TITOMIC LIMITED

(FORMERLY TITOMIC PTY LIMITED)

ABN: 77 602 793 644

GENERAL PURPOSE FINANCIAL REPORT

FOR THE YEAR ENDED

30 JUNE 2016

CONTENTS

DIRECTORS' REPORT

The directors present their report together with the financial report of Titomic Limited (formerly Titomic Pty Limited) "the Company" for the financial year ended 30 June 2016 and auditors report thereon.

Directors

The names of directors in office at any time during or since the end of the year are:

Phillip Vafiadis	Executive Chairman	Appointed 27 October 2016
Richard Fox	Non-Executive Director	Appointed 11 November 2014
Jeffrey Lang	Director & Chief Executive Officer	Appointed 11 November 2014
Richard Willson	Non-Executive Director	Appointed 17 May 2017
Simon Marriott	Executive Director	Appointed 26 May 2017
Timothy Fox	Non-Executive Director	Appointed 11 November 2014 Resigned 27 October 2016

The directors have been in office since the start of the year to the date of this report unless otherwise stated.

Principal activities

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

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

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

Results

The loss after income tax attributable to the members of Titomic Limited was $37,941 (2015: $nil.)

Review of operations

Titomic was incorporated on 11 November 2014. In return for agreed future royalty revenue, the Company acquired a license for propriety technology developed by The Commonwealth Scientific & Industrial Research Organisation (CSIRO) in January 2016 from Force Industries Pty Ltd (a Director related entity).

The Company successfully raised $2,600,000 (before costs) in seed funding in November 2016 to advance their development efforts of its licensed technology, and is currently working to commercialise this technology with the assistance of key industry advisors.

DIRECTORS' REPORT CONTINUED…

Significant changes in the state of affairs

The Company completed a capital share split on 10 November 2016 whereby 10,480 fully paid ordinary shares issued to the four founding shareholders were split into 51,750,000 fully paid ordinary shares.

In November 2016, the Company successfully completed two seed capital raisings:

- Issuance of 14,583,333 fully paid ordinary shares at $0.12 raising $1,750,000 (before costs); and
- Issuance of 5,312,500 fully paid ordinary shares at $0.16 raising $850,000 (before costs).

On 26 May 2017, Titomic shareholders ratified the conversion of the company from private to public and hence the Company's name change from Titomic Pty Limited to Titomic Limited.

Titomic has executed a Mandate Letter with brokers PAC Partners to complete a $6,500,000 capital raising for the issuance of new fully paid ordinary shares to fund further commericalisation of the technology.

There have been no other significant changes in the Company's state of affairs during or since the end of the financial year.

After balance date events

- On 10 November 2016, the Company performed a share-split whereby each pre-split fully paid ordinary share issued was split into 4,937.98 fully paid ordinary shares resulting in an overall increase in the fully paid ordinary shares on issue from 10,480 shares pre-split to 51,750,000 shares post-split.

- On 21 November 2016, the Company raised $1,750,000 (before costs) via the issuance of 14,583,333 new fully paid ordinary shares at an issue price of $0.12 per share via the engaged broker PAC Partners.

- On 23 November 2016, the Company raised $850,000 (before costs) via the issuance of 5,312,500 new fully paid ordinary shares at an issue price of $0.16 per share via the engaged broker PAC Partners.

- On 30 November 2016, the Company subscribed for capital in Ezilite Holdings Pty Ltd (45% ownership interest for $50) and Ezilite Trading Pty Ltd (45% ownership interest for $50).

- On 25 January 2017, the Company entered into an agreement for the supply, installation and commissioning of a Robotic R&D Cold Spraying Cell for a total cost of $1,520,000 plus GST, and a Robotic Production Cold Spraying Cell for a total cost of $773,000 plus GST.

- On 6 March 2017, the Company entered into a five-year lease agreement for a new business premises at 1/371 Ferntree Gully Road, Mount Waverley in Victoria at a cost of $180,000 plus outgoings per annum (excluding GST).

DIRECTORS' REPORT CONTINUED…

- On 17 May 2017, the Company appointed Non-Executive Director Richard Willson to fill a casual vacancy on the Board until he is confirmed by shareholders at the next shareholder meeting.

- On 17 May 2017, Titomic executed a Share Sale Agreement selling their current 45% ownership in investments in Ezilite Trading Pty Ltd and Ezilite Holdings Pty Ltd. As these were both non-operational companies which have undertaken no activities of any kind since their establishment, these ownership interests were sold for a deemed value of $1 each.

- On 26 May 2017, the Company held a shareholder's meeting granting approval for the following matters:
  - New updated constitution, to effect conversion to a public company
  - Appointment of Pitcher Partners as Auditor
  - Setting the Non-Executive Director remuneration pool cap at $400,000 per annum
  - Changing the Company's name from Titomic Pty Ltd to Titomic Limited
  - Approval to issue a new class of securities referred to as Performance Shares
  - Appointment of Simon Marriott as Director
  - Issuance of 20 million Performance Shares to the four founding shareholders of the Company subject to achievement of the following milestones:
    - <u>Milestone 1</u>
      The Company's Share price must be equal to or more than 150% of listing price (based on the VWAP of the share price over 20 consecutive trading days on which the Company's securities have traded), and the quarterly revenues of the Company must be at least $1m for two consecutive quarters, within 3 years of IPO.

    - <u>Milestone 2</u>
      The Market Capitalisation of the Company must be equal to or more than $100 million (calculated as the number of shares on issue multiplied by VWAP over 20 consecutive trading days on which the Company's securities have traded), and the quarterly revenue of the Company must be at least $2m for two consecutive quarters and the Company must have issued at least 30 product licenses, within 3 years of IPO.

- On 15 June 2017, the Company executed a Mandate with PAC Partners (PAC) being the same brokers who performed the November 2016 seed raisings. This Mandate commits PAC to perform a $6,500,000 (before costs) Initial Public Offering (IPO) for Titomic which is anticipated to be fully underwritten. The anticipated completion date of the IPO is 30 June 2017.

Likely developments
The Company will continue to pursue its operating strategy to create shareholder value.

Assuming the successful completion of the $6,500,000 capital raising for the issuance of new fully paid ordinary shares, the Company will use these funds to further commercialise its licensed technology.
In the opinion of the Directors, disclosure of any further information would be likely to result in unreasonable prejudice to the Company.

DIRECTORS' REPORT CONTINUED…

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

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

Information on directors and company secretary
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 2015 is provided below, together with details of the company secretary as at the year end.

Mr Philip Vafiadis *Non-Executive Chairman*

Philip is the founding Director and Chairman of Innovyz and the Innovyz Start Institute. As leader of strategy he is an architect of Innovyz's holistic process and key strategic relationships. Innovyz assists in the commercialisation of technology with a focus on Resources, Energy, Advanced Manufacturing, Health, and Software.

Philip remains the Chairman of his first business, VAF Research, which he founded at 17 years of age which, according to Rolling Stone Magazine, created *"The ultimate in high fidelity performance with the best bass in the world"*.

Philip is a serial entrepreneur and innovator with strong international relationships across multiple technology industries.

Philip has not held any listed company directorships in the past 3 years.

Prof. Richard Fox *Non-Executive Director*

Richard 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. Richard was also the former director of Clinical Haematology & Medical Oncology, Royal Melbourne Hospital 1985-2006.

Richard was the inaugural Chair of the CRC for Cancer Therapeutics & was awarded the AM in 2007.

Richard has not held any listed company directorships in the past 3 years.

Mr Jeff Lang *Chief Executive Officer & Technical Director*

Jeff is an experienced Managing & Technical Director and an award winning designer in the field of sport products design and commercialisation in China & Australia.

DIRECTORS' REPORT CONTINUED…

Jeff has many years of business experience in the sports industry working and collaborating with many International Sports Brands, Manufacturers, Universities, Government Agencies, Scientific Organisations, Sports Associations and Sports Clubs.

Jeff is considered by many in the industry as a leader in composites and advance materials manufacturing.

Jeff has not held any listed company directorships in the past 3 years.

Simon Marriott Simon Marriott is a highly experienced senior executive with more than 20 years' experience in Advanced Manufacturing. He has held managerial, operational and strategic roles, and has had over 15 years' executive level reporting and Board roles. He has gained this expertise over time in privately held and publically listed companies, with responsibility and scope of roles covering Australia and Asia Pacific.

After 8 years as an International Director overseeing operations and technology diffusion for the Australian & New Zealand division of the ARRK group, Simon led a management buyout of the ANZ business. This new venture, Formero and its sister company, XYZ Innovation, expanded into 3D printer distribution and Additive Manufacturing services. This led to Formero's acquisition by 3D Systems, a US based manufacturing and marketing conglomerate of 3D printing equipment and Additive manufacturing service bureaus. Simon held director responsibilities at 3D Systems until his departure in December 2014.

Concurrently, Simon was on the Board of Cetus Energy and an active Rotarian and in 2014 he became a Director of Amaero Engineering Pty Ltd.

Simon has not held any listed company directorships in the past 3 years.

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

Richard 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.

Richard is currently a Non-Executive Director of ASX listed Aus Tin Mining Limited, a Non-Executive Director and Company Secretary of the not-for-profit Unity Housing Company, Company Secretary of Wilgena Resources Limited, Company Secretary of ASX listed Beston Global Food Company Limited, Director and Treasurer of Variety SA, and a Director and Company Secretary of numerous other private companies.

Richard also the Audit Committee Chairman of Aus Tin Mining Limited and Unity Housing Company.

DIRECTORS' REPORT CONTINUED…

Public company directorships held within the last 3 years:

<u>*Current*</u>
Non-Executive Director – AusTin Mining Ltd (ASX:ANW)
Non-Executive Director – Unity Housing Company Limited

<u>*Previous*</u>
Non-Executive Director – FirstWave Cloud Technologies Limited (ASX:FCT)
Alternate Director – Aurelia Metals Limited (ASX:AMI)
Non-Executive Director – Wilgena Resources Limited

Phillip Hains *Joint Company Secretary*

Mr. Hains is a Chartered Accountant and specialist in the public company environment. He has served the needs of a number of public company boards of directors and related committees and is Company Secretary & CFO for a number of listed and unlisted public companies.

Phillip has over 20 years' experience in providing accounting, administration, compliance and general management services. He holds a Masters of Business Administration from RMIT and a Public Practice Certificate from the Institute of Chartered Accountants of Australia.

Peter Vaughan *Joint Company Secretary*

Mr. Vaughan is a Chartered Accountant who has worked in the listed company environment for more than 14 years across several industries. He has served on, and provided accounting, administration, compliance and general management and corporate advisory services to several private, not-for-profit and public company boards of directors and related committees. Mr Vaughan is Company Secretary & CFO of a number of listed and unlisted public companies.

Mr. Vaughan is currently completing a Senior Executive Masters of Business Administration at Melbourne University.

Directors' meetings
No meetings of the board of directors, nor any committees were held during the 2016 financial year.

Directors' interests in shares or options
Directors' relevant interests in shares in the Company are detailed below.

Directors' relevant interests in:	Ordinary Shares	Rights to receive Performance Shares*
Philip Vafiadis	5,175,000	3,750,000
Richard Fox	27,944,012	10,083,492
Jeff Lang	10,004,342	6,166,508

** The granting of the Performance Shares was approved by shareholders at the General Meeting held on 26th May 2017. The conversion of these Performance Shares into ordinary shares is subject to achievement of Milestones 1 and/or Milestone 2 as defined below.*

DIRECTORS' REPORT CONTINUED…

Number of Performance Shares	Milestone
10,000,000	**Milestone 1:** The Company's Share price must be equal to or more than 150% of listing price (based on the VWAP of the share price over 20 consecutive trading days on which the Company's securities have traded), and the quarterly revenues of the Company must be at least $1m for two consecutive quarters, within 3 years of IPO.
10,000,000	**Milestone 2:** The Market Capitalisation of the Company must be equal to or more than $100 million (calculated as the number of shares on issue multiplied by VWAP over 20 consecutive trading days on which the Company's securities have traded), and the quarterly revenue of the Company must be at least $2m for two consecutive quarters and the Company must have issued at least 30 product licenses, within 3 years of IPO.

Indemnification and insurance of directors, officers and auditors
No indemnities have been given or insurance premiums paid during or since the end of the financial year, for any directors, officers or auditors of the company.

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

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

Non-audit services
The Company's auditor, Pitcher Partners did not supply any non-audit services during the year ended 30 June 2016.

Rounding of amounts
In accordance with ASIC *Corporations Act 2001* (Regulations in Financial/Directors' Reports) Instrument 2016/191, the amounts in the Directors' report and the Financial Reports have been rounded to the nearest dollar.

Signed in accordance with a resolution of the Directors;

Philip Vafiadis
Non-Executive Chairman

Signed on this the 28th Day of June
2017. Melbourne

AUDITOR'S INDEPENDENCE DECLARATION

To the Directors of Titomic Limited (Formerly Titomic Pty Ltd);

In relation to the independent audit for the year ended 30 June 2016, 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 any applicable code of professional conduct.

B POWERS
Partner

PITCHER PARTNERS
Melbourne

Date: 28 June 2017

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2016

	Notes	30 June 2016 $	11 Nov 2014 to 30 June 2015 $
Revenue and other income			
Sales revenue		-	-
		-	-
Less: Expenses			
Consulting expenses		(37,941)	-
Loss before income tax		**(37,941)**	**-**
Income tax expense		-	-
Loss for the period		**(37,941)**	**-**
Other comprehensive income for the period		-	-
Total comprehensive loss for the period		**(37,941)**	**-**
Earnings per share for profit attributable to the equity holders of the parent entity			
Basic earnings per share	6	(3.62)	-
Diluted earnings per share	6	(3.62)	-

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

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2016

	Notes	30 June 2016 $	30 June 2015 $
ASSETS			
Current assets			
Other receivables	5	1,048	1,048
Total Current Assets		**1,048**	**1,048**
Non-Current Assets			
Intellectual Property	7	283,212	-
Total Non-Current Assets		**283,212**	-
TOTAL ASSETS		**284,260**	**1,048**
LIABILITIES			
Current Liabilities			
Trade and other payables		37,941	-
Total Current Liabilities		**37,941**	-
Non-Current Liabilities			
Other payables	8	283,212	
Total Non-Current Liabilities		**283,212**	-
TOTAL LIABILITIES		**321,153**	**-**
NET ASSETS		**(36,893)**	**1,048**
Issued capital	9	1,048	1,048
Accumulated losses		(37,941)	-
TOTAL EQUITY		**(36,893)**	**1,048**

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

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2016

	Notes	Issued Capital $	Accumulated Losses $	Total $
Balance at 11 Nov 2014	**6**	**-**	**-**	**-**
Profit for the year		-	-	-
Transactions with owners in their capacity as owners		-	-	-
Shares issued, net of costs		1,048	-	1,048
Balance at 30 June 2015		**1,048**	**-**	**1,048**
Balance at 1 July 2015	6	1,048	-	1,048
Loss for the year		-	(37,941)	(37,941)
Transactions with owners in their capacity as owners		-	-	-
Balance as at 30 June 2016		**1,048**	**(37,941)**	**(36,893)**

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

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2016

	Notes	30 June 2016 $	11 Nov 2014 to June 2015 $
Cash flow from operating activities			
Net cash from operating activities		-	-
Cash flow from investing activities			
Net cash from investing activities		-	-
Cash flow from financing activities			
Net cash provided by financing activities		-	-
Net increase in cash and cash equivalents		-	-
Cash and cash equivalents at the start of the period		-	-
Cash and cash equivalents at the end of the period		-	-

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

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 30 JUNE 2016

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation of the financial report

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

The financial report covers Titomic Limited (Formerly Titomic Pty Limited), ("the Company") is a company limited by shares, incorporated and domiciled in Australia. The address of the Company's registered office and principal place of business is Level 3, 62 Lygon Street, Carlton, Victoria, Australia 3053. 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 on the date of this 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 report has been prepared under the historical cost convention, as modified by revaluations to fair value for certain classes of assets and liabilities as described in the accounting policies.

Significant accounting estimates

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

(b) Going concern

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

At 30 June 2016, the Company had no cash and cash equivalents on hand. The Company incurred a loss from ordinary activities of $37,941 during the year ended 30 June 2016. The Company had a deficiency in net assets of $36,893 (June 2015 net assets: $1,048), and current liabilities exceed current assets by $36,893 (June 2015: current assets exceeded current liabilities by $1,048).

From 1 July 2016 the Company has commenced start-up operations with loans from related parties and a short-term loan from the Company's broking firm PAC Partners.

Following the receipt of $2,600,000 (before costs) from the November 2016 seed capital raisings, the Company began operations incurring expenses associated with research and commercialisation programs of the Company's licensed technology.

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 30 JUNE 2016 CONTINUED…

The Directors have concluded that the going concern basis is appropriate, based on analysis of the Company's internal cash flow forecasts and a planned Initial Public Offering (IPO).

As an early stage business, there are often significant risks associated with product development and regulatory approvals required by technology companies to advance their products and the timing of these approvals are difficult to predict. The Company's ability to continue as a going concern and meet its liabilities and future commitments as and when they fall due is dependent on:

- The ability to commercialise the Cold-Spray technology and generate future sales to enable the Company generate profit and positive cash flows from operating activities; and
- Obtaining additional funding as and when required via the planned IPO and further capital raises (as required).

Following execution of a Mandate and Underwriting Agreement with PAC Partners on 15 June 2017, the Company is seeking to raise $6,500,000 (before costs) from an IPO anticipated to occur on or about 30 June 2017. The underwriting agreement includes a number of potential termination events, including being subject to the Company receiving formal approval and admission to the ASX and other potential adverse market and economic related events.

For the 2018 financial year, the Company has budgeted for operating cash outflows to exceed operating cash inflows as it continues the commercialisation of its Cold-Spray technology together with further research programs. The Directors believe that the funds raised from the IPO will be sufficient to sustain the Company for more than 12 months beyond the IPO.

As at the date of this report, the Directors are unaware of any factors that may result in termination of the underwriter's agreement or the IPO being unsuccessful. The Directors therefore consider the going concern basis of accounting appropriate for the Company.

Should the IPO not proceed as planned, there is a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. If the going concern basis of accounting is found to no longer be appropriate, the recoverable amounts of 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 in the Statement of Financial Position.

(c) Revenue
Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

The Company recognises revenue when the amount of the revenue can be reliably measured, it is probable that the future economic benefits will flow to the Company and specific criteria have been met for each of the activities as described below. The amount of the revenue is not considered to be reliably measured until all contingencies relating to the sale have been resolved.
The following specific revenue criteria must be met before revenue is recognised:

(i) Sale of Goods
Significant risks and rewards of ownership of goods has passed to the buyer when an invoice for the goods is issued;

(ii) Interest
Interest revenue is recognised using the effective interest rate method;

All revenue is measured net of the amount of goods and services tax (GST).

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 30 JUNE 2016 CONTINUED…

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

(e) Leases
Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

Finance leases
Leases of fixed assets, where substantially all of the risks and benefits incidental to ownership of the asset, but not the legal ownership, are transferred to the Company are classified as finance leases.

Finance leases are capitalised, recording an asset and liability equal to the fair value or, if lower, the present value of the minimum lease payments, including any guaranteed residual values. The interest expense is calculated using the interest rate implicit in the lease and is included in finance costs in the statement of profit or loss. Leased assets are depreciated on a straight-line basis over their estimated useful lives where it is likely the Company will obtain ownership of the asset, or over the term of the lease. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Operating leases
Lease payments for operating leases are recognised as an expense on a straight-line basis over the term of the lease.

Lease incentives received under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

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

The Titomic Kinetic Fusion (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 technology.

Trademarks and licences
Trademarks and licences are recognised at cost and are amortised over their estimated useful lives, which range from 5 to 20 years. Trademarks and licences are carried at cost less accumulated amortisation and any impairment losses.

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

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 30 JUNE 2016 CONTINUED…

Development costs are capitalised when the Company can demonstrate all of the following: the technical feasibility of completing the asset so that it will 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; the availability of adequate technical, financial and other resources to complete the development and to use or sell the asset; and the ability to measure reliably the expenditure attributable to the asset during its development. Capitalised development expenditure is carried at cost less any accumulated amortisation and any accumulated impairment losses. Amortisation is calculated using a straight-line method to allocate the cost of the intangible asset over its estimated useful life, which ranges from 2 to 10 years. Amortisation commences when the intangible asset is available for use.

Other development expenditure is recognised as an expense when incurred.

(g) 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 if events or changes in circumstances indicate that they 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.

(h) 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.

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

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 30 JUNE 2016 CONTINUED…

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

(ii) Other long-term employee benefit obligations
The provision for other long-term employee benefits, including obligations for long service leave and annual leave, which are not expected to be settled wholly before twelve months after the end of the reporting period, are measured at the present value of the estimated future cash outflow to be made in respect of the services provided by employees up to the reporting date. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee turnover, and are discounted at rates determined by reference to market yields at the end of the reporting period on high quality corporate bonds that have maturity dates that approximate the terms of the obligations. Any 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 consolidated entity makes superannuation contributions (currently 9.50% of the employee's average ordinary salary) to the employee's defined contribution superannuation plan of choice in respect of employee services rendered during the year.

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

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

(k) Financial instruments
Classification
The Company classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the nature of the item and the purpose for which the instruments were acquired. Management determines the classification of its financial instruments at initial recognition.

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 30 JUNE 2016 CONTINUED …

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.

Fair value through profit or loss
Financial assets are classified at fair value through profit or loss when they are held for trading for the purpose of short-term profit taking, are derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation by key management personnel. Investments in listed securities are carried at fair value through profit or loss. They are measured at their fair value at each reporting date and any increment or decrement in fair value from the prior period is recognised in profit or loss of the current period. Fair value of listed investments are based on closing bid prices at the reporting date.

Held-to-maturity investments
Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and the group intends to hold the investments to maturity. They are subsequently measured at amortised cost using the effective interest rate method.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are subsequently measured at amortised cost using the effective interest rate method.

Available-for-sale
Available-for-sale financial assets include any financial assets not included in the above categories or are designated as such on initial recognition. Available-for-sale financial assets are subsequently measured at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity. The cumulative gain or loss is held in equity until the financial asset is de-recognised, at which time the cumulative gain or loss held in equity is recognised in profit or loss.

Non-listed investments for which fair value cannot be reliably measured, are carried at cost and tested for impairment.

Financial liabilities
Financial liabilities include trade payables, other creditors, loans from third parties and loans or other amounts due to director-related entities.

Non-derivative financial liabilities are subsequently measured at amortised cost, comprising original debt less principal payments and amortisation.

Financial liabilities are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 30 JUNE 2016 CONTINUED …

Impairment of financial assets
Financial assets are tested for impairment at each financial year end to establish whether there is any objective evidence for impairment as a result of one or more events ('loss events') having occurred and which have an impact on the estimated future cash flows of the financial assets.

For loans and receivables and held-to-maturity investments carried at amortised cost, impairment losses are measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The amount of the loss reduces the carrying amount of the asset and is recognised in profit or loss. The impairment loss is reversed through profit or loss if the amount of the impairment loss decreases in a subsequent period and the decrease can be related objectively to an event occurring after the impairment was recognised.

For available-for-sale financial assets carried at cost because a fair value cannot be reliably determined, impairment loss is measured as the difference between the carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss is not reversed.

For available-for-sale financial assets carried at fair value, the impairment loss is measured as the difference between the acquisition cost and current fair value, less any impairment loss previously recognised in profit or loss. If the asset is impaired, the cumulative loss is reclassified from equity to the profit or loss. For equity investments, the impairment loss is not reversed through profit or loss. For debt investments, the impairment loss is reversed through profit or loss if the fair value increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment losses was recognised in profit or loss.

(l) Interests in joint arrangements
Joint arrangements represent the contractual sharing of control between parties in a business venture where unanimous decisions about the relevant activities are required. Joint arrangements are classified as either joint operations or joint ventures based on the rights and obligations of the parties to the arrangement.

Joint ventures
The Company's interest in joint ventures are brought to account using the equity method after initially being recognised at cost. Under the equity method, the profits or losses of the joint venture are recognised in the Company's profit or loss and the its share of the joint venture's other comprehensive income is recognised in the Company's other comprehensive income.

(m) Foreign currency translations and balances
Functional and presentation currency
The financial statements of the Company are measured using the currency of the primary economic environment in which that Company operates (the functional currency). The consolidated financial statements are presented in Australian dollars, which is the Company's functional and presentation currency.

Transactions and balances
Transactions in foreign currencies are translated into functional currency at the rate of exchange ruling 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 spot rate at the end of the financial year.

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 30 JUNE 2016 CONTINUED …

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

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

(o) Comparatives
The Company was incorporated on 11 November 2014. The prior comparative period comparative is therefore 11 November 2014 to 30 June 2015. Where necessary, the comparative information has been reclassified and repositioned for consistency with current year disclosures.

(p) Accounting standards issued but not yet effective at 30 June 2016

New, revised or amending Accounting Standards and Interpretations adopted

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

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for the future reporting periods. Some of which are relevant to the entity. The entity has decided not to early adopt any of these new and amended pronouncements.

The entity's assessment of the new and amended pronouncements that are relevant to the entity but applicable in future reporting periods is set out below:

Standard	Mandatory date for annual reporting periods beginning on or after	Reporting period standard adopted by the company
AASB 9 Financial Instruments and related standards	1 January 2018	1 July 2018
AASB 15 Revenue from Contracts with Customers and AASB 2014-5 Amendments to Australian. Accounting Standards arising from AASB 15	1 January 2018	1 July 2018
AASB 2014-9 Equity method in separate financial statements	1 January 2016	1 July 2016
AASB 16 - Leases	1 January 2019	1 July 2019

Although the Directors anticipate that the adoption of the aforementioned standards may have an impact on the Group's accounting and disclosures, the potential impact has not currently been considered.

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 30 JUNE 2016 CONTINUED …

NOTE 2 - SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

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

(i) Intangible assets
In January 2016, the Company and Force Industries Pty Ltd, a related party of Titomic Directors Richard Fox and Timothy Fox (former) agreed to novate the licence on Kinetic Fusion (based on 'Cold Spray Robotic Technology') to Titomic. As at date of the novation (refer to Note 7 for further details), an external valuation of this technology was obtained. This valuation required a degree of estimation and judgement.

NOTE 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 2016 are set out below:

	30 June 2016 $	30 June 2015 $
Sundry receivables	1,048	1,048

The fair value approximates the carrying amount for Sundry receivables above largely due to being a liquid asset.

(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 their impact on the activities of the Company, with Management performing a regular review of:

- the major risks that occur within the business;
- the degree of risk involved;
- the current approach to managing 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 is likely to impact its financial performance, continued growth and survival is minimised in a cost-effective manner.

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 30 JUNE 2016 CONTINUED …

(c) Capital Risk Management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and to maintain an optimal capital structure to maximise shareholder value.

To maintain or achieve an optimal capital structure, the Company may issue new shares or reduce its capital, subject to the provisions of the Company's constitution. The capital structure of the Company consists of ordinary shares.

By monitoring undiscounted cash flow forecasts and actual cash flows provided to the Board by the Company's Management the Board monitors the need to raise additional equity from the equity markets.

(d) 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 will hold. 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 rate that might impact its interest revenue 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 should early access to cash and cash equivalents be required.

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 2016.

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.

The Company’s key receivables are primarily comprised of GST refunds due to the Company from the Australian Tax Office. The Company correspondingly holds the view it does not have significant credit risk at this time in respect of its receivables.

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 due to suppliers denominated in foreign currencies.

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 30 JUNE 2016 CONTINUED …

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

NOTE 4 - FAIR VALUE MEASUREMENTS

Fair value hierarchy

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

NOTE 5 - OTHER RECEIVABLES	30 June 2016 $	30 June 2015 $
Other receivables	1,048	1,048
Total Cash and Cash Equivalents	**1,048**	**1,048**

(i) Other receivables are non-interest bearing and represent balance owing upon issuance of shares. These are repayable on demand.

NOTE 6 - EARNINGS PER SHARE	30 June 2016 $	30 June 2015 $
Reconciliation of earnings used in calculating earnings per share:		
Loss from continuing operations	(37,941)	-
Loss used in calculating basic earnings per share	**(37,941)**	**-**

	2016 Number of Shares	2015 Number of Shares
Weighted average number of ordinary shares used in calculating basic earnings per share	10,480	10,480
Effect of dilutive securities:	-	-
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share	**10,480**	**10,480**

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 30 JUNE 2016 CONTINUED …

NOTE 7 - INTANGIBLE ASSETS

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

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

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

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

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

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

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

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

	30 June 2016	30 June 2015
	$	$
Novated Licence Agreement	283,212	-

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 30 JUNE 2016 CONTINUED …

NOTE 8 - OTHER PAYABLES	30 June 2016	30 June 2015
	$	$
Liability in relation to IP (i)	283,212	-
Total Other Payables	**283,212**	**-**

This represents the minimum $350,000 of Research Fees payable by Titomic to CSIRO over a five-year period from license grant date under the Company's novated license agreement with CSIRO.

NOTE 9 - ISSUED CAPITAL

(a) Movements in shares on issue	30 June 2016		11 November to 30 June 2015	
	No of Shares	$	No of Shares	$
Beginning of the financial year				
Issued during the year	10,480	1,048	10,480	1,048
End of the financial year	**10,480**	**1,048**	**10,480**	**1,048**

(b) Rights of each type of share

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

(c) Capital 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.

NOTE 9 - AUDITOR'S REMUNERATION

The Company's auditor, Pitcher Partners Melbourne and its network did not supply any non-audit services.

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 30 JUNE 2016 CONTINUED …

NOTE 10 - CASH FLOW INFORMATION

	Notes	30 June 2016 $	11 Nov 2014 to 30 June 2015 $
(a) Reconciliation of cash flow from operations with loss after income tax			
Loss from ordinary activities after income tax		(37,941)	-
Non-Cash Items			
Increase in Trade and Other Payable		37,941	-
Net cash flow from operating activities		**-**	**-**
(b) Reconciliation of cash			
Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position is as follows:			
– Cash at bank		-	-
		-	**-**

NOTE 11 - SEGMENT INFORMATION

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

NOTE 12 – DIRECTORS' AND EXECUTIVES' COMPENSATIONS

	Notes	30 June 2016 $	11 Nov 2014 to 30 June 2015 $
Compensation by category			
Short-term employment benefits		-	-
Post-employment benefits		-	-
Termination benefits		-	-
Other long-term benefits		-	-
Share-based payments		-	-
		-	-

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 30 JUNE 2016 CONTINUED…

NOTE 13 – RELATED PARTY DISCLOSURES

Force Industries Pty Ltd
Current Titomic Directors Richard Fox and Jeff Lang, and former Titomic Director Timothy Fox are Directors of Force Industries Pty Ltd (Force) and have been throughout the reporting period.

Titomic's Cold Spray core technology was novated from Force Industries in January 2016 for nil consideration. The value of this technology at the time of this transaction has been externally reviewed to ensure the transaction was undertaken at arms-length at commercial rates.

Consulting fee accrual owing to Force Industries at 30 June 2016 of $37,941.

NOTE 14 - EVENTS AFTER THE REPORTING DATE

- On 10 November 2016, the Company performed a share-split whereby each pre-split fully paid ordinary share issued was split into 4,937.98 fully paid ordinary shares resulting in an overall increase in the fully paid ordinary shares on issue from 10,480 shares pre-split to 51,750,000 shares post-split.

- On 21 November 2016, the Company raised $1,750,000 (before costs) via the issuance of 14,583,333 new fully paid ordinary shares at an issue price of $0.12 per share via the engaged broker PAC Partners.

- On 23 November 2016, the Company raised $850,000 (before costs) via the issuance of 5,312,500 new fully paid ordinary shares at an issue price of $0.16 per share via the engaged broker PAC Partners.

- On 30 November 2016, the Company subscribed for capital in Ezilite Holdings Pty Ltd (45% ownership interest for $50) and Ezilite Trading Pty Ltd (45% ownership interest for $50).

- On 25 January 2017, the Company entered into an agreement for the supply, installation and commissioning of a Robotic R&D Cold Spraying Cell for a total cost of $1,520,000 plus GST and a Robotic Production Cold Spraying Cell for a total cost of $773,000 plus GST. The Company has paid $608,000 and $232,200 (GST exclusive), respectively to date in relation to the acquisition of these equipment under this agreement.

- On 6 March 2017, the Company entered into a five-year lease agreement for a new business premises at 1/371 Ferntree Gully Road, Mount Waverley in Victoria at a cost of $180,000 plus outgoings per annum (excluding GST).

- On 17 May 2017, the Company appointed Non-Executive Director Richard Willson to fill a casual vacancy on the Board until he is confirmed by shareholders at the next shareholder meeting.

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 30 JUNE 2016 CONTINUED…

- On 17 May 2017, Titomic executed a Share Sale Agreement selling their current 45% ownership in investments in Ezilite Trading Pty Ltd and Ezilite Holdings Pty Ltd. As these were both non-operational companies which have undertaken no activities of any kind since their establishment, these ownership interests were sold for a deemed value of $1 each.

- On 26 May 2017, the Company held a shareholder's meeting granting approval for the following matters:
  - New updated constitution, to effect conversion to a public company
  - Appointment of Pitcher Partners as Auditor
  - Setting the Non-Executive Director remuneration pool cap at $400,00 per annum
  - Changing the Company's name from Titomic Pty Ltd to Titomic Limited
  - Approval to issue a new class of securities referred to as Performance Shares
  - Appointment of Simon Marriott as director
  - Issuance of 20 million Performance Shares to the four founding shareholders of the Company subject to achievement of the following milestones:
    - Milestone 1

      The Company's Share price must be equal to or more than 150% of listing price (based on the VWAP of the share price over 20 consecutive trading days on which the Company's securities have traded), and the quarterly revenues of the Company must be at least $1m for two consecutive quarters, within 3 years of IPO.

    - Milestone 2

      The Market Capitalisation of the Company must be equal to or more than $100 million (calculated as the number of shares on issue multiplied by VWAP over 20 consecutive trading days on which the Company's securities have traded), and the quarterly revenue of

      the Company must be at least $2m for two consecutive quarters and the Company must have issued at least 30 product licenses, within 3 years of IPO.

- On 15 June 2017, the Company executed a Mandate with PAC Partners (PAC) being the same brokers who performed the Nov 2016 seed raisings. This Mandate commits PAC to perform a $6,500,000 (before costs) Initial Public Offering (IPO) for Titomic which is proposed to be fully underwritten. The anticipated completion date of the IPO is 30 June 2017.

DIRECTORS DECLARATION

In the directors' opinion:

(a) the financial statements and notes set out on pages 11 to 30 are in accordance with the *Corporations Act 2001*, including:

(i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and

(ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date, and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

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

Philip Vafiadis
Non-Executive Chairman

Melbourne
Date this the 28th day of June 2017.

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF TITOMIC LIMITED

Report on the Audit of the Financial Report

We have audited the accompanying financial report of Titomic Limited (Formerly Titomic Pty Ltd)("the Company"), which comprises the statement of financial position as at 30 June 2016, 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, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibilities

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of the financial report that gives a true and fair view 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.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TITOMIC LIMITED CONTINUTED…

Opinion

In our opinion:

(a) the financial report of Titomic Limited (Formerly Titomic Pty Ltd) is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Company's financial position as at 30 June 2016 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Emphasis of Matter

Without modifying our opinion expressed above, attention is drawn to the matters set out in Note 1(b) – Going Concern in the financial report.

These conditions, as set forth in Note 1(b) – Going Concern, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern and therefore, the Company may be unable to realise its assets and discharge its liabilities in the normal course of business.

B POWERS
Partner

PITCHER PARTNERS
Melbourne

Dated: This day 28 June 2017