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INTERIM HALF YEAR REPORT

For the half year ended 31 December 2020

APPENDIX 4D

HALF-YEAR ENDED 31 DECEMBER 2020

Name of Entity	Titomic Limited
ABN	77 602 793 644
Half-Year Ended	31 December 2020
Previous Period	31 December 2019

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Revenue from Ordinary Activities	Down	(78%)	to	\$399k
Net loss from Ordinary Activities after tax attributable to members	Up	48%	to	(\$6,961k)
Net loss from Ordinary Activities after tax attributable to members	Up	48%	to	(\$6,961k)

DISTRIBUTIONS

No dividends were paid since the start of the half-year ended 31 December 2020.

NET TANGIBLE ASSETS PER ORDINARY SHARE

	31 December 2020	30 June 2020
	Cents	Cents
Net Tangible Assets Per Ordinary Share	10.71	14.74

EXPLANATION OF RESULTS

Refer to the Directors' Report.

CHANGES IN CONTROLLED ENTITIES

There have been no changes in controlled entities during the half-year ended 31 December 2020.

OTHER INFORMATION REQUIRED BY LISTING RULE 4.2A

Not Applicable.

INTERIM REVIEW

The Interim Financial Statements have been reviewed by the Company's Independent Auditor - Pitcher Partners.

To be read in conjunction with the 30 June 2020 Annual Report.

CONTENTS

Corporate Directory	1
Directors' Report	2
Auditor's Independent Declaration	6
Financial Statements	7
Notes to the Financial Statements	12
Directors' Declaration	20
Independent Auditor's Review Report	21

This Interim Financial Statements do not include all the notes of the type normally included in an Annual Financial Report. Accordingly, this Report is to be read in conjunction with the 30 June 2020 Annual Report and any public announcements made by Titomic Limited during the half-year ended 31 December 2020 in accordance with the continuous disclosure requirements of the Corporations Act 2001.

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CORPORATE DIRECTORY

DIRECTORS

Dr Andreas Schwer

(Independent Non-Executive Chairman)

Mr Jeffrey Lang

(Executive Director and Chief Technology Officer)

Prof Richard Fox

(Non-Executive Director)

Mr Richard Willson

(Independent Non-Executive Director)

Mr Dag W.R Stromme

(Independent Non-Executive Director)

Mr Humphrey Nolan

(Independent Non-Executive Director)

COMPANY SECRETARY

Mr Richard Willson

PRINCIPAL PLACE OF BUSINESS

Building 3 270 Ferntree Gully Road

Notting Hill VIC 3168

AUSTRALIA

Ph: 03 9558 8822

REGISTERED OFFICE IN AUSTRALIA

Building 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)

DIRECTORS REPORT

The Directors present their report together with the financial report of Titomic Limited (referred to hereafter as the Company) for the half-year ended 31 December 2020, and independent review report thereon.

DIRECTORS

Dr Andreas Schwer	Non-Executive Chairman (appointed 1 July 2020)
Mr Jeffrey Lang	Executive Director and Chief Technology Officer
Prof Richard Fox	Non-Executive Director
Mr Richard Willson	Independent Non-Executive Director / Company Secretary
Mr Dag W.R Stromme	Independent Non-Executive Director (appointed 1 July 2020)
Mr Humphrey Nolan	Independent Non-Executive Director (appointed 1 July 2020)

The Directors have been in office since the start of the financial period to the date of this report unless otherwise stated.

PRINCIPAL ACTIVITIES

Titomic Limited is an Australian public listed company specialising in technology solutions for industrial scale metal additive manufacturing using its patented Titomic Kinetic Fusion® (TKF) technology with its principal activities in the Defence, Aerospace, Mining, Energy and Transport industries.

REVIEW OF OPERATIONS AND SIGNIFICANT EVENTS FOR THE REPORTING PERIOD

The Company reported a loss of \$6,961k for the half year ended 31 December 2020 (31 December 2019: \$4,702k loss). The variation in the result is largely attributable to timing of the Research and Development (R&D) Tax Incentive of \$1.7m received in the prior corresponding period. The R&D Tax Incentive in respect of the financial year 2019/2020 is expected in the second half of the financial year 2020/2021.

KEY HIGHLIGHTS

BOARD AND MANAGEMENT CHANGES

The Company has announced that as part of its commercialisation strategy within global defence, operational capabilities are being optimised for focussed growth in this sector. Norbert Schulze, a 40-year veteran of the global defence, manufacturing, and automotive industries, has been appointed by the Board of Directors as interim Chief Executive Officer (CEO) effective 7th December 2020. He has been an adviser to global defence companies on strategy and growth opportunities. Mr Schulze previously served as senior executive of Rheinmetall as well as Renk Group in Europe, Africa as well as Australia. He succeeds Mr Jeffrey Lang, who has assumed the role of Chief Technology Officer (CTO) of the Company in addition to maintaining his role as an Executive Director of the Board. The Board has initiated a search process for a permanent CEO.

TKF MANUFACTURING SYSTEMS AND MELBOURNE BUREAU

The Company has experienced considerable delays in its forecasted commercial sales of TKF systems due to the effect COVID-19 pandemic has had on our customers. Our previous forecast estimates TKF Systems sales to customers have been delayed with the Company now anticipated to achieve sales orders with the revenue to be recognised in 2021.

DIRECTORS REPORT

Titomic Limited has implemented cost reductions during the first half to mitigate the effect of delayed orders. Several of the initiatives will continue into the second half, aligning the cost base with the business environment.

Despite Victoria's COVID-19 operational restrictions, the Company has remained operational at our TKF Melbourne Bureau successfully completing and delivering OEM prototyping projects to international clients in the Aerospace, Defence and Tooling sectors. Highlights include:

Australian Defence - Rifle barrel material evaluation and supply of demonstrator parts

Titomic Limited received a Defence purchase order and delivered a stage 1 technical report on suitable metals for Defence materials and is now awaiting instructions for demonstrator parts to be built with TKF.

US Aerospace - supply of demonstrator parts

Titomic Limited delivered stage 1 demonstrator TKF produced parts with a successful testing of radiation shielding now completed and moving to production of stage 2 small satellite casings.

US Defence Company - Titanium ballistic parts

Titomic Limited delivered TKF additive manufactured Titanium ballistic plates. These parts are now undertaking ballistics testing in the US.

US Defence Company - Titanium demonstrator part

Titomic Limited delivered TKF additive manufactured Titanium 3D boss featured parts to replace Titanium forgings. This part is now being evaluated for performance and TKF capability for OEM production.

US Defence Company - Inconel demonstrator part

Titomic Limited delivered a TKF additive manufactured Inconel 718 (Nickel Alloy) part with a world first heterogeneous copper and Titanium blend. These parts are being evaluated for metallurgical properties.

US Aerospace Company - Titanium demonstrator part for aircraft

Titomic Limited delivered TKF additive manufactured Titanium aircraft parts that are being evaluated for performance and TKF capability for OEM production.

UK Aerospace Company - Invar36 demonstrator tooling part repair

Titomic Limited delivered a TKF additive manufactured Invar36 tool part that is being evaluated for repair of aircraft tooling.

UK Defence Company - Titanium Ti6Al4V ballistic part

Titomic Limited delivered TKF additive manufactured Titanium Ti6Al4V ballistic parts. These parts are now undertaking ballistics testing in the UK.

UK Defence Company - Naval demonstrator parts

Titomic Limited delivered TKF additive manufactured copper and stainless-steel parts. These parts are now undertaking evaluation at the client's Australian division facilities.

US Defence

Titomic Limited has performed TKF additive manufactured trials of High Tensile steels for NATO replacement parts which are now undertaking mechanical and metallurgical properties evaluation.

DIRECTORS REPORT

BEST PRACTICES AND QUALITY SYSTEMS

Enterprise Resource Planning System (ERP)

An ERP System will be implemented in this financial year ended 30 June 2021 in alignment with best practices in international industries which enables us to monitor and control our business processes in real time.

Cyber Security: Successful Certifications of ISO27001 Information Security and Cyber

The Company received a grant from the Australian Government's Centre for Defence Industry Capability to provide Titomic Limited an incentive of \$98k to implement world-class cyber security practices and a cyber security management plan. The successful certification of ISO27001 further heightens our ability to operate within the international defence and aerospace sectors.

ISO:9001: Successful completion of surveillance audit of ISO9001 Quality Assurance

Titomic Limited has completed its surveillance audit for ISO9001, a quality management system based on several quality management principles including a strong customer focus, the motivation and responsibilities of top management, process approach and continual improvement.

AS9100D: Commencement of AS9100D for Aerospace and Defence Quality Manufacturing

In addition to ISO9001, the Company has determined the requirement to validate our business practices for collaboration within the global Aerospace and Defence sectors.

RESEARCH & DEVELOPMENT

IMCRC: \$2.6M Research Project for TKF Manufactured Titanium Complex Structures

Titomic's joint IMCRC research project conducted alongside RMIT and CSIRO, has been completed. The research project outcome has provided further validation of Titomic Kinetic Fusion as a transformational industrial scale additive manufacturing technology for Manufactured Titanium Complex Structures. Considerable new IP was generated in this Government co-funded R&D project that is exclusive for Titomic to commercialise for Aerospace and Defence applications.

OUTLOOK

The Company is seeing growing interest in its TKF Systems Technology. While orders are delayed into 2021, we have concentrated particularly for qualifications in the tooling segment for Aerospace and Defence related projects and the adoption of new material applications.

During the half year Deloitte conducted a strategic review which affirms that the Company's cold spray technology is highly competitive against key additive and traditional manufacturing methodologies on quality, performance and speed.

Titomic Limited expects to complete its strategic review for the commercialisation and industrialisation phase by the end of 30 June 2021 and will continue to manage its cost base as well as strengthen its management team in the next few quarters.

DIRECTORS REPORT

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

MATTERS SUBSEQUENT TO THE END OF THE HALF YEAR PERIOD

There are no events subsequent to the end of the half year period.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* in relation to the review for the half-year ended 31 December 2020 is provided with this report.

ROUNDING OF AMOUNTS

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

Signed in accordance with a resolution of the Directors.



Dr Andreas Schwer

Non-Executive Chairman

MELBOURNE

26 February 2021

END OF DIRECTORS REPORT

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TITOMIC LIMITED
ABN 77 602 793 644



**AUDITORS' INDEPENDENCE DECLARATION
TO THE DIRECTORS OF TITOMIC LIMITED**

In relation to the independent auditor's review for the half-year ended 31 December 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 (including Independence Standards)*.

D A KNOWLES
Partner

26 February 2021

PITCHER PARTNERS
Melbourne

Adelaide Brisbane Melbourne Newcastle Perth Sydney



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B J BRITTEN	D A KNOWLES	S DAHN	T SAKELL	S D WHITCHURCH	N R BULL	R I MCKIE	M G JOZWIK	D R O'ROBERTY	M J WILSON
J BRAZZALE	M J LANGHAMMER	P A JOSE	G I NORISKIN	A E CLERICI	D C BYRNE	F V RUSSO	D W LOVE	J C CHENG	I CULL
M W PRINGLE	M C HAY	A R YEO	A T DAVIDSON	D J HONEY	A M KOKKINOS	M R SONEGO	B POWERS	J L BEAUMONT	B FARRELLY
G M RAMBALDI	S SCHONBERG	M J HARRISON	K L BYRNE	G J NIELSEN	P B BRAINE	A T CLUGRTON	A R B FVMAN	M O'NEILL	A P Y'ARRNEI
D A THOMSON	V A MACDERMID	P W TONER	C D WHATMAN	A D STANLEY	G A DEBONO	S J DALL	K J DAVIDSON	B A LETHBORG	

FINANCIAL STATEMENTS

Statement of Profit or Loss and Other Comprehensive Income	8
Statement of Financial Position	9
Statement of Changes in Equity	10
Statement of Cash Flows	11
Notes to the Financial Statements	12
Directors' Declaration	20
Independent Auditor's Review Report	21

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STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

		31 December	31 December
		2020	2019
	Notes	\$'000	\$'000
REVENUE			
Revenue and Other Income	3	399	1,804
EXPENSES			
Production and Related Expenses		(507)	(511)
Corporate and Administrative Expenses		(1,136)	(1,029)
Employee and Director Expenses		(3,630)	(2,675)
Share Based Payment Expenses	10	(545)	(157)
Marketing and Promotion Expenses		(98)	(565)
Depreciation Expenses		(1,287)	(1,092)
Amortisation Expenses		(67)	(67)
Other Expenses		(90)	(410)
LOSS BEFORE INCOME TAX		(6,961)	(4,702)
Income Tax Expense		-	-
LOSS FOR THE PERIOD		(6,961)	(4,702)
Other Comprehensive Loss for the Period		-	-
Total Comprehensive Loss for the Period		(6,961)	(4,702)
		Cents	Cents
Loss per Share attributable to the Ordinary Equity Holders of the Company			
Basic Loss Per Share		(5.19)	(3.70)
Diluted Loss Per Share		(5.19)	(3.70)

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

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

		31 December	30 June
		2020	2020
	Notes	\$'000	\$'000
ASSETS			
<i>Current Assets</i>			
Cash and Cash Equivalents		11,959	17,458
Trade and Other Receivables	4	107	359
Inventories		2,493	2,008
Other Current Assets		2,569	2,780
Total Current Assets		17,128	22,605
<i>Non-Current Assets</i>			
Property, Plant and Equipment	5	3,311	4,288
Intangible Assets	6	2,331	2,398
Lease Assets	7	417	594
Total Non-Current Assets		6,059	7,280
TOTAL ASSETS		23,187	29,885
LIABILITIES			
<i>Current Liabilities</i>			
Trade and Other Payables	8	1,293	1,192
Provisions		258	227
Other Financial Liabilities		687	683
Lease Liabilities	7	473	449
Total Current Liabilities		2,711	2,551
<i>Non-Current Liabilities</i>			
Provisions		37	33
Other Financial Liabilities		1,200	1,405
Lease Liabilities	7	81	322
Total Non-Current Liabilities		1,318	1,760
TOTAL LIABILITIES		4,029	4,311
NET ASSETS		19,158	25,574
EQUITY			
Issued Capital	9	45,854	45,854
Reserves		3,115	2,570
Accumulated Losses		(29,811)	(22,850)
TOTAL EQUITY		19,158	25,574

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

STATEMENT OF CHANGES IN EQUITY

FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

	Attributable to Owners of Titomic Limited			
	Issued Capital	Reserves	Accumulated Losses	Total
	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2019	20,405	752	(12,688)	8,469
Loss for the Period	-	-	(4,702)	(4,702)
Total Comprehensive Loss for the Period	-	-	(4,702)	(4,702)
Transactions with Owners in their capacity as Owners:				
Shares Issued, Net of Costs	6,545	-	-	6,545
Share Based Payment	-	157	-	157
	6,545	157	-	6,702
Balance at 31 December 2019	26,950	909	(17,390)	10,469
Balance at 1 July 2020	45,854	2,570	(22,850)	25,574
Loss for the Period	-	-	(6,961)	(6,961)
Total Comprehensive Loss for the Period	-	-	(6,961)	(6,961)
Transactions with Owners in their capacity as Owners:				
Shares Issued, Net of Costs	-	-	-	-
Share Based Payment	-	545	-	545
	-	545	-	545
Balance at 31 December 2020	45,854	3,115	(29,811)	19,158

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

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STATEMENT OF CASH FLOWS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

	31 December	31 December
	2020	2019
	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers	160	45
Payments to Suppliers and Employees	(5,492)	(4,972)
Finance Costs	(34)	(46)
Interest Received	32	28
Other Grants	150	2,510
Net Cash (Outflow) from Operating Activities	(5,184)	(2,435)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for Property, Plant and Equipment	(133)	(754)
Loans to Other Entities	36	(107)
Net Cash (Outflow) from Investing Activities	(97)	(861)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Issues of Shares and Other Equity Securities	-	7,000
Shares Issue Transaction Costs	-	(455)
Payments for the Principal Portion of Lease Liabilities	(218)	(198)
Net Cash Inflow (Outflow) from Financing Activities	(218)	6,347
Net Increase (Decrease) in Cash and Cash Equivalents	(5,499)	3,051
Cash and Cash Equivalents at the Beginning of the Financial Year	17,458	1,412
Cash and Cash Equivalents at End of Period	11,959	4,463

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

1. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

i. BASIS OF PREPARATION

The Interim Financial Statements for the half-year ended 31 December 2020 have been prepared in accordance with *Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Act 2001*. The Interim Financial Statements also comply with *International Financial Reporting Standards (IFRS)* as issued by the *International Accounting Standards Board (IASB)*.

The Interim Financial Statements do not include all the notes of the type normally included in an Annual Financial Report. Accordingly, this report is to be read in conjunction with 30 June 2020 Annual Report and any public announcements made by Titomic Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies applied in this half-year Financial Report are consistent with those of the Annual Financial Report for the year ended 30 June 2020.

ii. NEW AND AMENDED STANDARDS ADOPTED BY THE COMPANY

The Company has not adopted any new and amended standards for the half-year ended 31 December 2020.

iii. 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 \$6,961k for the half-year ended 31 December 2020 (2019: loss \$4,702k). The Company had a Net Assets position of \$19,158k (30 June 2020: \$25,574k) and incurred a Net Cash Outflow from Operating Activities of \$5,184k for the half-year ended 31 December 2020 (2019: \$2,435k).

The Company has continued to focus on its existing strategic goals, as represented by the size and scale of the physical assets built, the calibre and strength of the organisational team assembled, and the commencement of world-leading R&D programs with major Defence and Aerospace primes, such as Boeing, as well as with Research Institutes including CSIRO projects.

By complementing industry projects with the next generation of material science and production capabilities for additive manufacturing, Titomic Limited is securing capability for today as well as into the future.

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 expect that the Company will be able to continue as a going concern for at least 12 months from the date of authorisation of this half-year 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.

Should the budgeted and estimated revenues of the Company as projected be delayed or come on slower than anticipated, or additional unexpected costs occur, the need may arise for the Company to seek additional capital funding. The Directors are confident that such funding would be satisfied through a proven track record of strong

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

market support from existing shareholders and institutional investors to fund working capital initiatives and take advantage of opportunities to expand the Company's capabilities both domestically and internationally.

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

iv. REVENUE RECOGNITION

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 in conjunction with AASB 15 Revenue from Contract with Customers. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

The Company derives revenue from contracts with customers:

- ✓ OEM Manufacturing Services
- ✓ TKF Manufacturing Systems and Spare Sales

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

i. SALES OF GOODS AND MANUFACTURING

Revenue from the Sales of OEM Manufacturing parts and prototypes, systems and spare parts is recognised at the point in time when the performance obligation is satisfied.

In the case of the sale of TKF Manufacturing Systems, this will occur when the Company has satisfied the performance obligations under the contract. TKF Manufacturing Systems can either be supplied as:

1) Off the Shelf Machines

The Off the Shelf Machines, installation services, user training and ongoing support are considered separate performance obligations and will be recognised as revenue at a point in time that each performance obligation is satisfied.

2) Custom Made Machines

The Custom Made Machines and installation services are not capable of being separately performed therefore they are all one performance obligation. Revenue from Custom Made Machines is recognised either at a point in time or over time in accordance with AASB 15 Revenue from Contracts with Customers dependant on the terms attached to each contract. For those contracts whereby

1. The machine is manufactured by Titomic Limited has no alternative use or sale, and
2. Titomic Limited has a right for compensation, revenue will be measured and recognised over time.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

ii. RECEIVABLES FROM CONTRACTS WITH CUSTOMERS

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

iii. CONTRACT ASSETS

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

iv. SERVICE INCOME

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

v. INTEREST INCOME

Interest income is recognised using the effective interest rate method.

vi. GRANT AND RESEARCH AND DEVELOPMENT (R&D) TAX 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.

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

v. **ROUNDING OF AMOUNTS**

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

2. SEGMENT INFORMATION

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

3. REVENUE AND OTHER INCOME

	31 December	31 December
	2020	2019
	\$'000	\$'000
Revenue from Contracts with Customers	220	108
Interest Received	29	28
R&D Tax Incentive	-	1,668
Other Grants	150	-
	399	1,804

4. TRADE AND OTHER RECEIVABLES

	31 December	30 June
	2020	2020
	\$'000	\$'000
Trade Receivables	79	211
Other Receivables	37	148
Allowance for Credit Losses	(9)	-
	107	359

5. PROPERTY, PLANT AND EQUIPMENT

	31 December	30 June
	2020	2020
	\$'000	\$'000
Building Fitouts	796	827
Factory Equipment	358	419
Furniture and Fittings	226	285
Machinery	1,316	2,148
Other Property, Plant and Equipment	615	609
	3,311	4,288

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

	Building Fitouts	Factory Equipment	Furniture and Fittings	Machinery	Other Property, Plant and Equipment	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000

Year ended 30 June 2020

Opening Net Book Amount	833	271	284	3,404	752	5,544
Additions	33	294	95	282	21	725
Transfers	21	58	29	56	(164)	-
Disposals	-	(86)	(6)	-	-	(92)
Depreciation Charge	(60)	(118)	(117)	(1,594)	-	(1,889)
Closing Net Book Amount	827	419	285	2,148	609	4,288

Period ended 31 December 2020

Opening Net Book Amount	827	419	285	2,148	609	4,288
Additions	-	15	10	-	108	133
Depreciation Charge	(31)	(76)	(69)	(832)	(102)	(1,110)
Closing Net Book Amount	796	358	226	1,316	615	3,311

6. INTANGIBLE ASSETS

	31 December 2020	30 June 2020
	\$'000	\$'000
Opening Balance at 1 July	2,398	2,532
Amortisation Expense	(67)	(134)
Closing Balance	2,331	2,398

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

The term of these licences is to the expiration, lapsing or cessation of all licenced 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:

1. A minimum of \$350k of research fees payable by Titomic Limited to CSIRO from Commencement Date to 30 June 2021; and
2. A minimum of \$200k of research fees per financial year commencing 1 July 2018 and finishing on 30 June 2021; and
3. Minimum royalty payments total of \$2,000k structured as following:

Period	\$'000
2017 - 2018	25
2018 - 2019	50
2019 - 2020	75
2020 - 2021	75
2021 - 2022 and every subsequent agreement year until the end of the license term	150

The above performance criteria was discounted using an indicative discount rate of 6.00% pa to determine the value of the intangible asset acquired.

7. 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 Lease Assets representing its right to use the underlying asset and Lease Liabilities representing its obligation. 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 (commencing post initial 4-months' & 6-months' rent-free period, respectively).

i. LEASE ASSETS

	31 December 2020 \$'000	30 June 2020 \$'000
Carrying Amount of Lease Assets by Class of Underlying Asset		
Buildings - At Cost	949	949
Accumulated Depreciation	(532)	(355)
Closing Carrying Amount of Lease Assets	417	594
Reconciliation of the Carrying Amount of Lease Assets at the Beginning and End of Period		
Buildings	\$'000	
Carrying Amount at 1 July 2020	594	
Depreciation Expense	(177)	
Carrying Amount at 31 December 2020	417	

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

ii. LEASE LIABILITIES

	31 December	30 June
	2020	2020
	\$'000	\$'000
Current Lease Liabilities	473	449
Non-Current Lease Liabilities	81	322
	554	771

8. TRADE AND OTHER PAYABLES

	31 December	30 June
	2020	2020
	\$'000	\$'000
Trade Payables	90	394
Accrued Expenses	710	134
Other Payables	493	664
	1,293	1,192

9. EQUITY

i. ISSUED CAPITAL

	31 December	31 December	30 June	30 June
	2020	2020	2020	2020
	# of Shares	\$'000	# of Shares	\$'000
	'000		'000	
Ordinary Shares - Fully Paid	153,250	45,854	153,250	45,854
	153,250	45,854	153,250	45,854

There is no movement in issued capital for the half-year ended 31 December 2020.

ii. 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.

10. SHARE BASED PAYMENTS

i. 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

ii. EXPENSES RECOGNISED FROM SHARE BASED PAYMENT TRANSACTIONS

The expense recognised in relation to the Share Based Payment transactions recognised within the Statement of Profit or Loss and Other Comprehensive Income were as follows:

	31 December	31 December
	2020	2019
	\$'000	\$'000
Performance Rights Issued under Employee Incentive Plan	106	-
Performance Rights Issued under Directors' Remuneration	439	157
	545	157

11. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The Company had no contingent liabilities or contingent assets at 31 December 2020 (30 June 2020: nil).

12. COMMITMENTS

The Company had no capital commitments at 31 December 2020 (30 June 2020: nil).

13. EVENTS OCCURRING AFTER THE REPORTING PERIOD

There are no events subsequent after the end of the half year period.

END OF FINANCIAL STATEMENTS

DIRECTORS' DECLARATION

FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

In the Directors' opinion:

- a) the Interim Financial Report and notes set out on pages 7 to 19 are in accordance with *the Corporations Act 2001*, including:
 - i) complying with Australian Accounting Standards, the *Corporations Regulations 2001*, and *AASB134 Interim Financial Reporting*, and
 - ii) giving a true *and* fair view of the Company's Financial Position as at 31 December 2020 and of its performance for the half-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.

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



Dr Andreas Schwer

Non-Executive Chairman

MELBOURNE

26 February 2021

TITOMIC LIMITED
ABN 77 602 793 644

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

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Titomic Limited "the Company" which comprises the statement of financial position as at 31 December 2020, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of Titomic Limited does not comply with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the Titomic Limited financial position as at 31 December 2020 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity. Our responsibilities are further described in the Auditor's Responsibilities for the Review 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 annual 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 review report.

Material Uncertainty Related to Going Concern

We draw attention to Note 1(iii) in the financial report, which indicates that the Company incurred a loss from ordinary activities of \$6,961k for the half-year ended 31 December 2020 (2019: loss \$4,702k). As at 31 December 2020, the Company had a net asset position of \$19,158k (30 June 2020: \$25,574k). The Company had a net cash outflow from operating activities of \$5,184k (2019: \$2,435k).

As stated in Note 1(iii), these events or conditions, along with other matters as set forth in Note 1 (iii), indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

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TITOMIC LIMITED
ABN 77 602 793 644

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

Responsibility of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility for the Review of the Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Company's financial position as at 31 December 2020 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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



D A KNOWLES
Partner

26 February 2021



PITCHER PARTNERS
Melbourne