

# TITOMIC LIMITED APPENDIX 4E PRELIMINARY FINAL REPORT

## YEAR ENDED 30 JUNE 2021

<b>Name of Entity</b>	Titomic Limited
<b>ABN</b>	77 602 793 644
<b>Reporting Period</b>	For the year ended 30 June 2021
<b>Previous Period</b>	For the year ended 30 June 2020

## RESULTS FOR ANNOUNCEMENT TO THE MARKET

<b>Revenues from ordinary activities</b>	Down	1.1 %	to	\$ 1,984,951
<b>Loss from ordinary activities after tax</b>	Up	58.6 %	to	(\$ 17,175,346)
<b>Loss for the year</b>	Up	58.6 %	to	(\$ 17,175,346)

## DISTRIBUTIONS

### CURRENT PERIOD

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

### PREVIOUS PERIOD

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

	<b>30 June 2021</b>	<b>30 June 2020</b>
<b>Net Tangible Assets Per Share (cents)*</b>	6.16	14.74

\*excluding ROU asset

## EXPLANATION OF RESULTS

Refer to the Directors' Report.

## CHANGES IN CONTROLLED ENTITIES

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

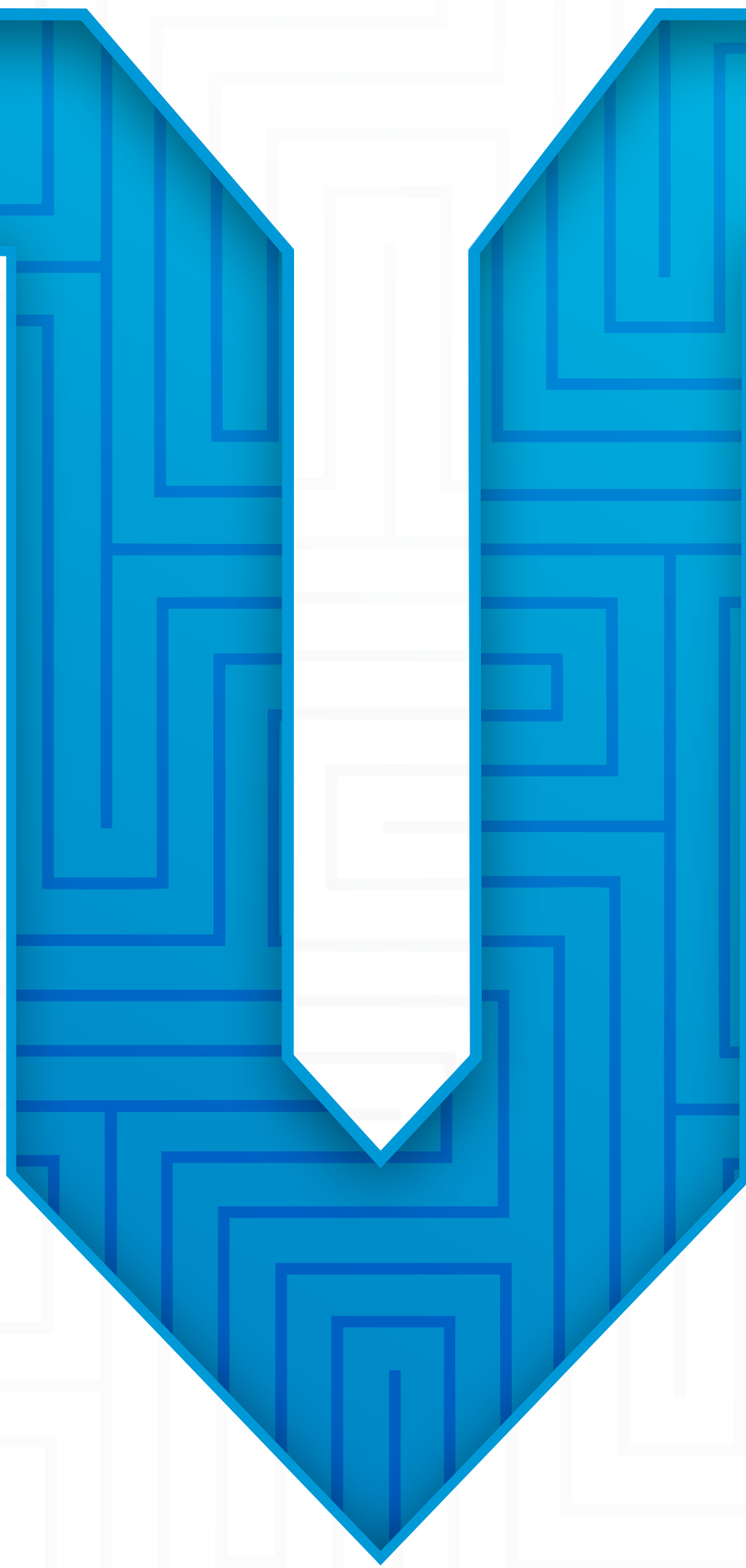
## OTHER INFORMATION REQUIRED BY LISTING RILE 4.3A

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

## 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)

Ms Mira Ricardel  
(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  
(Independent Non-Executive Director)

## COMPANY SECRETARY

Mr Richard Willson

## 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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## CONTENTS

Corporate Directory	<b>3</b>
Review of Operations and Significant Events for the Period	<b>6</b>
Directors Report	<b>9</b>
Remuneration Report	<b>18</b>
Auditors Independence Declaration	<b>24</b>
Financial Statements	<b>25</b>
Statements of Profit or Loss and Other Comprehensive Income	<b>26</b>
Statement of Financial Position	<b>27</b>
Statement of Changes in Equity	<b>28</b>
Statement of Cash Flows	<b>29</b>
Notes to the Financial Statements	<b>30</b>
Directors' Declaration	<b>57</b>
Independent Auditors Report	<b>58</b>
Shareholder Information	<b>64</b>

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

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# REVIEW OF OPERATIONS AND SIGNIFICANT EVENTS FOR THE PERIOD

## NET ASSETS

year ending June 30 2021

**\$9,441,553**

2020: \$25,574,441

## CASH AND CASH EQUIVALENTS

year ending June 30 2021

**\$7,946,161**

2020: \$17,458,051

## STATUTORY AFTER-TAX LOSS

year ending June 30 2021

**\$17,175,346**

2020: \$10,826,806

At the end of the financial year, the Company had net assets of \$9,441,553 (2020: \$25,574,441) and \$7,946,161 in cash and cash equivalents (2020: \$17,458,051). Titomic Limited reported the statutory after-tax loss for the year ended 30 June 2021 of \$17,175,346 (2020: \$10,826,806).

## HIGHLIGHTS OF THE YEAR

### BOARD AND MANAGEMENT CHANGES



The financial year ended 30 June 2021 represented a transformational period resulting in several organisational changes including the search for the Company's new CEO, Herbert Koeck. Herbert Koeck replaced Interim CEO, Norbert Schulz effective 1 July 2021.

For the last 5 years Mr Koeck has been a member of the executive management team of 3D-Systems Corporation, a global, leading 3D-printing solution supplier. As Executive Vice President of Global-Go-To-Market he was accountable for the sales and global orders of the group which included influencing product development to ensure customer success. Prior to this, he was Senior Vice President for Europe and India. Before joining 3D-Systems, Mr Koeck was managing Director for Europe, Middle East and Africa at Hewlett Packard and Senior Vice President for the PC and Printing Solution Group.

Mr Jeffrey Lang has assumed the role of Chief Technology Officer of the Company in addition to maintaining his role as Executive Director of the Board.

The Board was further strengthened by the appointment, as a Non-Executive Director, of Ms. Mira Ricardel. Ms. Ricardel, who is resident in the USA, is a principal at The Chertoff Group, a leading global security advisory firm, where she advises U.S. and international clients across a broad spectrum of sectors in managing regulatory risk related to foreign direct investments, technology controls and supply chain regulations.

Titomic also welcomed Max Osborne as our new Head of Engineering in June. Over the past 14 years, Max has enjoyed various roles with Boeing in Australia and Seattle with a track record of leading high performance engineering teams and executing complex and high impact projects.

### STRATEGIC REVIEW AND KEY INITIATIVES



This year enabled the new board of Directors to reset the strategic direction of Titomic Ltd.

Following a comprehensive review of the company's strategy (with support from Deloitte's Additive Manufacturing team), Titomic has adopted a new approach to market centred on Partnerships and Joint Ventures with customers.

Partnerships and Joint Ventures enable customers to avoid the challenges of adopting Cold Spray Additive Manufacturing technology by embedding - on a risk sharing and reward basis - the technical skills and resources of Titomic within their existing production processes.



**TITOMIC AND NEOS TO MANUFACTURE FACEPLATES IN THE UK**

The response from customers to this new approach has been very positive with the formerly announced Heads of Agreement signed with Neos International (formerly Hockley Patterns) for Invar 36 tooling. The company is currently working on moving this Heads of Agreement into a joint venture contract and expects these to be completed in the next few weeks.

The NEOS Titomic joint venture will enhance the rapid delivery of Invar and Nickel Shell Tooling and related products to the aerospace and other key sectors, further accelerating the next generation of advanced fibre composite technologies, critical to produce light weight fuel efficient aircraft and supporting the UK’s nascent Space Industry.



**ACQUISITION OF TRI-D DYNAMICS TO ESTABLISH TITOMIC USA**

The further development of Partnerships & Joint Ventures will require Titomic to establish sales offices and technical bureaus in both North America and Europe. To this end, during Q3 the Company entered a Heads of Agreement with Tri-D Dynamics Inc., a US cold spray additive manufacturing company, to acquire its business operations and engage its key personnel within a new entity, Titomic USA. This transaction was successfully completed on the 9th of July, 2021.



**TKF MANUFACTURING SYSTEMS AND MELBOURNE BUREAU**

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

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

**MELBOURNE TKF BUREAU PRODUCTION HIGHLIGHTS**

**UK DEFENCE COMPANY: TOOLING REPAIR**

Parts supplied in Q2 performed according to specification, opening the opportunity for large scale aerospace tooling operations in the United Kingdom and providing core volumes for the NEOS Titomic Joint Venture.

**US AEROSPACE**

Stage 3 of large satellite successfully completed and delivered to schedule for US Defence prime, highlighting the ability for CSAM to provide novel technical solutions in the challenging space sector. This Cold Spray Additive Manufacturing (CSAM) capability will now be explored to provide growth opportunities in the civil and defence sectors.

**US DEFENCE COMPANY**

Successful manufacture and delivery of large Inconel 718 part for testing and evaluation. This Inconel 718 component is of a size and weight previously considered unfeasible for CSAM. The opportunities for Inconel 718 in applications, where high strength is required at elevated temperatures, are clearly identifiable across Aerospace and Defence, providing Titomic with a unique technical and commercial advantage.

**US AEROSPACE COMPANY**

Ongoing trials and development for novel tooling solutions. Aerospace tooling has been identified as a growth market, as Carbon Fibre applications in Civil and Defence Aerospace markets continues to grow at a rapid pace. Titomic is using its technology to not only provide today’s solutions but is working closely with large aerospace companies to explore solutions that offer the possibility of higher production rates with novel tooling solutions.

**DEFENCE COMPANY**

Ongoing trials and development for weapon system components and barrels. CSAM offers advantages in thermal management, weight and performance in this industry and the ongoing development work continues to progress at a positive rate with a clearly articulated commercial outcome.

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### **ARMoured VEHICLE INDUSTRY**

Successful build and validation of a Titomic titanium panel that met STANAG 4569 Level 3 Threat Protection. Titomic have now successfully demonstrated feasibility of the unique Titanium feedstock to provide the necessary ballistic protection required by the Defence industry. There is still a long journey ahead to expand the product offering around the challenging and diverse ballistic requirements in these sectors, but this first step is a major leap forward for CSAM ballistic protection.

### **AUSTRALIAN NAVY: TITANIUM SHIP DOOR**

Titomic completed and delivered a TKF additive manufactured complete Titanium ship door, including handle.

### **AUSTRALIAN MINING COMPANY: STAINLESS STEEL TEST PARTS**

Titomic completed and delivered ten TKF additive manufactured Stainless Steel trial samples for a large Australian mining company. These parts are being evaluated for metallurgical properties.

### **AUSTRALIAN RAIL COMPANY: GEARBOX REPAIR**

Titomic has completed a proof-of-concept study including both a detailed report and sprayed part for a large Australian rail company. The TKF process demonstrated its ability to repair a damaged gearbox.

## **BEST PRACTICES AND QUALITY SYSTEMS**

### **ENTERPRISE RESOURCE PLANNING SYSTEM (ERP)**

An ERP has been implemented to align with best practices in international industries, which enables the Company 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 ISO:9001, the Company determined the requirement to validate our business practices, for collaboration within the global Aerospace and Defence sectors and was successful in attaining this accreditation in July 2021.

## **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 Intellectual Property was generated in this Government co-funded R&D project that is exclusive for Titomic to commercialise for Aerospace and Defence applications.



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## DIRECTORS REPORT

Directors' Report	<b>10</b>
Remuneration Report	<b>18</b>

# 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 2021 and Auditors' Report thereon.

### DIRECTORS, KEY MANAGEMENT PERSONNEL AND COMPANY SECRETARY

<b>Dr Andreas Schwer</b>	Non-Executive Chairman (appointed 1 July 2020)
<b>Mr Jeffrey Lang</b>	Executive Director
<b>Prof Richard Fox</b>	Non-Executive Director
<b>Mr Richard Willson</b>	Independent Non-Executive Director Company Secretary (appointed 15 February 2021)
<b>Mr Dag W.R. Stromme</b>	Independent Non-Executive Director (appointed 1 July 2020)
<b>Mr Humphrey Nolan</b>	Independent Non-Executive Director (appointed 1 July 2020)
<b>Ms Mira Ricardel</b>	Independent Non-Executive Director (appointed 22 March 2021)
<b>Mr Peter Vaughan</b>	Company Secretary (resigned 15 February 2021)

## 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.

The Company continues to experience the impact of COVID-19 with both customers and suppliers being disrupted due to lockdowns locally and the continued impact on certain industries across the globe.

There were no other significant changes in the state of affairs of the during the financial year

### LIKELY DEVELOPMENTS

The Company continues to experience the impact of COVID-19 which has prohibited widespread international travel with the capacity to visit overseas customers (either current or future potential customers). Whilst various sales meetings could take place virtually, this is not as effective as visiting customer premises to further explore opportunities to upscale production of certain products or accelerate with the sale of TKF machines.

Despite these challenges, the Company continues to progress with and target new joint venture arrangements in support of the new strategy.

Titomic and Composite Technology are working together to review the current agreements to put in place amended arrangements for the benefit of both parties that are more relevant in the current circumstances. Developing the demonstrator parts for certification has proved to be more complex than originally anticipated and therefore has delayed the sale of the two TKF Systems to Composite Technology. The timing of such sale is now unknown and remains

uncertain at this point in time. To this effect, the directors have determined it appropriate to impair the contract asset of \$2.025m attached to Composite Technology which was expected to be realised at the point of TKF machines being sold to Composite Technologies Pty Ltd. This effectively represents the expensing of the first tranche of options that were granted to Composite Technology for an equivalent amount of \$2.025m in February 2020. Commercial negotiations with Composite Technology are ongoing at the date of signing this report.

Titomic granted options to Evans & Partners Corporate Advisory Pty Limited ("E&P"), on 25 February 2020, in two tranches of 500,000 options each. Tranche 1 options were issued to E&P on 25 February 2020, with an expiry date of 25 August 2021. Tranche 2 (500,000 unlisted options) were approved at the Annual General Meeting of the Company in January 2021, exercisable at \$0.88 per option, are due to expire on 28 July 2022.

## EVENTS SINCE THE END OF THE FINANCIAL YEAR

### 6 JULY 2021

Titomic Limited incorporated Titomic USA Inc. ("US subsidiary")

### 9 JULY 2021

Titomic Ltd's wholly owned USA subsidiary acquired the assets of Tri-D Dynamics Inc (Tri-D), a manufacturer and seller of smart pipeline infrastructure in the United States.

### AUGUST - OCTOBER 2021

The Company is currently working through a capital raise to provide additional working capital to support the progression of Joint Ventures and overall strategy. Evans and Partners have been appointed as the Company's advisors and lead broker to facilitate the capital raise in Australia.

The Board and management are working closely with the Company's advisors to complete this process in the near future.

No other matter or circumstance has arisen since 30 June 2021 that has significantly affected, or may significantly affect the Company's operations, the results of those operations, or the Company's state of affairs in future financial years.

## ENVIRONMENTAL REGULATION

The Company is not subject to any significant environmental regulation under Australian Commonwealth or State law.

## DIVIDEND PAID, RECOMMENDED AND DECLARED

There were no dividends paid, recommended or declared during the current or previous 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 2020 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

#### INTERESTS IN SECURITIES

100,000 ordinary shares of Titomic Limited

#### INTERESTS IN RIGHTS

3,000,000 perf. rights (hurdle: \$0.80; expiry 01-Jul-2025)



### MR DAG W.R. STORMME

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 and 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

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

#### SPECIAL RESPONSIBILITIES

- ▶ Remuneration & Nomination Committee Member

#### INTEREST IN SECURITIES

834,274 ordinary shares of Titomic Limited

#### INTERESTS IN RIGHTS

1,250,000 perf. rights (hurdle: \$0.80; exp. 01-Jul-25)



### MS MIRA RICARDEL

Independent Non-Executive Director  
(Appointed 22 March 2021)

#### EXPERIENCE AND EXPERTISE

Ms Ricardel is a Principal at The Chertoff Group, where she leverages her extensive experience in defence programs, as well as regulatory policies and processes related to national security to advise clients on managing regulatory risk, foreign direct investment, supply chain security and growth strategies related to the U.S. federal market sector. From 2016 - 2018, Ms. Ricardel held Presidential appointments at the U.S. Department of Commerce and The White House. While at The White House she was Assistant to the President and Deputy National Security Advisor. Prior to that she was confirmed by the U. S. Senate and served as the Under Secretary of Commerce for Export Administration, leading the Bureau of Industry and Security where she played a leadership role in the development of regulations related to the Committee on Foreign Investment in the United States (CFIUS), U.S. export controls, and policies on supply

chain security. Ms. Ricardel also has nearly a decade of aerospace industry experience at The Boeing Company as Vice President for Business Development, where she was focused on strategic systems, missile defense, cyber and other advanced technology programs. Prior to joining Boeing, Ms. Ricardel held positions in the U.S. Department of Defense, to include Principal Deputy Assistant Secretary of Defense and Acting Assistant Secretary of Defense for International Security Policy. Early in her career she also served in the U.S. Department of State and then was a staff member in the office of the U.S. Senate Majority Leader.

#### AWARDS

Ms. Ricardel is a 2005 recipient of the U.S. Department of Defence Medal for Distinguished Public Service.

#### OTHER CURRENT DIRECTORSHIPS

Ms Ricardel does not hold any current directorships.

#### FORMER DIRECTORSHIPS IN LAST 3 YEARS

Ms Ricardel has not held any listed Company directorships in the past 3 years.

#### SPECIAL RESPONSIBILITIES

None

#### INTERESTS IN SECURITIES

Nil

#### INTEREST IN OPTIONS

2,500,000 options; subject to approval at the upcoming AGM, expiring between 22 March 2027 and 22 March 2030.



**MR JEFFREY LANG**

Executive Director

#### EXPERIENCE AND EXPERTISE

Mr 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 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

- Chief Technology Officer (CTO)

#### INTERESTS IN SECURITIES

9,457,508 ordinary shares in Titomic

#### INTEREST IN RIGHTS

80,840 perf. rights (hurdle: \$2.78; expiry: 28-Nov-2021)

399,574 perf. rights (hurdle: \$1.70; expiry: 29-Nov-2022)



**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 Chair 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.

## DIRECTORS REPORT

### 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

22,509,241 ordinary shares in Titomic

### INTERESTS IN RIGHTS

16,168 perf. rights (hurdle: \$2.78; expiry: 28-Nov-2021)  
79,915 perf. rights (hurdle: \$1.70; expiry: 29-Nov-2022)



### 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

Non-Executive Director - NolanUDA Pty Limited  
Non-Executive Director - Tapex Pty Limited

### FORMER DIRECTORSHIPS IN LAST 3 YEARS

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

### SPECIAL RESPONSIBILITIES

- Audit & Risk Committee Member

### INTERESTS IN SECURITIES

100,000 ordinary shares in Titomic

### INTERESTS IN RIGHTS

1,250,000 perf. rights (hurdle: \$0.80; expiry 01-Jul-2025)



### MR RICHARD WILLSON

Independent Non-Executive Director  
Company Secretary (appointed 15 February 2021)

### 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 - Thomas Resources Limited (ASX: TMZ)  
Non-Executive Director - PNX Metals Limited (ASX: PNX)  
Non-Executive Director - 8IP Emerging Companies Limited (ASX: 8EC)  
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 - 1414 Degrees Limited (ASX: 14D)

### SPECIAL RESPONSIBILITIES

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

### INTERESTS IN SECURITIES

120,000 ordinary shares in Titomic

### INTERESTS IN RIGHTS

16,168 perf. rights (hurdle: \$2.78; expiry: 28-Nov-2021)  
79,915 perf. rights (hurdle: \$1.70; expiry: 29-Nov-2022)  
550,000 perf. rights (hurdle: \$0.80; expiry 01-Jul-2025)

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

## MEETINGS OF DIRECTORS

The number of meetings of the Company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2021, and the number of meetings attended by each Director were:

	Full Board		Nomination and Remuneration Committee		Audit and Risk Committee	
	Attended	Held	Attended	Held	Attended	Held
<b>Dr Andreas Schwer</b>	10	10	-	-	-	-
<b>Mr Jeffrey Lang</b>	10	10	-	-	-	-
<b>Prof Richard Fox</b>	10	10	1	1	5	5
<b>Mr Richard Willson</b>	10	10	1	1	5	5
<b>Mr Dag W R Stromme</b>	10	10	1	1	-	-
<b>Mr Humphrey Nolan</b>	10	10	-	-	5	5
<b>Ms Mira Ricardel</b>	3	3	-	-	-	-

Held: represents the number of meetings held during the time the Director held office or was a member of the relevant committee.

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
<b>Committee Chairman</b>	Mr Richard Willson	Mr Richard Willson
<b>Committee Member</b>	Mr Humphrey Nolan	Mr Dag W.R. Stromme
<b>Committee Member</b>	Prof Richard Fox	Prof Richard Fox

## DIRECTORS' INTERESTS IN SHARES OR OPTIONS

Directors Relevant Interests In :	Ordinary Shares	Performance Securities*
<b>Dr Andreas Schwer</b>	100,000	3,000,000 <sup>3</sup>
<b>Mr Jeffrey Lang</b>	9,457,508	80,840 <sup>1</sup>
<b>Mr Dag W.R. Stromme</b>	834,274	399,574 <sup>2</sup>
<b>Mr Humphrey Nolan</b>	100,000	1,250,000 <sup>3</sup>
<b>Prof Richard Fox</b>	22,509,241	16,168 <sup>1</sup>
		79,915 <sup>2</sup>
<b>Mr Richard Willson</b>	120,000	16,168 <sup>1</sup>
		79,915 <sup>2</sup>
		550,000 <sup>3</sup>
<b>TOTAL</b>	<b>33,121,023</b>	<b>6,722,580</b>

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



## DIRECTORS REPORT

### <sup>1</sup> Performance Hurdle: 113,176 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).

### <sup>2</sup> Performance Hurdle: 599,404 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).

### <sup>3</sup> Performance Hurdle: 6,050,000 Performance Share Rights

Performance Hurdle is set at a share price equal to the Company's 5-day VWAP share price which is \$0.80 on the date shareholder approval was granted (28 January 2021) and must be satisfied within 3 and 4 years of the granting of the Performance Share Rights to the Chairman and other Directors respectively (28 January 2021 to 01 July 2025).

## NUMBER OF OPTIONS UNEXERCISED

The unexercised options over unissued ordinary shares outstanding at the end of the financial year are disclosed below, except for 2,500,000 options to be granted to Mira Ricardel, as a part of her compensation package; and, subject to shareholders' approval at next AGM of the Company.

Date of options granted	No. of options granted	No. of options unissued/ unexercised	Class of shares	Issue price of options	Expiry date of options
29-Nov-2018	140,123	113,176	Ordinary Shares	\$2.78	28-Nov-2021
29-Nov-2019	692,595	559,404	Ordinary Shares	\$1.70	29-Nov-2022
29-Nov-2019	1,786,362	731,204	Ordinary Shares	\$0.00	28-Nov-2022
25-Feb-2020	7,500,000	7,500,000	Ordinary Shares	\$0.88	25-Feb-2022
25-Feb-2020	500,000	500,000	Ordinary Shares	\$0.88	25-Aug-2021
28-Jan-2021	6,050,000	6,050,000	Ordinary Shares	\$0.80	01-Jul-2025
28-Jan-2021	500,000	500,000	Ordinary Shares	\$0.88	28-Jul-2022

## SHARES ISSUED ON EXERCISE OF OPTIONS

No options were exercised during the financial year.

## 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 to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

## AUDITOR'S INDEPENDENCE DECLARATION

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

### NON-AUDIT SERVICES

There were no non-audit services provided during the financial year by the auditor.

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

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

	2021 (\$)	2020 (\$)
<b>Other Services</b>	----	----
<b>TOTAL REMUNERATION FOR NON AUDIT SERVICES</b>	----	----

### OFFICERS OF THE COMPANY WHO ARE FORMER PARTNERS OF PITCHER PARTNERS:

There are no officers of the Company who are former partners of Pitcher Partners.

## 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 2021 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

<b>Dr Andreas Schwer</b>	Non-Executive Chairman (appointed 1 July 2020)
<b>Mr Jeffrey Lang</b>	Executive Director
<b>Prof Richard Fox</b>	Non-Executive Director
<b>Mr Dag W.R. Stromme</b>	Independent Non-Executive Director (appointed 1 July 2020)
<b>Mr Humphrey Nolan</b>	Independent Non-Executive Director (appointed 1 July 2020)
<b>Ms Mira Ricardel</b>	Independent Non-Executive Director (appointed 22 March 2021)
<b>Mr Richard Willson</b>	Independent Non-Executive Director Company Secretary (appointed 15 February 2021)
<b>Mr Peter Vaughan</b>	Company Secretary (resigned 15 February 2021)

## (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

<b>Committee Chairman</b>	Mr Richard Willson
<b>Committee Member</b>	Mr Dag W.R. Stromme
<b>Committee Member</b>	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

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.

The remuneration elements for Independent Non-Executive Directors include cash remuneration (that is, base compensation and superannuation contributions) and performance share rights.

The performance share rights granted to Non-Executive Directors vest progressively over time and are subject to the employment continuance and achievement of performance hurdles, which mainly involve the Company achieving a particular share price over a specified tenure.

The remuneration elements for Executive Directors include cash remuneration (that is, base compensation and superannuation contributions), performance share rights. Executive Directors are also entitled to annual leave and long service leave, if applicable.

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).

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.

2020	Short Term Benefits		Long Term Benefits		Share Based Payments Expense	Total (\$)	Performance Securities as % of Total
	Cash and Salary Benefits	Annual Leave	Superannuation	Long Service Leave			
<b>DIRECTORS &amp; OTHER KMP</b>							
<b>Mr Philip Vafiadis*</b>	210,000	----	----	----	29,849	239,849	12%
<b>Prof Richard Fox</b>	65,000	----	----	----	17,908	82,908	22%
<b>Mr Richard Willson</b>	81,507	----	7,743	----	17,908	107,158	17%
<b>Mr Jeffrey Lang</b>	350,000	59,231	21,003	----	89,543	519,777	17%
<b>TOTAL</b>	<b>706,507</b>	<b>59,231</b>	<b>28,746</b>	<b>----</b>	<b>155,208</b>	<b>949,692</b>	

\* Mr Philip Vafiadis resigned 30 June 2020.

2021	Short Term Benefits		Long Term Benefits		Share Based Payments Expense	Total (\$)	Performance Securities as % of Total
	Cash and Salary Benefits	Annual Leave	Superannuation	Long Service Leave			
<b>Prof Richard Fox</b>	65,000	-----	-----	-----	24,955	89,955	28%
<b>Mr Richard Willson</b>	75,000	-----	7,125	-----	79,969	162,094	49%
<b>Mr Jeffrey Lang</b>	350,000	15,104	21,694	6,528	124,776	518,104	24%
<b>Dr. Andreas Schwer</b>	300,000	-----	-----	-----	376,410	676,410	56%
<b>Mr. Dag W R Stromme</b>	20,000	-----	-----	-----	125,031	145,031	86%
<b>Mr Humphrey Nolan</b>	20,000	-----	-----	-----	125,031	145,031	86%
<b>Ms Mira Ricardel</b>	7,290	-----	-----	-----	30,438	37,728	81%
<b>TOTAL</b>	<b>837,290</b>	<b>15,104</b>	<b>28,819</b>	<b>6,528</b>	<b>886,610</b>	<b>1,774,354</b>	

**(f) EXECUTIVE DIRECTOR'S CONTRACTUAL ARRANGEMENT**

Chief Technology Officer (CTO)

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

- Appointed as the Chief Technology Officer 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 may terminate Mr Jeffrey Lang's employment contract without notice in some circumstances.

**(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 Directors 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.

**(h) KEY MANAGEMENT PERSONNEL'S EQUITY HOLDINGS****Number of options held by key management personnel**

During the 2021 financial year no options were exercised (2020: 1,463,666 options 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					
<b>Prof Richard Fox</b>	23,298,012	----	----	(788,771)	22,509,241
<b>Mr Richard Willson*</b>	120,000	----	----	----	120,000
<b>Dr Andreas Schwer*</b>	----	----	----	100,000	100,000
<b>Mr Dag W R Stromme*</b>	----	784,274	----	50,000	834,274
<b>Mr Humphrey Nolan*</b>	----	75,000	----	25,000	100,000
<b>Ms Mira Ricardel**</b>	----	----	----	----	----
Executive Directors					
<b>Mr Jeffrey Lang</b>	9,421,008	----	----	36,500	9,457,508
<b>TOTAL</b>	32,839,020	859,274	----	(577,271)	33,121,023

\*Performance share rights have been granted to Mr Richard Willson, Dr. Andreas Schwer, Mr Dag W. R. Stromme and Mr Humphrey Nolan, however, none of those performance share rights have been exercised by the Directors during the year ended 30 June 2021.

\*\* Options granted to Mira Ricardel are pending shareholders' approval at the next Annual General Meeting of the Company.

**Performance Share Rights Granted to Key Management Personnel**

	<b>Grant Date</b>	<b>Expiry Date</b>	<b>Granted</b>	<b>Performance Hurdle</b>	<b>Value at Grant Date (\$)</b>
Performance Hurdle 1					
<b>Mr Philip Vafiadis</b>	29-Nov-2018	28-Nov-2021	26,947	\$2.78	36,063
<b>Prof Richard Fox</b>	29-Nov-2018	28-Nov-2021	16,168	\$2.78	21,638
<b>Mr Richard Willson</b>	29-Nov-2018	28-Nov-2021	16,168	\$2.78	21,638
<b>Mr Jeffrey Lang</b>	29-Nov-2018	28-Nov-2021	80,840	\$2.78	108,188
<b>TOTAL</b>			<b>140,123</b>		<b>187,527</b>
Performance Hurdle 2					
<b>Mr Philip Vafiadis</b>	29-Nov-2019	29-Nov-2022	133,191	\$1.70	85,242
<b>Prof Richard Fox</b>	29-Nov-2019	29-Nov-2022	79,915	\$1.70	51,145
<b>Mr Richard Willson</b>	29-Nov-2019	29-Nov-2022	79,915	\$1.70	51,145
<b>Mr Jeffrey Lang</b>	29-Nov-2019	29-Nov-2022	399,574	\$1.70	255,278
<b>TOTAL</b>			<b>692,595</b>		<b>443,260</b>
Performance Hurdle 3					
<b>Mr Richard Willson*</b>	28-Jan-2021	01-Jul-2025	550,000	\$0.80	220,660
<b>Dr. Andreas Schwer*</b>	28-Jan-2021	01-Jul-2025	3,000,000	\$0.80	1,131,300
<b>Mr Dag W. R. Stromme*</b>	28-Jan-2021	01-Jul-2025	1,250,000	\$0.80	501,500
<b>Mr Humphrey Nolan*</b>	28-Jan-2021	01-Jul-2025	1,250,000	\$0.80	501,500
<b>TOTAL</b>			<b>6,050,000</b>		<b>2,354,960</b>
<b>TOTAL</b>			<b>6,882,718</b>		<b>2,802,487</b>

**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).

**Performance Hurdle:** 6,050,000 Performance Share Rights

Performance Hurdle is set at a share price equal to the Company's 5-day VWAP share price which is \$0.80 on the date shareholder approval was granted (28 January 2021), and must be satisfied within 3 and 4 years of the granting of the Performance Share Rights to the Chairman and other Directors respectively (28 January 2021 to 01 July 2025).

**(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:

	2021	2020	2019
<b>Revenue and Other Income (\$)</b>	1,984,951	2,006,375	1,474,937
<b>Increase in Revenue and Other Income (%)</b>	-1	36	451
<b>Loss Before Tax (\$)</b>	(17,175,346)	(10,826,806)	(7,489,077)
<b>Change in Share Price (%)</b>	47	(70)	(25)
<b>Dividend Paid to Shareholders (\$)</b>	Nil	Nil	Nil
<b>Return of Capital (\$)</b>	Nil	Nil	Nil
<b>Total Remuneration of KMP (\$)</b>	1,774,354	949,692	1,152,806
<b>Total Performance-Based Remuneration (\$)</b>	886,612	155,209	271,252

**(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 88% of "yes" approval votes from shareholders on its remuneration report for the 2020 financial year at the Company's Annual General Meeting (AGM) in January 2021. 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.



**Dr Andreas Schwer**

Chairman

30 August 2021

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

In relation to the independent audit for the year ended 30 June 2021, 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

30 August 2021



PITCHER PARTNERS  
Melbourne

Adelaide Brisbane Melbourne Newcastle Perth Sydney

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B J BRITTEN  
J BRAZZALE  
D A THOMPSON  
D A KNOWLES  
M CHAY

S SCHONBERG  
S SAHN  
P A JOSE  
A R YSO  
M J HARRISON

P W TONER  
T SAKELL  
G I NORSKIN  
A T DAVIDSON  
K L BYRNE

C D WHATMAN  
S D WHITCHURCH  
A E CLERICI  
D J HONEY  
G J NIELSEN

A D STANLEY  
N R BULL  
D C BYRNE  
A M KOKKINOS  
P B BRANE

G A GEBONO  
R I MCQUE  
F V RUSSO  
M R SONEGO  
A T CLUGSTON

S J DALL  
M G JOZVAK  
D W LOVE  
B POWERS  
A SULEYMAN

K J DAVIDSON  
D R DOHERTY  
J L BEAUMONT  
M DAVIES  
B A LETHBORG

M J WILSON  
I CULL  
B FARRELLY  
A O'CARROLL  
D BEDFORD

J MURPHY  
T LAPHORNE  
Y TANG  
D Y HUNG  
A D MITCHELL

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## FINANCIAL STATEMENTS

Statement of Profit or Loss and Any Other Comprehensive Income	26
Statement of Financial Position	27
Statement of Changes in Equity	28
Statement of Cash Flows	29
Notes to the Financial Statements	30
Directors' Declaration	57
Independent Auditors Report	58

### GENERAL INFORMATION

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

Titomic Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:  
Building 3 270 Ferntree Gully Road  
Notting Hill Victoria 3168 Australia

A description of the nature of the Company's operations and its principal activities are included in the Directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 30 August 2021.

# STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2021

	Notes	30 June 2021 (\$)	30 June 2020 (\$)
Revenue and Other Income			
Revenue and Other Income	5	1,984,951	2,006,375
		<b>1,984,951</b>	<b>2,006,375</b>
Expenses			
Production and Related Expenses		(1,562,412)	(799,702)
Corporate and Administrative Expenses		(3,103,486)	(1,920,897)
Impairment loss - contract asset	12	(2,025,000)	-----
Impairment loss - other non-current assets	15.1	(3,335,761)	-----
Employee and Director Expenses		(6,254,209)	(5,929,261)
Share Based Payment Expenses	6	(1,042,458)	(458,428)
Depreciation Expenses	6	(1,339,632)	(2,243,450)
Marketing and Promotion Expenses		(147,772)	(738,324)
Amortisation Expenses	6	(133,512)	(133,511)
Other Expenses		(216,055)	(609,608)
<b>LOSS BEFORE INCOME TAX</b>		<b>(17,175,346)</b>	<b>(10,826,806)</b>
Income Tax Expense	7	-----	-----
<b>LOSS FOR THE PERIOD</b>		<b>(17,175,346)</b>	<b>(10,826,806)</b>
Other Comprehensive Loss for the Period		-----	-----
<b>TOTAL COMPREHENSIVE LOSS FOR THE PERIOD</b>		<b>(17,175,346)</b>	<b>(10,826,806)</b>
	Notes	Cents	Cents
Loss Per Share Attributable to the Ordinary Equity Holders of the Company			
Basic Loss Per Share	8	(11.21)	(8.07)
Diluted Loss Per Share	8	(11.21)	(8.07)

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 2021

Assets	Notes	30 June 2021 (\$)	30 June 2020 (\$)
<b>Current Assets</b>			
Cash and Cash Equivalents	9	7,946,161	17,458,051
Trade and Other Receivables	10	90,108	358,897
Inventories	11	1,998,416	2,007,752
Other Current Assets	12	1,049,330	2,781,820
<b>TOTAL CURRENT ASSETS</b>		<b>11,084,015</b>	<b>22,606,520</b>
<b>Non-Current Assets</b>			
Property, Plant and Equipment	13	2,504,679	4,287,772
Intangible Assets	15	-----	2,397,582
Lease Assets	14	-----	594,115
<b>TOTAL NON-CURRENT ASSETS</b>		<b>2,504,679</b>	<b>7,279,469</b>
<b>TOTAL ASSETS</b>		<b>13,588,694</b>	<b>29,885,989</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and Other Payables	16	1,682,786	1,191,569
Other Financial Liabilities	18	1,026,634	1,132,570
Provisions	17	267,235	226,973
<b>TOTAL CURRENT LIABILITIES</b>		<b>2,976,655</b>	<b>2,551,112</b>
<b>Non-Current Liabilities</b>			
Other Financial Liabilities	18	1,127,527	1,727,845
Provisions	17	42,959	32,591
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>1,170,486</b>	<b>1,760,436</b>
<b>TOTAL LIABILITIES</b>		<b>4,147,141</b>	<b>4,311,548</b>
<b>NET ASSETS</b>		<b>9,441,553</b>	<b>25,574,441</b>
<b>Equity</b>			
Issued Capital	19	45,853,616	45,853,616
Reserves	20	3,613,198	2,570,740
Accumulated Losses	21	(40,025,261)	(22,849,915)
<b>TOTAL EQUITY</b>		<b>9,441,553</b>	<b>25,574,441</b>

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 2021

	Attributable to Owners of Titomic Limited			
	Issued Capital (\$)	Reserves (\$)	Accumulated Losses (\$)	Total (\$)
<b>BALANCE AT 1 JULY 2019</b>	20,404,638	752,234	(12,688,031)	8,468,841
Loss for the Period	-----	-----	(10,826,806)	(10,826,806)
Other comprehensive income for the year, net of tax	-----	-----	-----	-----
<b>TOTAL COMPREHENSIVE LOSS FOR THE PERIOD</b>	-----	-----	<b>(10,826,806)</b>	<b>(10,826,806)</b>
Transactions with Owners in their Capacity as Owners				
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
<b>TOTAL</b>	<b>25,448,978</b>	<b>1,818,506</b>	<b>664,922</b>	<b>27,932,406</b>
<b>BALANCE AT 30 JUNE 2020</b>	<b>45,853,616</b>	<b>2,570,740</b>	<b>(22,849,915)</b>	<b>25,574,441</b>
<b>BALANCE AT 1 JULY 2020</b>	45,853,616	2,570,740	(22,849,915)	25,574,441
Loss after income tax expense for the year	-----	-----	(17,175,346)	(17,175,346)
Other comprehensive income for the year, net of tax	-----	-----	-----	-----
<b>TOTAL COMPREHENSIVE LOSS FOR THE PERIOD</b>	-----	-----	<b>(17,175,346)</b>	<b>(17,175,346)</b>
Transactions with Owners in their Capacity as Owners				
Share Based Payment	-----	1,042,458	-----	1,042,458
<b>BALANCE AT 30 JUNE 2021</b>	<b>45,853,616</b>	<b>3,613,198</b>	<b>(40,025,261)</b>	<b>9,441,553</b>

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 2021

	Notes	30 June 2021 (\$)	30 June 2020 (\$)
Cash Flows from Operating Activities			
Receipts from Customers		477,550	309,020
Payments to Suppliers and Employees		(10,801,742)	(10,640,668)
Interest Received		39,288	76,051
Finance Costs		(183,047)	(282,233)
Other Grants		1,430,572	2,626,427
<b>NET CASH OUTFLOW FROM OPERATING ACTIVITIES</b>	24	<b>(9,037,379)</b>	<b>(7,911,403)</b>
Cash Flows from Investing Activities			
Payments for Property, Plant and Equipment	13	(25,114)	(998,096)
Loans to Other Entities		-	(88,885)
<b>NET CASH OUTFLOW FROM INVESTING ACTIVITIES</b>		<b>(25,114)</b>	<b>(1,086,981)</b>
Cash Flows from Financing Activities			
Proceeds from Issues of Shares	19	-	25,448,978
Payments for the Principal Portion of Lease Liabilities		(449,397)	(405,020)
<b>NET CASH INFLOW (OUTFLOW) FROM FINANCING ACTIVITIES</b>		<b>(449,397)</b>	<b>25,043,958</b>
Net Increase (Decrease) in Cash and Cash Equivalents		(9,511,890)	16,045,574
Cash and Cash Equivalents at the Beginning of the Financial Year		17,458,051	1,412,477
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	9	<b>7,946,161</b>	<b>17,458,051</b>

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.

New or amended Accounting Standards and Interpretations adopted

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

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

### BASIS OF PREPARATION

These general-purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities.

The financial report covers 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.

### 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).

### HISTORICAL COST CONVENTION

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

### CRITICAL ACCOUNTING ESTIMATES

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

### 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.

**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 \$17,175,346 during the year ended 30 June 2021 (2020: \$10,826,806 loss) and a net cash outflow from operating activities of \$9,037,379 (2020: \$7,911,403). At that date, the Company had a net asset position of \$9,441,553 (2020: \$25,574,441).

The Company has prepared a cash flow forecast which indicates that the Company is dependent on raising additional capital to meet its expected level of cash outflows over the next 12 months.

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 Company has appointed Evans and Partners as advisors and lead brokers to support an upcoming capital raise. This capital raise is expected to be finalised in the near term. The Directors expect that the capital raise would be met through a proven track record of strong market support from existing shareholders and institutional investors. The funding is intended to provide working capital and to enable the Company to take advantage of opportunities to expand the Company's capabilities both domestically and internationally.

On the basis of raising additional capital in the near term, 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 Annual 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.

Accordingly, 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.

**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. 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:

- > Prototyping Services
- > OEM Manufacturing
- > 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.

## NOTES TO THE FINANCIAL STATEMENTS

### 1. Summary of Significant Accounting Policies (Continued)

#### (ii) 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.

#### (iii) INTEREST

Interest revenue is recognised using the effective interest rate method.

#### (iv) GRANT AND R&D INCENTIVE

The Company may undertake research and development 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 from the transfer of goods or services to the customer (i.e., only the passage of time is required before payment of the consideration is due). Subsequent to initial recognition, receivables from contracts with customers are measured at amortised cost and are tested for impairment.

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

### CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the statement of cash flows presentation purposes, cash and cash equivalents also includes bank overdrafts, which are shown within borrowings in current liabilities on the statement of financial position.

### TRADE RECEIVABLES

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

### INVENTORIES

Inventories including 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.

Stock in transit is stated at the lower of cost and net realisable value. Cost comprises of purchase and delivery costs, net of rebates and discounts received or receivable.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

### PROPERTY, PLANT AND EQUIPMENT

All property, plant and equipment, including capital work in progress (WIP) are stated at historical cost less depreciation and impairment. 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.



## 1. Summary of Significant Accounting Policies (Continued)

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

Building Fitouts	10 - 20	years
Factory Equipment	3-10	years
Furniture and Fittings	3 - 5	years
Prototype Machinery	3 - 5	years
Other Property, Plant and Equipment	1 - 3	years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date. The estimated useful lives of Machinery relating to TKF Machinery was reassessed at the reporting date increasing from 3 years to 5 years, also taking into account a residual value for the machines after the fifth year.

**INTANGIBLE ASSETS**

Titomic Limited's core technology is called Titomic 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.

Licences are tested for impairment if indicators of potential impairment are present as set out in note 15.1.

## (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 expenditures are recognised as an expense when they are incurred

**RIGHT OF USE ASSETS**

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Company expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The Company has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets.

## NOTES TO THE FINANCIAL STATEMENTS

### 1. Summary of Significant Accounting Policies (Continued)

#### 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.

#### 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.

#### 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.

#### TRADE AND OTHER PAYABLES

These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

#### 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.

#### PROVISIONS

Provisions are recognised when the Company has a present (legal or constructive) obligation as a result of a past event, it is probable the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

**EMPLOYEE BENEFITS****(I) SHORT-TERM EMPLOYEE BENEFIT OBLIGATIONS**

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

**(II) OTHER LONG-TERM EMPLOYEE BENEFITS**

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

Other long-term employee benefit obligations are presented as current liabilities in the balance sheet if the 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 Company's obligation with respect to employee's defined contributions entitlements is limited to its obligation for any unpaid superannuation guarantee contributions at the end of the reporting period.

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

**(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 considers the most recent estimate. The impact

## NOTES TO THE FINANCIAL STATEMENTS

### 1. Summary of Significant Accounting Policies (Continued)

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.

## 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.

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.

**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.

**GOODS AND SERVICES TAX ('GST') AND OTHER SIMILAR TAXES**

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

**ROUNDING OF AMOUNTS**

The Company has applied the relief available under ASIC Corporations (rounding in Financial / Directors' reports) Instrument 2016/191 and accordingly, the amounts in the financial statements and in the directors' report have been rounded to the nearest dollar.

**COMPARATIVES**

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

**NEW ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET MANDATORY OR EARLY ADOPTED**

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Company for the annual reporting period ended 30 June 2021. The Company has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

**2. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS**

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

**SHARE-BASED PAYMENT TRANSACTIONS**

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

**PROVISION FOR IMPAIRMENT OF INVENTORIES**

The provision for impairment of inventories assessment requires a degree of estimation and judgement. The level of the provision is assessed by taking into account the recent sales experience, the ageing of inventories and other factors that affect inventory obsolescence.

## NOTES TO THE FINANCIAL STATEMENTS

### 1. Summary of Significant Accounting Policies (Continued)

#### FAIR VALUE MEASUREMENT 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.

#### ESTIMATION OF USEFUL LIVES OF ASSETS

The Company determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

#### IMPAIRMENT OF NON-FINANCIAL ASSETS OTHER THAN GOODWILL

The Company assesses impairment of non-financial assets other than goodwill at each reporting date by evaluating conditions specific to the Company and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

All assets are assessed for impairment at each reporting date by evaluating whether indicators of impairment exist in relation to the continued use of the asset by the Company. Impairment triggers include declining product or manufacturing performance, technology changes, adverse changes in the economic or political environment and future product expectations. If an indicator of impairment exists, the recoverable amount of the asset is determined.

The recoverable amount of a cash-generating unit (CGU) is based on value in use calculations. These calculations are based on projected cash flows approved by management covering a minimum period of 1 year (maximum of five years). Management's determination of cash flow projections and gross margins are based on past performance and its expectation for the future. The present value of future cash flows has been calculated using cash flows from the current Five Year Plan that has been approved by the Board for years FY22 to FY26, adjusted to remove the impact of new business units, together with a Terminal growth rate of 3% for cash flows after year five and a discount rate which uses a Weighted Average Cost of Capital (WACC) of 17.30% to determine value-in-use.

## 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 2021 are set out below:

	30 June 2021 (\$)	30 June 2020 (\$)
<b>Cash and Cash Equivalents</b>	7,946,161	17,458,051
<b>Trade and Other Receivables</b>	90,108	358,897
<b>Other Current Assets</b>	296,167	296,167
<b>Trade and Other Payables</b>	1,682,786	1,191,569
<b>Other Financial Liabilities</b>	1,761,285	1,711,812
<b>Lease Liabilities</b>	322,357	771,754

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 2021.

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:



## NOTES TO THE FINANCIAL STATEMENTS

### 3. Financial Risk Management (Continued)

	Interest Bearing (\$)	Non-Interest Bearing (\$)	Total Carrying Amount (\$)	Weighted Average Effective Interest Rate (%)	Fixed/Variable Rate
<b>30 JUNE 2021</b>					
(i) Financial Assets					
<b>Cash</b>	7,620,680	325,481	7,946,161	0.21	Variable
<b>Trade and other receivables</b>	-----	90,108	90,108	-----	-----
<b>Other current assets</b>	232,000	64,167	296,167	0.09	Variable
<b>TOTAL FINANCIAL ASSETS</b>	<b>7,852,680</b>	<b>479,756</b>	<b>8,332,436</b>		
(ii) Financial Liabilities					
<b>Trade and other payables</b>	398,957	1,283,829	1,682,786	3.06%	Variable
<b>Lease liabilities</b>	322,357	-----	322,357	7.00%	Fixed
<b>Other liabilities</b>	1,761,285	-----	1,761,285	6.00%	Variable
<b>TOTAL FINANCIAL LIABILITIES</b>	<b>2,482,599</b>	<b>1,283,829</b>	<b>3,766,428</b>		
<b>30 JUNE 2020</b>					
(i) Financial Assets					
<b>Cash</b>	10,033,288	7,424,763	17,458,051	1.14	Variable
<b>Trade and other receivables</b>	-----	358,897	358,897	-----	-----
<b>Other current assets</b>	232,000	64,167	296,167	1.56	Variable
<b>TOTAL FINANCIAL ASSETS</b>	<b>10,265,288</b>	<b>7,847, 827</b>	<b>18,113,115</b>		
(ii) Financial Liabilities					
<b>Trade and other payables</b>	310,716	880,853	1,191,569	3.45	Variable
<b>Lease liabilities</b>	771,754	-----	771,754	7.00	Fixed
<b>Other liabilities</b>	1,711,812	-----	1,711,812	6.00	Fixed
<b>TOTAL FINANCIAL LIABILITIES</b>	<b>2,794,282</b>	<b>880,853</b>	<b>3,675,135</b>		

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



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 2021 (\$)	30 June 2020 (\$)
+/- 100 Basis Points Change in Interest Rates		
<b>Impact on Loss After Tax for the Period</b>	79,462	174,581
<b>Impact on Equity</b>	79,462	174,581

The choice of 100 basis point change in interest rates was determined having regard to the level of prevailing interest rates in Australia during 2020 and 2021. The impact on loss after tax and equity is greater in 2020 due to the greater cash balances held by the Company.

CREDIT RISK

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 2021. 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.

REMAINING CONTRACTUAL MATURITIES

(i) MATURITIES OF FINANCIAL LIABILITIES

The following tables detail the Company's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

## NOTES TO THE FINANCIAL STATEMENTS

### 3. 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 (\$)
<b>30 JUNE 2021</b>						
Non-Derivatives						
<b>Trade payables</b>	327,642	----	----	----	----	327,642
<b>Accrued expenses</b>	654,848	----	----	----	----	654,848
<b>CSIRO IP liability</b>	492,198	141,560	133,642	358,138	635,747	1,761,285
<b>Other payables</b>	643,304	56,992	----	----	----	700,296
<b>Lease liabilities</b>	241,474	80,883	----	----	----	322,357
<b>TOTAL NON-DERIVATIVES</b>	<b>2,359,466</b>	<b>279,435</b>	<b>133,642</b>	<b>358,138</b>	<b>635,747</b>	<b>3,766,428</b>
<b>30 JUNE 2020</b>						
Non-Derivatives						
<b>Trade Payables</b>	394,297	----	----	----	----	394,297
<b>Accrued Expenses</b>	133,800	----	----	----	----	133,800
<b>CSIRO IP Liability</b>	306,324	----	----	697,121	708,367	1,711,812
<b>Other Payables</b>	619,084	44,388	----	----	----	663,472
<b>Lease Liabilities</b>	217,917	231,480	322,357	----	----	771,754
<b>TOTAL NON-DERIVATIVES</b>	<b>1,671,422</b>	<b>275,868</b>	<b>322,357</b>	<b>697,121</b>	<b>708,367</b>	<b>3,675,135</b>

## 4. FAIR VALUE MEASUREMENTS

### FAIR VALUE HIERARCHY

The following table provides the fair value classification of those assets held by the Company that are measured either on a non-recurring basis at fair value.

	Level 1	Level 2	Level 3	Total
<b>YEAR ENDED 30 JUNE 2021</b>				
Non-Recurring fair value measurements				
<b>Property, plant and equipment</b>	----	----	2,504,679	2,504,679
<b>TOTAL NON-RECURRING FAIR VALUE MEASUREMENT</b>	<b>----</b>	<b>----</b>	<b>2,504,679</b>	<b>2,504,679</b>

#### (i) Reason for non-recurring fair value measurement

In accordance with AASB 136 the company tested its Cash Generating Unit for impairment on the basis of the higher of Fair Value Less Costs to Sell and Value in use.

The company measures Property, Plant and Equipment at the Fair Value Less Costs to Sell at the individual asset level as per AASB 13, as the value in use calculations for the Cash Generating Unit indicated impairment.

**5. REVENUE**

	30 June 2021 (\$)	30 June 2020 (\$)
<b>Interest Received</b>	39,288	76,051
<b>R&amp;D Tax Incentive</b>	1,196,023	1,668,315
<b>Other Grants</b>	234,549	116,722
<b>Revenue from Contracts with Customers</b>	515,091	145,287
<b>TOTAL</b>	<b>1,984,951</b>	<b>2,006,375</b>

**6. LOSS FROM CONTINUING OPERATIONS**

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

	30 June 2021 (\$)	30 June 2020 (\$)
Employee Benefits Expense		
<b>Share-based payments</b>	1,042,458	458,428
<b>Superannuation guarantee contributions</b>	357,085	330,875
<b>Salaries, wages and other employee benefits</b>	5,054,461	4,474,961
<b>TOTAL</b>	<b>6,454,004</b>	<b>5,264,264</b>
Other Expenses		
<b>Impairment loss - contract asset</b>	2,025,000	-----
<b>Impairment loss - other non-current assets</b>	3,335,761	-----
<b>Bad debts written off</b>	8,766	211,226
Depreciation and Amortisation Expenses		
<b>Depreciation on property plant and equipment</b>	984,883	1,888,952
<b>Depreciation on right of use asset</b>	354,749	354,498
<b>Amortisation on intangible asset</b>	133,512	133,511
<b>TOTAL</b>	<b>1,473,144</b>	<b>2,376,961</b>
Finance Cost Expensed		
Financial liabilities measured at amortised cost:		
<b>Other interest</b>	143,138	212,771
<b>Lease liabilities</b>	39,909	69,462
<b>TOTAL</b>	<b>183,047</b>	<b>282,233</b>

## 7. INCOME TAX EXPENSE

### a) INCOME TAX EXPENSE

	30 June 2021 (\$)	30 June 2020 (\$)
<b>Income Tax Expense</b>	----	----
<b>TOTAL</b>	----	----

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

<b>Loss before income tax expense</b>	(17,175,346)	(10,826,806)
<b>Tax at the statutory tax rate of 26% (2020: 27.5%)</b>	(4,465,590)	(2,977,372)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
<b>Non-assessable R&amp;D tax incentive income</b>	(310,966)	(458,787)
<b>Non-allowable expenses</b>	1,426,569	175,407
<b>Tax losses and other timing differences for which no deferred tax asset is recognised</b>	3,349,987	3,260,752
<b>INCOME TAX EXPENSE</b>	----	----

### c) UNRECOGNISED POTENTIAL TAX BENEFITS

	30 June 2021 (\$)	30 June 2020 (\$)
<b>Unused tax effected losses and temporary differences for which a deferred tax asset has not been recognised</b>	8,740,191	6,597,298

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 2021 (\$)	30 June 2020 (\$)
<b>Loss after income tax</b>	(17,175,346)	(10,826,806)

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

	2021 Number	2020 Number
<b>Weighted average number of ordinary shares used as the denominator in calculating basic loss per share</b>	153,249,669	134,223,709
<b>ADJUSTED WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES USED IN CALCULATING DILUTED LOSS PER SHARE</b>	<b>153,249,669</b>	<b>134,223,709</b>

**(c) BASIC LOSS PER SHARE**

	30 June 2021 (₹)	30 June 2020 (₹)
From continuing operations attributable to the ordinary equity holders of the Company	(11.21)	(8.07)
<b>TOTAL BASIC LOSS PER SHARE ATTRIBUTABLE TO THE ORDINARY EQUITY HOLDERS OF THE COMPANY</b>	<b>(11.21)</b>	<b>(8.07)</b>

**9. CASH AND CASH EQUIVALENTS**

	30 June 2021 (\$)	30 June 2020 (\$)
Cash at bank	2,946,161	7,424,763
Cash on deposit	5,000,000	10,033,288
<b>TOTAL</b>	<b>7,946,161</b>	<b>17,458,051</b>

**10. TRADE AND OTHER RECEIVABLES**

	30 June 2021 (\$)	30 June 2020 (\$)
Trade Receivables	36,850	210,834
Other Receivables	53,258	148,063
<b>TOTAL</b>	<b>90,108</b>	<b>358,897</b>

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

	30 June 2021 (\$)	30 June 2020 (\$)
Opening balance	----	----
Additional provisions recognised	8,766	168,400
Receivables written off during the year as uncollectable	(8,766)	(168,400)
Closing Balance	----	----

**11. INVENTORIES**

	30 June 2021 (\$)	30 June 2020 (\$)
Raw material on hand	1,996,454	551,193
Work in progress	694,038	1,326,844
Raw material in transit	----	129,715
Less: Provision for obsolescence	(692,076)	-----
<b>TOTAL</b>	<b>1,998,416</b>	<b>2,007,752</b>

## 12. OTHER CURRENT ASSETS

	30 June 2021 (\$)	30 June 2020 (\$)
<b>Prepayments</b>	753,163	425,493
<b>Deposits</b>	296,167	296,167
<b>Contract Asset*</b>	-----	2,025,000
<b>Loan to Other Entity</b>	-----	35,160
<b>TOTAL</b>	<b>1,049,330</b>	<b>2,781,820</b>

### \* CONTRACT ASSET

Titomic and Composite Technology are working together to review the current contractual agreements to put in place amended arrangements for the benefit of both parties that are more relevant in the current circumstances. Developing the demonstrator parts for certification has proven to be more complex than originally anticipated and therefore has delayed the sale of the two TKF Systems to Composite Technology. The timing of such sale is now unknown and remains uncertain at this point in time. To this effect, the directors have determined it appropriate to impair the contract asset of \$2.025m attached to Composite Technology which was expected to be realised at the point of TKF machines being sold to Composite Technologies Pty Ltd.

## 13. PROPERTY PLANT AND EQUIPMENT

	30 June 2021 (\$)	30 June 2020 (\$)
<b>Building Fitouts</b>	1,092,344	933,715
Less: Accumulated depreciation	(260,019)	(106,498)
Less: Provision for impairment	(832,325)	-----
<b>Total Building Fitouts</b>	<b>-----</b>	<b>827,217</b>
<b>Factory Equipment</b>	611,301	589,639
Less: Accumulated depreciation	(323,767)	(171,195)
<b>Total Factory Equipment</b>	<b>287,534</b>	<b>418,444</b>
<b>Furniture and Fittings</b>	307,176	484,149
Less: Accumulated depreciation	(217,061)	(199,725)
<b>Total Furniture and Fittings</b>	<b>90,115</b>	<b>284,424</b>
<b>Machinery</b>	5,587,212	4,977,917
Less: Accumulated depreciation	(3,463,113)	(2,829,526)
<b>Total Machinery</b>	<b>2,124,099</b>	<b>2,148,391</b>
<b>Other Property, Plant and Equipment</b>	<b>2,931</b>	<b>609,296</b>
<b>TOTAL</b>	<b>2,504,679</b>	<b>4,287,772</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 13. Property Plant and Equipment (Continued)

During the year ending 30 June 2021, the Company has impaired \$832,325 (2020: nil) of building fit outs, carrying amounts of which exceeded its fair value less cost to sell in accordance with the overall impairment assessment of Titomic cash-generating units as outlined in Note 15.1.

#### RECONCILIATIONS

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

	Building Fitouts (\$)	Factory Equipment (\$)	Furniture and Fittings (\$)	Machinery (\$)	Other Property, Plant and Equipment (\$)	Total (\$)
<b>Balance at 1 July 2019</b>	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)
<b>Balance at 30 June 2020</b>	827,217	418,444	284,424	2,148,391	609,296	4,287,772
Additions / disposals	(21,276)	21,662	30,798	-----	2,931	34,115
Provision for impairment	(832,325)	-----	-----	-----	-----	(832,325)
Transfers in/(out)	176,973	-----	(176,973)	609,296	(609,296)	-----
Depreciation expense	(150,589)	(152,572)	(48,134)	(633,588)	-----	(984,883)
<b>Balance at 30 June 2021</b>	-----	<b>287,534</b>	<b>90,115</b>	<b>2,124,099</b>	<b>2,931</b>	<b>2,504,679</b>

#### 14. RIGHT OF USE ASSET

	30 June 2021 (\$)	30 June 2020 (\$)
<b>Buildings</b>	948,613	948,613
Less: Accumulated Depreciation	(709,247)	(354,498)
Less: Provision for impairment	(239,366)	-----
<b>TOTAL</b>	<b>-----</b>	<b>594,115</b>

During the year ended 30 June 2021, the Company fully impaired the right of use asset since the carrying amount exceeded its fair value less cost to sell in accordance with the overall impairment assessment of Titomic cash-generating units as outlined in Note 15.1.

15. INTANGIBLE ASSETS

	30 June 2021 (\$)	30 June 2020 (\$)
<b>Intellectual property - at cost</b>	2,670,230	2,670,230
Less: Accumulated amortisation and impairment	(2,670,230)	(272,648)
	-----	<b>2,397,582</b>

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 (\$)
<b>2017 - 2018</b>	25,000
<b>2018 - 2019</b>	50,000
<b>2019 - 2020</b>	75,000
<b>2020 - 2021</b>	75,000
<b>Year 4 and every subsequent agreement year until the end of the license term</b>	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. Intangible Assets (Continued)

As set out above the Company has minimum annual payment obligations to the CSIRO in respect of the Company's licensed technology, which the Company believes it has met but is waiting for confirmation from CSIRO that this is the case. During the year the Company received grant monies from the IMCRC which were also subsequently passed to the CSIRO. According to Clause 4.6 (b) of the agreement with CSIRO, it is CSIRO's responsibility to advise Titomic after the cessation of the Research Term (30 June 2021) that Titomic has not met its obligations. At the date of this report, the Company has not received any correspondence from CSIRO to suggest that these obligations have not been met.

During the year ended 30 June 2021, the Company has impaired intangible asset in full, since the circumstances indicate impairment; and the carrying amount exceeded its value in use. Refer to Note 15.1 for details on impairment.

Notwithstanding the recognition of impairment losses, the agreements with the CSIRO remain in force and the Company continues to benefit from the licensed technology in line with existing contracts.

**15.1 IMPAIRMENT LOSSES RECOGNISED**

Determining whether intangible assets and other non-current assets are impaired requires an estimation of the value-in-use of the cash-generating unit (CGU) to which these assets have been allocated. The value-in-use calculation requires management to estimate the future cashflows expected to arise from the CGU and a post tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset in order to calculate present value.

The Company considered the relationship between its market capitalisation and the book value of its equity, among other factors, when reviewing for indicators of impairment. As at 30 June 2021, the market capitalisation of the Company was above its book value; however, there were other internal indicators of impairment.

As a result, management performed an impairment test as at 30 June 2021 for the CGU. The impairment test was based on a value in use methodology in accordance with AASB 136: Impairment of Assets. Given the uncertainty attached to future cashflows, an impairment loss has been recognised for those intangible and other non-current assets that had a value in use or fair value less cost to sell below its carrying amount in accordance with the accounting standard.

	30 June 2021 (\$)	30 June 2020 (\$)
Building fit outs	832,325	----
Right -of-use asset	239,366	----
Intellectual Property (IP) asset	2,264,070	----
	<b>3,335,761</b>	<b>----</b>

The impairment provision recognised above is reversible, to the extent that the circumstances change in future.

**16. TRADE AND OTHER PAYABLES**

	30 June 2021 (\$)	30 June 2020 (\$)
<b>Trade Payables</b>	327,642	394,297
<b>Accrued Expenses</b>	654,848	133,800
<b>Other Payables</b>	700,296	663,472
<b>TOTAL</b>	<b>1,682,786</b>	<b>1,191,569</b>

## 17. PROVISIONS

	30 June 2021 (\$)	30 June 2020 (\$)
<b>Current Provisions for Employee Benefits</b>	267,235	226,973
<b>Non-Current Provision for Employee Benefits</b>	42,959	32,591
<b>TOTAL</b>	<b>310,194</b>	<b>259,564</b>

## 18. OTHER FINANCIAL LIABILITIES

	30 June 2021 (\$)	30 June 2020 (\$)
Current		
<b>Deferred Revenue</b>	633,758	306,324
<b>CSIRO IP Liability</b>	70,519	376,849
<b>Lease liability</b>	322,357	449,397
<b>TOTAL</b>	<b>1,026,634</b>	<b>1,132,570</b>
Non-Current		
<b>CSIRO IP Liability</b>	1,127,527	1,405,488
<b>Lease Incentives</b>	-	322,357
<b>TOTAL</b>	<b>1,127,527</b>	<b>1,727,845</b>

The CSIRO liability is made up of the present value of the performance criteria as defined in Note 15.

## 19. EQUITY

### (a) ISSUED CAPITAL

	30 June 2021 Shares	30 June 2020 Shares	30 June 2021 (\$)	30 June 2020 (\$)
Ordinary Shares				
<b>Ordinary Shares - Fully Paid</b>	153,249,669	153,249,669	45,853,616	45,853,616
<b>TOTAL SHARE CAPITAL</b>	<b>153,249,669</b>	<b>153,249,669</b>	<b>45,853,616</b>	<b>45,853,616</b>

**(b) MOVEMENT IN ISSUED CAPITAL**

	Date	Number of Shares	Issue Price	\$
<b>Opening Balance</b>	1-Jul-2019	123,098,217		20,404,638
<b>Issue of share capital to sophisticated investors</b>		4,117,648	\$1.70	7,000,002
<b>Issue of share capital to former director upon exercise of options</b>		354,000	\$0.30	106,200
<b>Issue of share capital to sophisticated investors</b>		23,750,000	\$0.80	19,000,000
<b>Issue of share capital under share purchase plan</b>		466,138	\$0.80	372,910
<b>Issue of share capital to directors upon exercise of options</b>		1,463,666	\$0.30	439,100
<b>Less: Transaction costs arising on share issuances</b>		-----	\$0.00	(1,469,234)
<b>BALANCE</b>	<b>30-Jun-2020</b>	<b>153,249,669</b>		<b>45,853,616</b>
<b>BALANCE</b>	<b>30-Jun-2021</b>	<b>153,249,669</b>		<b>45,853,616</b>

**(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 2021 (\$)	30 June 2020 (\$)
<b>Share-Based Payment Reserve</b>	(a)	163,030	163,030
<b>Performance Rights Reserve</b>	(b)	1,330,093	382,710
<b>Options Reserve</b>	(c)	2,025,000	2,025,000
<b>Reserve for forfeited stock options</b>	(d)	95,075	-----
<b>TOTAL</b>		<b>3,613,198</b>	<b>2,570,740</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 20. Reserves (Continued)

#### (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.

Movements in Reserves	30 June 2021 (\$)	30 June 2020 (\$)
<b>Balance at Beginning of Year</b>	163,030	216,384
<b>Net Share-Based Payment Expense for the Year (i)</b>	----	116,770
<b>Transfer to Other Components of Equity</b>	----	(170,124)
<b>BALANCE AT END OF YEAR</b>	<b>163,030</b>	<b>163,030</b>

(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 August 2021. The performance hurdle was the completion of placement in February 2020.
- (2) **Tranche 2:** 500,000 unlisted options exercisable at \$0.88 per option on or before 28 July 2022 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.

Movements in Reserves	30 June 2021 (\$)	30 June 2020 (\$)
<b>Balance at Beginning of Year</b>	382,710	535,850
<b>Net Share-Based Payment Expense for the Year</b>	1,042,458	341,659
<b>Transfer to Other Components of Equity</b>	(95,075)	(494,799)
<b>BALANCE AT END OF YEAR</b>	<b>1,330,093</b>	<b>382,710</b>

#### (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.

Movements in Reserves	30 June 2021 (\$)	30 June 2020 (\$)
<b>Balance at Beginning of Year</b>	2,025,000	----
<b>Net Share-Based Payment Expense for the Year (i)</b>	----	2,025,000
<b>BALANCE AT END OF YEAR</b>	<b>2,025,000</b>	<b>2,025,000</b>

- (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 AGM on 28 January 2021. Titomic and Composite Technology are working together to review the current contractual arrangement and at this stage there is uncertainty as to whether the vesting conditions will be met.

**(d) RESERVE FOR FORFEITED STOCK OPTIONS**

## NATURE AND PURPOSE OF FORFEITED STOCK OPTIONS RESERVE

The forfeited stock options reserve is the prior years' share based payment expense attributable to the employees exited during the current financial year.

Movements in Reserves	30 June 2021 (\$)	30 June 2020 (\$)
<b>Balance at the beginning of the year</b>	----	----
<b>Reserves for forfeited ESOP</b>	95,075	----
<b>BALANCE AT END OF YEAR</b>	<b>95,075</b>	----

**21. ACCUMULATED LOSSES**

	30 June 2021 (\$)	30 June 2020 (\$)
<b>Accumulated losses at the beginning of the financial year</b>	(22,849,915)	(12,688,031)
<b>Transfers from other components of equity</b>	----	664,922
<b>Loss after income tax expense for the year</b>	(17,175,346)	(10,826,806)
<b>BALANCE AT END OF YEAR</b>	<b>(40,025,261)</b>	<b>(22,849,915)</b>

**22. DIVIDENDS**

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

**23. REMUNERATION OF AUDITORS**

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

Audit Services - Pitcher Partners	2021 (\$)	2020 (\$)
<b>Audit and Review of Financial Statements</b>	87,138	89,705
<b>TOTAL REMUNERATION FOR AUDIT SERVICE</b>	<b>87,138</b>	<b>89,705</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 23. Remuneration of Auditors (Continued)

Non-Audit Services

<b>Total Remuneration for Non-Audit Services</b>	-----	-----
<b>TOTAL AUDITORS REMUNERATION</b>	<b>87,138</b>	<b>89,705</b>

## 24. CASH FLOW INFORMATION

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

	30 June 2021 (\$)	30 June 2020 (\$)
<b>LOSS FOR THE PERIOD</b>	<b>(17,175,346)</b>	<b>(10,826,806)</b>
<b>Adjustment for:</b>		
Depreciation and amortisation	1,473,144	2,376,960
Share-based payments	1,042,458	458,428
Impairment of assets	5,360,761	-----
Loss on disposal of Plant and equipment	-	91,857
Movement in creditors relating to Property, Plant and equipment	(2,931)	273,173
Other non-cash items	33,839	88,885
<b>Change in Operating Assets and Liabilities:</b>		
Decrease in trade and other receivables	268,789	868,082
Decrease/(increase) in inventories	9,336	(1,614,323)
(Increase) Decrease in other current assets	(292,510)	(144,678)
Increase in trade and other payables	491,217	238,241
Increase in other provisions	50,630	118,148
Increase (decrease) in deferred revenue	(306,330)	358,679
Increase (Decrease) in other liabilities	9,564	(198,049)
<b>NET CASH OUTFLOW FROM OPERATING ACTIVITIES</b>	<b>(9,037,379)</b>	<b>(7,911,403)</b>

## 25. SEGMENT INFORMATION

The Company operates in one segment, being additive manufacturing in Australia. 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.

**26. 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.

Details of the performance share rights granted during the period are provided below:

**2021**

Grant Date	Expiry Date	Exercise Price (\$)	Balance at Beginning of Year	Granted During the Year	Exercised During the Year	Expired / Forfeited 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	-----	760,846	731,204	-----

**2020**

29-Nov-19	29-Nov-22	\$0.00	-----	1,492,020	-----	-----	1,492,020	-----
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FAIR VALUE OF PERFORMANCE SHARE RIGHTS GRANTED:

The assessed fair value of the performance share rights at grant date was determined using the Monte Carlo simulation model that takes into account the exercise price, term of the performance share 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 share rights granted under employee incentive plan during the year ended 30 June 2021 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 2021 (\$)	30 June 2020 (\$)
<b>Total Expense for Performance Rights Issued Under Employee Incentive Plan</b>	155,847	186,449

## 27. 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 Company is set out below:

	30 June 2021 (\$)	30 June 2020 (\$)
<b>Short-Term Employee Benefits</b>	909,983	765,738
<b>Post-Employment Benefits</b>	28,819	28,746
<b>Share-Based Payments</b>	886,612	155,209
<b>TOTAL</b>	<b>1,825,414</b>	<b>949,693</b>

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 2021 and 30 June 2020.

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

## 28. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The Company had no contingent liabilities or contingent assets at 30 June 2021 (2020: nil).

## 29. COMMITMENTS

The Company had no capital commitments at 30 June 2021 (2020: nil).

## 30. RELATED PARTY DISCLOSURES

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

## 31. EVENTS OCCURRING AFTER THE REPORTING PERIOD

Titomic Limited incorporated Titomic USA Inc. ("US subsidiary") on 06 July 2021. On 9 July 2021, Titomic Ltd's wholly owned USA subsidiary acquired the assets of Tri-D Dynamics Inc (Tri-D), a manufacturer and seller of smart pipeline infrastructure in the United States.

The Company is currently working through a capital raise to provide additional working capital to support the progression of Joint Ventures and overall strategy. Evans and Partners have been appointed as the Company's advisors and lead broker to facilitate the capital raise in Australia.

The Board and management are working closely with the Company's advisors to complete this process in the near future.

No other matter or circumstance has arisen since 30 June 2021 that has significantly affected, or may significantly affect the Company's operations, the results of those operations, or the Company's state of affairs in future financial years.

**END OF FINANCIAL STATEMENTS**



# DIRECTORS' DECLARATION

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In the Directors' Opinion:

- > the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements
- > the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- > the attached financial statements and notes give a true and fair view of the Company's financial position as at 30 June 2021 and of its performance for the financial year ended on that date; and
- > there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

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

On behalf of the Directors



**Dr Andreas Schwer**  
Chairman

30 August 2021

**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 2021, 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 2021 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.

*Material Uncertainty Relating to Going Concern*

We draw attention to Note 1 "Going Concern" in the financial report, which indicates that the Company incurred an operating loss after tax of (\$17,175,366) during the year ended 30 June 2021, and a net cash outflow from operating activities of \$9,037,379. At that date the Company had a net asset position of \$9,441,553.

The Company has prepared a cash flow forecast which indicates that the Company is dependent on raising additional capital to meet its expected level of cash outflows over the next 12 months. As described in Note 1, these events or conditions, along with the other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF TITOMIC LIMITED

*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.

Key Audit Matter	How our audit addressed the key audit matter
<b><i>Revenue and other income - \$1,984,951</i></b> <i>Refer to Note 5</i>	
<p>The Company has recognised revenue from contracts with customers of \$515,091 during the year ended 30 June 2021. The Company also recognised income of \$1,196,023 for a research and development tax incentive.</p> <p>We focused on this area as a key audit matter due to:</p> <ul style="list-style-type: none"><li>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 Management judgement in determining whether the underlying performance obligations have been fulfilled, is a key audit matter.</li><li>The significance of the balance recorded for the research and development (R&amp;D) tax incentive revenue, claim eligibility and complexity of calculations.</li></ul>	<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 recognised in accordance with AASB 15 and accurately calculated.</p> <p>Our testing on other income focused on the existence and accuracy of the R&amp;D tax incentive claim recognised.</p> <p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"><li>Testing a sample of the Company's customer contracts and the terms and conditions of sale, and the fulfilment of the underlying performance obligations;</li><li>Understanding and evaluating the design and implementation of the Company's controls and processes for recognising and accurate recording of revenue transactions;</li><li>Performing tests of detail to confirm the existence of revenue by agreeing a sample of revenue transactions to supporting documentation;</li><li>Assessing whether the revenue recognition was in accordance with the requirements of AASB15;</li><li>Analysis of general journals impacting revenue to identify transactions considered to be outside the ordinary course of business and testing thereof;</li><li>Obtaining Management's external expert report which covered the R&amp;D tax incentive</li></ul>

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INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF TITOMIC LIMITED

claim and assessing the expert's qualifications and work undertaken in preparing the claim.

- Engaging our internal expert to review the external expert's report;
- Performing tests of detail to confirm the receipt of R&D tax incentive to supporting documentation; and
- Assessing the adequacy of the disclosures in the financial statements.

**Carrying value of Intangibles and other non-current assets**

*Refer to Notes 13, 14 and 15*

Property, plant and equipment totalling \$3,337,004 (before impairment) as disclosed in Note 13, Right of use assets totalling \$239,366 (before impairment) as disclosed in Note 14, and Intangible assets totalling \$2,670,230 (before impairment) as disclosed in Note 15, represent significant balances recorded in the statement of financial position.

Management identified indicators of potential impairment and have undertaken assessments of recoverable amount for each of these assets by determining both, an appropriate value in use, and fair value less cost to sell. As a result of this impairment assessment, management have written down Property, plant & equipment by \$832,325, Right of use assets by \$239,366 and Intangible assets by \$2,670,230.

Evaluation of the recoverable amount of these assets requires significant Management judgement in determining the expected fair value less costs to sell, and key assumptions supporting the value in use assessment of the cash generating unit, such as forecast sales and margins, the selection of discount rate applied, and terminal growth rate.

Our testing of the carrying value of Intangibles and other non-current assets focused on whether there were any indicators of impairment of those assets and then testing Management's Value in use, and Fair value less cost to sell calculations, ensuring these were prepared in accordance with AASB 136 and AASB13.

Our procedures included amongst others:

- Obtaining an understanding of the key controls associated with the preparation of the valuation model used to assess the recoverable amount of the Company's cash generating unit;
- Assessing Management's determination of the Company's CGU based on our understanding of the nature of the Company's business.
- Critically evaluating Management's methodologies and their documented basis for key assumptions utilised in the valuation model;
- Challenging Management's forecast assumptions in respect of future cash flows and forecast growth rates with reference to historical performance;
- Performing sensitivity testing of Management's value in use with specific attention to the discount rate applied,

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INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF TITOMIC LIMITED

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terminal growth rate and forecast sales growth;

- Reviewing and challenging supporting information provided by Management's external expert.
  - Evaluating Management's value in use model using our internal expert and assessing impairment with particular regard to assessing and challenging the discount rate applied;
  - Reviewing Management's assessment of Fair value less costs to sell at the individual asset level and comparison of the assessed recoverable amount to the assets carrying amount.
  - Reviewing the allocation of the impairment expense recognised; and
  - Assessing the adequacy of the disclosures in the financial statements.
- 

*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 2021 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.

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.

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

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 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.

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

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 18 to 23 of the Directors' report for the year ended 30 June 2021. In our opinion, the Remuneration Report of Titomic Limited, for the year ended 30 June 2021 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

30 August 2021

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## **SHAREHOLDERS INFORMATION**

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# SHAREHOLDERS INFORMATION

The shareholder information set out below was applicable as at 25 August 2021.

## (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	1,093	626,038	0.41
1,001 - 5,000	1,690	4,615,677	3.01
5001 - 10,000	637	5,072,174	3.31
10,001 - 100,000	1,030	32,336,283	21.10
100,001 and over	131	110,599,497	72.17
<b>ROUNDING</b>			<b>0.00</b>
<b>TOTAL</b>	<b>4,581</b>	<b>153,249,669</b>	<b>100.00</b>

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 (%)
PRESCO 2 PTY LTD <RICHARD FOX FAMILY A/C>	22,348,012	14.58
CS THIRD NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 13 A/C>	17,501,693	11.42
CARPE DIEM ASSET MANAGEMENT PTY LTD	8,525,528	5.56
JEFFREY DAVID LANG <AKASHA FAMILY A/C>	8,221,008	5.36
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	4,668,859	3.05
QUALITY LIFE PTY LTD <THE NEILL FAMILY A/C>	4,444,500	2.90
PRESCO 3 PTY LTD <TIMOTHY FOX FAMILY A/C>	4,294,436	2.80
SWHL INVESTMENTS PTY LTD <SWHL FAMILY A/C>	2,093,425	1.37
MR PATRICK THOMAS BERGIN	1,812,134	1.18
VALAS INVESTMENTS PTY LTD <VALAS INVESTMENTS A/C>	1,664,998	1.09
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	1,461,500	0.95
BERGIN VAN EPS HOLDINGS PTY LTD <PT AND CL BERGIN FAMILY A/C>	1,382,812	0.90
BARNEY & ALIEN CONSOLIDATED PTY LTD <JOINT DEV RESOURCE INV A/C>	1,325,280	0.86

## SHAREHOLDERS INFORMATION

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

CARPE DIEM ASSET MANAGEMENT PTY LTD <LOWE FAMILY A/C>	1,270,449	0.83
ROSSBEL PTY LIMITED <THE ROSSBEL A/C>	1,100,000	0.72
BNP PARIBAS NOMINEES PTY LTD <LGT BANK AG DRP>	1,064,366	0.69
CITICORP NOMINEES PTY LIMITED	1,042,810	0.68
SBPM PTY LTD <INNOVYZ INVEST NO2 UNIT A/C>	1,000,000	0.65
MR TONY GRAHAM CAMPBELL	887,842	0.58
FAIRISLE HOLDINGS PTY LIMITED <THE TILANBI A/C>	833,432	0.54
<b>TOTAL</b>	<b>86,943,084</b>	<b>56.73</b>
<b>TOTAL REMAINING HOLDERS BALANCE</b>	<b>66,306,585</b>	<b>43.27</b>

## (c) UNLISTED SECURITIES

Description (ASX Security Code)	Units
<b>Unlisted Options (New Class)</b>	
Exercisable at \$0.88 Expiring 25-Feb-2022	7,500,000
<b>Unlisted Options (New Class)</b>	
Exercisable at \$1.12 Expiring 25-Feb-2022	7,500,000
<b>Unlisted Options (New Class)</b>	
Exercisable at \$0.88 Expiring 28-Jul-2022	500,000
<b>Performance Share Rights (TTAE)</b>	
Hurdle Share Price \$2.78 Expiring on 29-Nov-2021	140,123
<b>Performance Share Rights (New Class)</b>	
Hurdle Share Price \$1.70 Expiring on 29-Nov-2022	1,690,247
<b>Performance Share Rights (New Class)</b>	
Hurdle Share Price \$0.88 Expiring on 01-Jul-2025	3,050,000
<b>Performance Share Rights (New Class)</b>	
Hurdle Share Price \$0.88 Expiring on 01-Jul-2025	3,000,000

## (d) SUBSTANTIAL SHAREHOLDERS

Substantial holders in the Company are set out below:

Name	Ordinary Fully Paid Shares (Units)	% of Units (%)
PRESKO 2 PTY LTD <RICHARD FOX FAMILY A/C>	22,944,012	15.12
CGS-CIMB SECURITIES (SINGAPORE) PTY LTD	14,813,736	9.67
CARPE DIEM ASSET MANAGEMENT PTY LTD	10,193,807	6.72
JEFFREY DAVID LANG <AKASHA FAMILY A/C>	10,004,342	6.11
<b>TOTAL</b>	<b>57,955,897</b>	<b>37.62</b>

**(e) SHAREHOLDER ENQUIRIES**

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

Computershare  
GPO Box 3224  
Melbourne VIC

**(f) CHANGE OF ADDRESS, CHANGE OF NAME, CONSOLIDATION OF SHAREHOLDING**

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

**(g) REMOVAL FROM THE ANNUAL REPORT MAILING LIST**

Shareholders who wish to receive the Annual Report should advise the Share Registry in writing. These shareholders will continue to receive all other shareholder information.

**(h) TAX FILE NUMBERS**

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

**(i) CHESS (CLEARING HOUSE ELECTRONIC SUB-REGISTER SYSTEM)**

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

**(j) UNCERTIFIED SHARE REGISTER**

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

**(k) LISTING RULE 4.10.19 DISCLOSURE**

For the purpose of ASX Listing Rule 4.10.19, the Board confirms that during the period from official quotation on 21 September 2017 to 31 August 2021, the Company has used its cash and assets readily convertible to cash in a manner consistent with its stated business objectives.

**END OF SHAREHOLDER INFORMATION**

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