLIGATIONS**Defined contribution superannuation plan**

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

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

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

(iv) SHARE-BASED PAYMENTS

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

The fair value of options granted under employment and consultancy agreements are recognised as share based payment expense with a corresponding increase in equity. The fair value of the options 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.

(n) FINANCIAL INSTRUMENTS**(i) CLASSIFICATION**

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

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

NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies; (n) Financial Instruments (Continued)

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

(ii) INITIAL RECOGNITION AND MEASUREMENT

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

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

Trade and Other Receivables

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

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

(iii) IMPAIRMENT

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

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

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

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

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

(o) FOREIGN CURRENCY TRANSLATION

(i) FUNCTIONAL AND PRESENTATION CURRENCY

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

(ii) TRANSACTIONS AND BALANCES

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

(p) GOODS AND SERVICES TAX (GST)

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

1. Summary of Significant Accounting Policies (Continued)

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

(q) ROUNDING OF AMOUNTS

The Company 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.

(r) COMPARATIVES

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

(s) NEW, REVISED OR AMENDING ACCOUNTING STANDARDS AND INTERPRETATIONS ADOPTED

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

2. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

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

Equity Based Payments

The value attributed to any equity issued in lieu of cash payment for services or remuneration is an estimate calculated using an appropriate mathematical formula based on an equity or share pricing model. The choice of models and the resultant equity value require assumptions to be made in relation to the likelihood and timing of the conversion of any options to shares, and the value of volatility of the price of the underlying shares, and the probability of any associated hurdle or performance criteria linked to the issue of the equity being achieved prior to any expiry period. Refer to note 20 for more details.

Estimation of Useful Lives of Assets

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

3. FINANCIAL RISK MANAGEMENT**(a) FINANCIAL INSTRUMENTS**

The Company's financial instruments consist of cash and cash equivalents, trade and other receivables and trade and other payables. Financial instruments as at 30 June 2020 are set out below:

	30 June 2020 (\$)	30 June 2019 (\$)
Cash and Cash Equivalents	17,458,051	1,412,477
Trade and Other Receivables	358,897	1,226,979
Other Current Assets	331,327	121,167
Trade and Other Payables	1,191,569	953,328
Other Financial Liabilities	2,088,661	2,156,192
Lease Liabilities	771,754	----

NOTES TO THE FINANCIAL STATEMENTS

3. Financial Risk Management; (a) Financial Instruments (Continued)

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

(b) RISK MANAGEMENT POLICY

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

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

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

Management report risks identified to the Board through regular reporting.

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

(c) FINANCIAL RISK MANAGEMENT

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

Interest Rate Risk

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

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

There has been no change to the Company's exposure to interest rate risk or the manner in which it manages and measures its risk in the year ended 30 June 2020.

3. Financial Risk Management (Continued)

The following table outlines the Company'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
30 JUNE 2020					
<i>(i) Financial Assets</i>					
Cash	10,033,288	7,424,763	17,458,051	1.14	Variable
Trade and Other Receivables	-----	358,897	358,897	-----	Variable
Other Current Receivables	296,167	2,485,653	2,781,820	1.56	Variable
TOTAL FINANCIAL ASSETS	10,329,455	10,269,313	20,598,768	1.35	-----
<i>(ii) Financial Liabilities</i>					
Trade and Other Payables	-----	1,191,569	1,191,569	-----	Variable
Lease Liabilities	771,754	-----	771,754	9.00	Fixed
Other Liabilities	1,711,812	376,849	2,088,661	8.37	Fixed
TOTAL FINANCIAL LIABILITIES	2,483,566	1,568,418	4,051,984	8.69	-----
30 JUNE 2019					
<i>(i) Financial Assets</i>					
Cash	689,289	723,188	1,412,477	0.66	Variable
Trade and Other Receivables	-----	1,226,979	1,226,979	-----	Variable
Other Current Receivables	121,167	490,975	612,142	1.05	Variable
TOTAL FINANCIAL ASSETS	810,456	2,441,142	3,251,598	0.86	-----
<i>(ii) Financial Liabilities</i>					
Trade and Other Payables	-----	953,328	953,328	-----	Variable
Financial Lease Liabilities	228,161	-----	228,161	4.11	Fixed
Other Liabilities	1,909,861	18,170	1,928,031	0.56	Fixed
TOTAL FINANCIAL LIABILITIES	2,138,022	971,498	3,109,520	2.34	-----

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

NOTES TO THE FINANCIAL STATEMENTS

3. Financial Risk Management; (c) Financial Risk Management (Continued)

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

	30 June 2020 (\$)	30 June 2019 (\$)
+/- 100 Basis Points Change in Interest Rates		
Impact on Loss After Tax for the Period	174,581	14,125
Impact on Equity	174,581	14,125

The choice of 100 basis point change in interest rates was determined having regard to the level of prevailing interest rates in Australia during 2019 and 2020. The impact on loss after tax and equity is greater in 2020 due to the greater cash balances held by the Company

Credit Risk

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

The Company 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 2020. Ongoing credit evaluations are performed on the financial condition of each account receivable.

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

Currency Risk

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

Liquidity Risk

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

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

Contracts are not entered into unless the Board believes that there are sufficient cash flows to fund the additional activity.

The Board considers whether the Company needs to raise additional funding from the equity markets when reviewing its undiscounted cash flow forecasts.

(i) MATURITIES OF FINANCIAL LIABILITIES

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

3. Financial Risk Management; (c) Financial Risk Management (Continued)

	Less than 6 Months (\$)	Between 6 & 12 Months (\$)	Between 1 & 2 Years (\$)	Between 2 & 5 Years (\$)	Over 5 Years (\$)	Total Contractual Cash Flows (\$)	Carrying Amount (\$)
30 JUNE 2020							
<i>Non-Derivatives</i>							
Trade Payables	394,297	----	----	----	----	394,297	394,297
Accrued Expenses	133,800	----	----	----	----	133,800	133,800
CSIRO IP Liability	306,324	----	----	697,121	708,367	1,711,812	1,711,812
Other Payables	663,472	----	----	----	----	663,472	663,472
Lease Liabilities	217,917	231,480	322,357	----	----	771,754	771,754
Other Liabilities	376,849	----	----	----	----	376,849	376,849
TOTAL NON-DERIVATIVES	2,092,659	231,480	322,357	697,121	708,367	4,051,984	4,051,984
30 JUNE 2019							
<i>Non-Derivatives</i>							
Trade Payables	484,819	----	----	----	----	484,819	484,819
Accrued Expenses	115,269	----	----	----	----	115,269	115,269
CSIRO IP Liability	220,558	----	----	361,900	1,327,404	1,909,862	1,909,862
Other Payables	353,240	----	----	----	----	353,240	353,240
Other Liabilities	246,331	----	----	----	----	246,331	246,331
TOTAL NON-DERIVATIVES	1,420,217	----	----	361,900	1,327,404	3,109,521	3,109,521

4. FAIR VALUE MEASUREMENTS

FAIR VALUE HIERARCHY

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

5. REVENUE

	30 June 2020 (\$)	30 June 2019 (\$)
Revenue from Contracts with Customers	145,287	439,573
Interest Received	76,051	152,532
R&D Tax Incentive	1,668,315	841,390
Other Grants	116,722	41,442
TOTAL	2,006,375	1,474,937

6. LOSS FROM CONTINUING OPERATIONS

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

	30 June 2020 (\$)	30 June 2019 (\$)
Employee Benefits Expense		
Share-Based Payments	458,428	136,822
Superannuation Guarantee Contributions	338,620	227,909
Other Employee Benefits	495,114	375,699
TOTAL	1,292,162	740,430
Finance Cost Expensed		
<i>Financial Liabilities Measured at Amortised Cost:</i>		
CSIRO IP Liability	133,511	46,595
Lease Liabilities	423,959	-----
TOTAL	557,470	46,595

7. INCOME TAX EXPENSE

a) INCOME TAX EXPENSE

	30 June 2020 (\$)	30 June 2019 (\$)
Income Tax Expense	-----	-----
TOTAL	-----	-----

b) RECONCILIATION OF INCOME TAX EXPENSE TO PRIMA FACIE TAX PAYABLE

	30 June 2020 (\$)	30 June 2019 (\$)
Loss from Continuing Operations before Income Tax Expense	(10,826,806)	(7,489,077)
Tax at the Australian Tax Rate of 27.5%	(2,977,372)	(2,059,496)
<i>Tax Effect of Amounts which are Not Deductible (Taxable) in Calculating Taxable Income:</i>		
Non-Assessable R&D Tax Incentive Income	(458,787)	(231,382)
Non-Allowable Expenses	175,407	95,458
Non-Deductible R&D Expenditures	-----	1,243,994
Tax Losses and Other Timing Differences for which No Deferred Tax Asset is Recognised	3,260,752	951,426
INCOME TAX EXPENSE	-----	-----

7. Income Tax Expense; (b) Reconciliation of Income Tax Expenses to Prima Facie Tax Payable (Continued)

c) UNRECOGNISABLE POTENTIAL TAX BENEFITS

	30 June 2020 (\$)	30 June 2019 (\$)
Unused tax losses and temporary differences for which a deferred tax assets has not been recognised	6,597,298	2,601,262

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

8. LOSS PER SHARE

(a) RECONCILIATION OF LOSS USED IN CALCULATING LOSS PER SHARE

	30 June 2020 (\$)	30 June 2019 (\$)
Loss For the Period	(10,826,806)	(7,489,077)
LOSS USED IN CALCULATING BASIC LOSS PER SHARE	(10,826,806)	(7,489,077)

(b) WEIGHTED AVERAGE NUMBER OF SHARES USED AS THE DENOMINATOR

	2020 Number	2019 Number
Weighted average number of ordinary shares used as the denominator in calculating basic loss per share	134,223,709	122,973,285
ADJUSTED WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES USED IN CALCULATING DILUTED LOSS PER SHARE	134,223,709	122,973,285

The outstanding share options and performance securities as at 30 June 2020 are considered to be anti-dilutive and therefore were excluded from the diluted weighted average number of ordinary shares calculation.

(c) BASIC LOSS PER SHARE

	30 June 2020 (¢)	30 June 2019 (¢)
From continuing operations attributable to the ordinary equity holders of the Company	(8.07)	(6.09)
TOTAL BASIC LOSS PER SHARE ATTRIBUTABLE TO THE ORDINARY EQUITY HOLDERS OF THE COMPANY	(8.07)	(6.09)

9. CASH AND CASH EQUIVALENTS

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

	30 June 2020 (\$)	30 June 2019 (\$)
Cash at Bank and in Hand	7,424,763	723,188
Term Deposits	10,033,288	689,289
TOTAL	17,458,051	1,412,477

10. TRADE AND OTHER RECEIVABLES

	30 June 2020 (\$)	30 June 2019 (\$)
Trade Receivables	210,834	190,092
Other Receivables	148,063	1,205,287
Allowances for Credit Losses	-----	(168,400)
TOTAL	358,897	1,226,979

The following table provides a reconciliation from the opening balance to the closing balance of the loss allowance for receivables from contracts with customers:

	Receivables from Contracts with Customers (\$)	Total (\$)
Loss Allowance at 1 July 2018	-----	-----
Allowance for Credit Losses Recognised	168,400	168,400
LOSS ALLOWANCE AT 30 JUNE 2019	168,400	168,400
Write Off as Bad Debt	(168,400)	(168,400)
LOSS ALLOWANCE AT 30 JUNE 2019	-----	-----

11. INVENTORIES

	30 June 2020 (\$)	30 June 2019 (\$)
Raw Material On Hand	551,193	335,276
Raw Materials In Transit	129,715	31,986
Work in Progress	1,326,844	26,167
TOTAL	2,007,752	393,429

12. OTHER CURRENT ASSETS

	30 June 2020 (\$)	30 June 2019 (\$)
Prepayments	425,493	490,975
Deposits	296,167	121,167
Contract Asset*	2,025,000	-----
Loan to Other Entity	35,160	-----
TOTAL	2,781,820	612,142

* The Company has recognised a contract asset for \$2,025,000 as part of the equipment sale agreement between Titomic Limited and Composite Technology. The value of the options granted to Composite Technology in February 2020 (Tranche 1 Options) were valued at \$2,025,000 - refer to note 20 (c). These options are considered forming part of the net

12. Other Current Assets (Continued)

contract value for the sale of two 2 TKF Systems totalling AUD\$25.5 million. As at 30 June 2020 the Company had not yet completed its performance obligations under this contract and accordingly the value of the options granted are recorded as a current asset. When the Company completes its contractual obligations by delivering and commissioning the TKF Systems, then the value of the options granted will be deducted in equal amounts from the proceeds to be received under the contract for each machine sold.

13. PROPERTY PLANT AND EQUIPMENT

	30 June 2020 (\$)	30 June 2019 (\$)
Building Fitouts	827,217	832,760
Factory Equipment	418,444	270,002
Furniture and Fittings	284,424	284,400
Machinery	2,148,391	3,404,285
Other Property, Plant and Equipment	609,296	752,211
TOTAL	4,287,772	5,543,658

	Building Fitouts (\$)	Factory Equipment (\$)	Furniture and Fittings (\$)	Machinery (\$)	Other Property, Plant and Equipment (\$)	Total (\$)
<i>Year Ended 30 June 2019</i>						
OPENING NET BOOK AMOUNT	570,605	95,239	72,402	2,966,025	589,675	4,293,946
Additions	304,264	220,012	288,346	346,336	1,465,772	2,624,730
Transfers	-----	-----	-----	1,303,236	(1,303,236)	-----
Disposals	-----	-----	(7,934)	-----	-----	(7,934)
Depreciation Charge	(42,109)	(45,249)	(68,414)	(1,211,312)	-----	(1,367,084)
CLOSING NET BOOK AMOUNT	832,760	270,002	284,400	3,404,285	752,211	5,543,658
<i>Year Ended 30 June 2020</i>						
OPENING NET BOOK AMOUNT	832,760	270,002	284,400	3,404,285	752,211	5,543,658
Additions	32,550	294,379	94,580	281,926	21,488	724,923
Transfers	21,488	58,068	29,033	55,814	(164,403)	-----
Disposals	-----	(85,658)	(6,199)	-----	-----	(91,857)
Depreciation Charge	(59,581)	(118,347)	(117,390)	(1,593,634)	-----	(1,888,952)
CLOSING NET BOOK AMOUNT	827,217	418,444	284,424	2,148,391	609,296	4,287,772

14. INTELLECTUAL PROPERTY

	30 June 2020 (\$)	30 June 2019 (\$)
OPENING BALANCE AT 1 JULY	2,531,092	220,669
Additions	-----	2,387,018
Amortisation Expense	(133,510)	(76,595)
CLOSING BALANCE AT 30 JUNE	2,397,582	2,531,092

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

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

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

The term of these licences is to the expiration, lapsing or cessation of all licensed patents, a maximum of 20 years or 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; and
- A minimum of \$200,000 of research fees per financial year commencing 1 July 2018 and finishing on 30 June 2021
- Minimum royalty payments structured as following (as at 30 June 2020):

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

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

15. LEASE ASSETS AND LEASE LIABILITIES

At the commencement date of a lease (other than leases of 12-months or less and leases of low value assets), the Company recognises a lease asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. The Company leased a warehouse on 1 April 2017 for a term of 5 years and a head office and car park on 15 August 2018 for a term of 3 years.

	30 June 2020 (\$)	30 June 2019 (\$)
<i>Carrying Amount of Lease Assets, by Class of Underlying Asset</i>		
Buildings	948,613	----
Accumulated Depreciation	(354,498)	----
TOTAL	594,115	----
<i>Reconciliation of the Carrying Amount of Lease Assets at the Beginning and End of Financial Year</i>		
CARRYING AMOUNT AT 1 JULY 2019	948,613	----
Depreciation Expense	(354,498)	----
CARRYING AMOUNT AT 30 JUNE 2020	594,115	----
<i>Lease Liabilities</i>		
Current Lease Liabilities	449,397	----
Non-Current Lease Liabilities	322,357	----
TOTAL LEASE LIABILITIES	771,754	----

16. TRADE AND OTHER PAYABLES

	30 June 2020 (\$)	30 June 2019 (\$)
Trade Payables	394,297	484,819
Accrued Expenses	133,800	115,269
Other Payables	663,472	353,240
TOTAL	1,191,569	953,328

17. PROVISIONS

	30 June 2020 (\$)	30 June 2019 (\$)
Current Provisions for Employee Benefits	226,973	132,488
Non-Current Provisions for Employee Benefits	32,591	8,928
TOTAL	259,564	141,416

18. OTHER FINANCIAL LIABILITIES

	30 June 2020 (\$)	30 June 2019 (\$)
<i>Current</i>		
Deferred Revenue	376,849	18,170
CSIRO IP Liability	306,324	220,558
Lease Incentives	----	76,762
TOTAL	683,173	315,490
<i>Non-Current</i>		
CSIRO IP Liability	1,405,488	1,689,303
Lease Incentives	----	151,399
TOTAL	1,405,488	1,840,702

The CSIRO liability is made up of the present value of the performance criteria as defined in Note 14.

19. EQUITY

(a) ISSUED CAPITAL

	30 June 2020 Shares	30 June 2020 (\$)	30 June 2019 Shares	30 June 2019 (\$)
<i>Ordinary Shares</i>				
Ordinary Shares - Fully Paid	153,249,669	45,853,616	123,098,217	20,404,638
TOTAL SHARE CAPITAL	153,249,669	45,853,616	123,098,217	20,404,638

(b) MOVEMENT IN ISSUED CAPITAL

	Number of Shares	\$
OPENING BALANCE 1 JULY 2018	122,898,217	19,987,131
Issue of Share Capital at \$2.00	100,000	213,500
Issue of Share Capital at \$2.00 Escrow for 12 Months	100,000	213,500
Less: Transaction Costs Arising on Share Issuances	----	(9,493)
BALANCE 30 JUNE 2019	123,098,217	20,404,638

19. Equity; (b) Movement in Issued Capital (Continued)

	Number of Shares	\$
OPENING BALANCE 1 JULY 2019	123,098,217	20,404,638
Issue of share capital at \$1.70 to sophisticated investors	4,117,648	7,000,002
Issue of share capital at \$0.30 to former director upon exercise of options	354,000	106,200
Issue of share capital at \$0.80 to sophisticated investors	23,750,000	19,000,000
Issue of share capital at \$0.80 under share purchase plans	466,138	372,910
Issue of share capital at \$0.30 to directors upon exercise of options	1,463,666	439,100
Less: Transaction costs arising on share issuances	-----	(1,469,234)
BALANCE 30 JUNE 2020	153,249,669	45,853,616

(c) RIGHTS OF EACH TYPE OF SHARE

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

(d) CAPITAL RISK MANAGEMENT

The Company's capital management objectives are:

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

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

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

20. RESERVES

	NOTES	30 June 2020 (\$)	30 June 2019 (\$)
Share-Based Payment Reserve	20 (a)	163,030	216,384
Performance Rights Reserve	20 (b)	382,710	535,850
Options Reserve	20 (c)	2,025,000	-----
TOTAL		2,570,740	752,234

(a) SHARE-BASED PAYMENTS

Nature and Purpose of Share-Based Payment Reserve

The share-based payment reserve records items recognised as expenses on valuation of share options issued to key management personnel, employees and consultants.

NOTES TO THE FINANCIAL STATEMENTS

20. Reserves; (a) Share-Based Payments (Continued)

	30 June 2020 (\$)	30 June 2019 (\$)
Movements in Reserves		
Balance at Beginning of Year	216,384	170,124
Net Share-Based Payment Expense for the Year (i)	116,770	46,260
Transfer to Other Components of Equity	(170,124)	----
BALANCE AT END OF YEAR	163,030	216,384

(i) The Company granted options to Evans & Partners as part of providing capital market advisory services in two tranches of 500,000 options each. Each tranche has a variety of vesting performance hurdle conditions.

(1) **Tranche 1:** 500,000 unlisted options exercisable at \$0.88 per option on or before 25 February 2021. The performance hurdle is the completion of placement in February 2020.

(2) **Tranche 2:** 500,000 unlisted options exercisable at \$0.88 per option on or before 25 February 2021 subject to achievement of vesting conditions and shareholder approval being obtained at the Company's next meeting of members.

(b) PERFORMANCE RIGHTS RESERVE

NATURE AND PURPOSE OF PERFORMANCE RIGHTS RESERVE

The performance rights reserve records items recognised as expenses on valuation of performance rights issued to key management personnel, employees and consultants.

	30 June 2020 (\$)	30 June 2019 (\$)
Movements in Reserves		
Balance at Beginning of Year	535,850	264,598
Net Share-Based Payment Expense for the Year	341,659	271,252
Transfer to Other Components of Equity	(494,799)	----
BALANCE AT END OF YEAR	382,710	535,850

(c) OPTIONS RESERVE

NATURE AND PURPOSE OF OPTIONS RESERVE

The options reserve records the valuation of options issued to customers as part of an equipment sales agreement.

	30 June 2020 (\$)	30 June 2019 (\$)
Movements in Reserves		
Balance at Beginning of Year	----	----
Net Share-Based Payment Expense for the Year (i)	2,025,000	----
Transfer to Other Components of Equity	----	----
BALANCE AT END OF YEAR	2,025,000	----

20. Reserves; (c) Options Reserve (Continued)

- (i) The Company granted options to Composite Technology as part of their Equipment Sale Agreement in two tranches of 7,500,000 options each. Each tranche has a variety of vesting performance hurdle conditions.
- (1) **Tranche 1:** 7,500,000 unlisted options exercisable at \$0.88 per option on or before 25 February 2022 vesting immediately upon entering into a Joint Cooperation Agreement (JCA) for Composite Technology to share its technology and manufacturing processes including intellectual property and knowhow of defence products with Titomic Limited, with the parties to develop the new manufacturing method and process to produce Composite's defence products.
- (2) **Tranche 2:** 7,500,000 unlisted options exercisable at \$1.12 per option on or before 25 February 2022 subject to achievement of vesting conditions and shareholder approval being obtained at the Company's next meeting of members.

21. REMUNERATION OF AUDITORS

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

(a) PITCHER PARTNERS

AUDIT ASSURANCE SERVICES

	2020 (\$)	2019 (\$)
<i>Audit Service</i>		
Audit and Review of Financial Statements	89,705	93,145
TOTAL REMUNERATION FOR AUDIT SERVICE	89,705	93,145
<i>Non-Audit Services</i>		
Total Remuneration for Non-Audit Services	----	----
TOTAL AUDITORS REMUNERATION	89,705	93,145

22. CASH FLOW INFORMATION

(a) RECONCILIATION OF LOSS AFTER INCOME TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	30 June 2020 (\$)	30 June 2019 (\$)
LOSS FOR THE PERIOD	(10,826,806)	(7,489,077)
<i>Adjustment for;</i>		
Share Based Payment	458,428	271,252
Depreciation and Amortisation	2,376,960	1,443,679
Allowance for Credit Losses	----	168,400
Impairment for Assets Held for Sale	----	93,949
Loss on Disposal of Plant and Equipment	91,857	7,934
Movement in Creditors Relating to Property, Plant and Equipment	273,173	----
Other Non-Cash Items	88,885	170,072
<i>Change in Operating Assets and Liabilities:</i>		
Increase in Trade and Other Payables	238,241	317,644
(Increase) Decrease in Trade and Other Receivables	868,082	(732,819)
(Increase) in Inventories	(1,614,323)	(188,300)
(Increase) in Other Current Assets	(144,678)	(277,465)
Increase in Provisions	118,148	98,076
Increase (Decrease) in Deferred Revenue	358,679	(36,934)
Unwinding Discount	----	29,294
Increase (Decrease) in Other Liabilities	(198,049)	94,694
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	(7,911,403)	(6,029,601)

23. SEGMENT INFORMATION

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

24. SHARE BASED PAYMENTS - EMPLOYEE INCENTIVE PLAN

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

24. Share Based Payments - Employee Incentive Plan (Continued)

Details of the performance rights granted are provided below:

2020

Grant Date	Expiry Date	Exercise Price (\$)	Balance at Beginning of Year	Granted During the Year	Exercised During the Year	Expired During the Year	Balance at End of Year	Exercisable at the End of the Year
29-Nov-19	29-Nov-22	\$0.00	-----	1,492,020	-----	-----	1,492,020	-----

The weighted average remaining contractual life for performance rights outstanding at the end of the period was 3.0 years.

2019 – There were no performance rights granted during the period.

FAIR VALUE OF PERFORMANCE RIGHTS GRANTED:

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

The model inputs for performance rights granted under employee incentive plan during the year ended 30 June 2020 included:

Grant Date	Expiry Date	Exercise Price (\$)	Number of Performance Rights	Share Price at Grant Date (\$)	Expected Volatility (%)	Dividend Yield (%)	Risk-Free Interest Rate (%)	Fair Value at Grant Date Per Performance Right (\$)
29-Nov-19	29-Nov-22	0.00	1,492,020	1.11	65.00	0.00	0.65	0.64

(b) 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:

	30 June 2020 (\$)	30 June 2019 (\$)
Total Expense for Performance Rights Issued Under Employee Incentive Plan	186,449	-----

25. DIRECTORS' AND EXECUTIVES' COMPENSATION**(a) KEY MANAGEMENT PERSONNEL DISCLOSURES****Compensation**

The aggregate compensation made to directors and other members of key management personnel of the Group is set out below:

	30 June 2020 (\$)	30 June 2019 (\$)
Short-Term Employee Benefits	765,738	833,958
Post-Employment Benefits	28,746	47,596
Share-Based Payments	155,209	271,252
TOTAL	949,693	1,152,806

NOTES TO THE FINANCIAL STATEMENTS

25. Directors' and Executives' Compensation; (a) Key Management Personnel Disclosures (Continued)

The above Key Management Personnel disclosures represents the remuneration of Key Management Personnel defined in the Remuneration Report and paid or payable for the period ended 30 June 2020 and 30 June 2019.

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

26. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The Company had no contingent liabilities or contingent assets at 30 June 2020 (2019: *nil*).

The Company had commitment for minimum lease payments in relation to non-cancellable operating leases of \$1,107,378 at 30 June 2019. This amount is now recognised as right of use assets and right of use liabilities from 1 July 2019 as a result of adopting the new accounting standard AASB16. Refer to note 15 for further details.

27. COMMITMENTS

The Company had no capital commitments at 30 June 2020 (2019: \$80,515).

28. RELATED PARTY DISCLOSURES

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

29. EVENTS OCCURRING AFTER THE REPORTING PERIOD

➤ *1 JULY 2020*

As announced to the ASX, appointment of Dr Andreas Schwer to serve as Non-Executive Chairman of Titomic Limited and appointment of Mr Dag W.R. Stromme and Mr Humphrey Nolan to serve as Non-Executive Directors of Titomic Limited.

➤ *14 AUGUST 2020*

As announced to the ASX, Credit Suisse Holdings (Australia) Limited became a 5.36% substantial shareholder in Titomic Limited via its CS Third Nominees Pty Ltd holder.

END OF FINANCIAL STATEMENTS

DIRECTORS' DECLARATION

In the Directors' Opinion:

- (a) the financial statements and notes set out on pages 28 to 58 are in accordance with the *Corporations Act 2001*, including:
- (i) complying with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
 - (ii) giving a true and fair view of the Company's financial position as at 30 June 2020 and of its performance for the year ended on that date, and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

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

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



Mr Jeffrey Lang
Managing Director
Melbourne
31 August 2020

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF TITOMIC LIMITED

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Titomic Limited "the Company", which comprises the statement of financial position as at 30 June 2020, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

- (a) giving a true and fair view of the Company's financial position as at 30 June 2020 and of its financial performance for the year then ended; and
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (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.

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.

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INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF TITOMIC LIMITED

Key Audit Matter	How our audit addressed the key audit matter
<p>Revenue and other income - \$2,006,375 <i>Refer to note 5</i></p>	
<p>The Company has recognised revenue from contracts with customers of \$145,287 during the year ended 30 June 2020. The Company also recognised income of \$1,668,315 for a research and development tax incentive.</p> <p>We focused on this area as a key audit matter due to:</p> <ol style="list-style-type: none">1) Revenue from contracts with customers is an increased focus for the Company and therefore the existence and accurate recognition of revenue in line with contract terms and the fulfillment of underlying performance obligations is a key audit matter.2) The significance of the balance recorded for the research and development tax incentive and the key assumptions such as overhead rates and allocation of research and development labour hours included in the calculations made by management regarding the research and development activities during the year.	<p>Our testing of revenue transactions arising from contracts with customers focused on evidencing that the underlying transactions occurred in the period and the revenue is calculated correctly. Our testing on other income focused on evidencing the research and development tax incentive claim had been calculated correctly and the assumptions were appropriate.</p> <p>Our procedures included, amongst others:</p> <ul style="list-style-type: none">• Review of a sample of the Company's customer contracts and the terms and conditions of sale;• Understanding and evaluating the Company's controls and processes for recognising and recording revenue transactions;• Performing tests of detail to confirm the existence of revenue by agreeing a sample of revenue transactions to supporting documentation;• Assessing whether the revenue recognition was in accordance with AASB15 requirements;• Analysis of general journals impacting revenue to identify transactions considered to be outside the ordinary course of business and testing thereof;• Assessing the inputs of the research and development tax incentive claim and working with an internal expert to assess and challenge key assumptions surrounding overhead rates and allocation of research and development labour hours used within the calculation and testing the accuracy of the calculation; and• Assessing the adequacy of the disclosures in the financial statements.

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INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF TITOMIC LIMITED

Lease assets - \$594,115 and Lease liabilities - \$771,754

Refer to note 15

AASB 16 Leases is applicable for the first time in this financial year, the standard removed the classification of leases as either operating or finance for the lessee, effectively treating all leases as finance leases.

Consequently, the Company has recognised \$594,115 of new lease assets on the statement of financial position and the corresponding lease liability of \$771,754. Due to the change in the accounting standard, and the calculations and assumptions required to determine the individual lease values, such as the incremental borrowing rate and likelihood of options being exercised, we have considered this to be a key audit matter.

Our procedures included amongst others:

- Understanding and evaluating the controls in place to recognise the lease liabilities and right of use assets on the statement of financial position.
- Testing the calculation of the right of use asset and lease liability.
- Evaluating the assumptions used in calculating the lease liability and right of use asset.
- Evaluating the accounting for the adjustments to lease agreements for compliance with AASB 16 and relevant practical expedients.
- Reviewing the adequacy of the disclosures in the financial statements including the comparative information in particular the treatment and disclosure of the adjustments.

Other Information

The Directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2020, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

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 Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

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

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

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

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

evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 21 to 26 of the directors' report for the year ended 30 June 2020. In our opinion, the Remuneration Report of Titomic Limited, for the year ended 30 June 2020 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.



D A KNOWLES
Partner



PITCHER PARTNERS
Melbourne

31 August 2020

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**SHAREHOLDERS
INFORMATION**

SHAREHOLDERS INFORMATION

The shareholder information set out below was applicable as at 27 August 2020.

(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	1,273	742,393	0.48
1,001 - 5,000	1,794	4,922,200	3.21
5001 - 10,000	687	5,475,780	3.57
10,001 - 100,000	1,001	30,177,038	19.69
100,001 and over	125	111,932,258	73.04
ROUNDING			0.01
TOTAL	4,880	153,249,669	100.00

All ordinary shares carry one vote per share.

(b) TOP 20 ORDINARY FULLY PAID SHAREHOLDERS

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

Name	Ordinary Fully Paid Shares (Units)	% of Units (%)
PRESKO 2 PTY LTD <RICHARD FOX FAMILY A/C>	22,944,012	14.97
CARPE DIEM ASSET MANAGEMENT PTY LTD	8,525,528	5.56
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	8,498,635	5.55
JEFFREY DAVID LANG <AKASHA FAMILY A/C>	8,221,008	5.36
CS THIRD NOMINEES PTY LIMITED <HSBC CUT NOM AU LTD 13 A/C>	8,190,701	5.34
PRESKO 3 PTY LTD <TIMOTHY FOX FAMILY A/C>	5,696,896	3.72
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	4,853,221	3.17
QUALITY LIFE PTY LTD <THE NEILL FAMILY A/C>	4,400,000	2.87
SWHL INVESTMENTS PTY LTD <SWHL FAMILY A/C>	2,187,500	1.43
VALAS INVESTMENTS PTY LTD <VALAS INVESTMENTS A/C>	2,036,948	1.33
BARNEY & ALIEN CONSOLIDATED PTY LTD <JOINT DEV RESOURCE INV A/C>	1,862,619	1.22
CARPE DIEM ASSET MANAGEMENT PTY LTD <LOWE FAMILY A/C>	1,668,279	1.09
SBPM PTY LTD <INNOVOYZ INVEST NO1 UNIT A/C>	1,521,450	0.99

(b) Top 20 Ordinary Fully Paid Shareholders (Continued)

CITICORP NOMINEES PTY LIMITED	1,517,308	0.99
BERGIN VAN EPS HOLDINGS PTY LTD <PT AND CL BERGIN FAMILY A/C>	1,382,812	0.90
MRS MARGARET LYNETTE HARVEY	1,350,000	0.88
QOC FOUNDERS NOMINEES PTY LIMITED	1,312,500	0.86
MR PATRICK THOMAS BERGIN	1,101,245	0.72
BNP PARIBAS NOMINEES PTY LTD <LGT BANK AG DRP>	1,064,366	0.69
ROSSBEL PTY LIMITED <THE ROSSBEL A/C>	1,000,000	0.65
TOTAL	89,335,028	58.29
TOTAL REMAINING HOLDERS BALANCE	63,914,641	41.71

(c) DISTRIBUTION OF LISTED OPTIONHOLDERS

Analysis of listed option holders by size of holding:

Holding	Total Holders	Units	Units (%)
1 - 1000	12	5,975	0.29
1,001 - 5,000	25	68,548	3.33
5001 - 10,000	17	114,050	5.54
10,001 - 100,000	22	665,472	32.32
100,001 and over	6	1,204,794	58.52
ROUNDING			0.00
TOTAL	82	2,058,839	100.00

(d) TOP 21 LISTED OPTIONHOLDERS <FS-SL>

The names of the 21 largest optionholders of listed options (TTTO) are listed below. Substantial holders in the Company

Name	Listed Options (Units)	% of Units (%)
CS THIRD PARTY NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 13 A/C>	271,563	13.19
QUALITY LIFE PTY LTD <THE NEILL FAMILY A/C>	258,824	12.57
MR RICHARD PRITCHARD	230,000	11.17
MERRIL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	225,430	10.95
MR IAN STUART FISHER	117,212	5.69
MR BENEDICT CARL WILLIAM HOLLAND	101,765	4.94

SHAREHOLDERS INFORMATION

(d) Top 20 Listed Optionholders (Continued)

MR CRAIG ANDREW SHARPE + MRS MICHELLE ROSE SHARPE <FUNKY MONKEY SUPER FUND A/C>	65,500	3.18
MR GRANT ANTHONY MASCHIO + MRS TANYA MICHELLE MASCHIO <G & T MASCHIO SUPER FUND A/C>	62,000	3.01
MR MOGHSEEN JADWAT	61,765	3.00
MR PHILIP JOHN CAWOOD	58,824	2.86
JADWAT PTY LTD <JADWAT FAMILY S/F A/C>	50,000	2.43
CS FOURTH NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 11 A/C>	44,118	2.14
SAYLE PTY LTD	40,000	1.94
MR RAJAN BOORA	38,500	1.87
MR PAUL EDWARD GALWEY	29,412	1.43
BJS ROBB PTY LTD	20,589	1.00
BFB HOLDINGS PTY LTD <BFB INVESTMENT A/C>	20,588	1.00
DAHIMA PTY LTD <BRIGGS R&P SCHEME A/C A/C>	20,588	1.00
MR KARL SIMON BROOKE	20,000	0.97
MR KENNETH CARVALHO + MRS ASTRID CARVALHO	20,000	0.97
MR ROGER DAVID SHORET + MRS ANNE CATHERINE SHORT <ROGER SHORT SUPER FUND A/C>	20,000	0.97
TOTAL	1,776,678	86.30
TOTAL REMAINING HOLDERS BALANCE	282,161	13.70

Unlisted Securities

Description (ASX Security Code)	Units
Performance Shares (TTAE) <i>Hurdle Share Price \$2.78 Expiring on 28 Nov 2021</i>	140,123
Unlisted Options (TTAF) <i>Exercisable at \$2.60 Expiring on 8 Feb 2021</i>	100,000
Performance Shares (New Class) <i>Hurdle Share Price \$1.70 Expiring on 29 Nov 2022</i>	2,523,681
Unlisted Options (New Class) Exercisable at \$0.88 Per Option On or Before 25 February 2022 Subject to Achievement of Vesting Conditions	7,500,000
Unlisted Options (New Class) Exercisable at \$0.88 Per Option On or Before 25 August 2021 Subject to Achievement of Vesting Conditions	500,000

(e) SUBSTANTIAL SHAREHOLDERS

Substantial holders in the Company are set out below:

Name	Number Held	Percentage (%)
PRESKO 2 PTY LTD <RICHARD FOX FAMILY A/C>	22,944,012	15.12
CGS-CIMB SECURITIES (SINGAPORE) PTY LTD	12,681,517	8.35
CARPE DIEM ASSET MANAGEMENT PTY LTD	10,193,807	6.72
JEFFREY DAVID LANG <AKASHA FAMILY A/C>	10,004,342	6.11
CREDIT SUISSE HOLDINGS (AUSTRALIA) LIMITED (ON BEHALF OF CREDIT SUISSE GROUP AG)	8,215,000	5.36
TOTAL	64,038,678	41.66

(f) SHAREHOLDER ENQUIRIES

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

Computershare
GPO Box 3224
Melbourne VIC 3001

(g) CHANGE OF ADDRESS, CHANGE OF NAME, CONSOLIDATION OF SHAREHOLDING

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

(h) REMOVAL FROM THE ANNUAL REPORT MAILING LIST

Shareholders who do not wish to receive the Annual Report should advise the Share Registry in writing. These shareholders will continue to receive all other shareholder information.

(i) TAX FILE NUMBERS

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

(j) CHESS (CLEARING HOUSE ELECTRONIC SUB-REGISTER SYSTEM)

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

(k) UNCERTIFIED SHARE REGISTER

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

(l) LISTING RULE 4.10.19 DISCLOSURE

For the purpose of ASX Listing Rule 4.10.19, the Board confirms that during the period from official quotation on 21 September 2017 to 31 August 2020, the Company has used its cash and assets readily convertible to cash in a manner consistent with its stated business objectives.

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