TITOMIC LIMITED

(FORMERLY TITOMIC PTY LIMITED)

ABN: 77 602 793 644

INTERIM REPORT

FOR THE HALF-YEAR

31 DECEMBER 2016

This half year financial report should be read in conjunction with the full year financial report of the Company 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 half year ended 31 December 2016 and independent review report thereon.

Directors

The names of directors in office at any time during or since the end of the half 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 for the half year was $310,220; (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 half year.

After balance date events

- 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).

- 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 $400,00 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

DIRECTORS' REPORT CONTINUED…

- 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.

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

Rounding of amounts
In accordance with ASIC *Corporations Act* 2001 (Regulations in Financial/Directors' Reports) Instrument 2016/191, the amounts in the Directors' 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

PITCHER PARTNERS

AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF TITOMIC LIMITED

In relation to the independent auditor's review for the half-year ended 31 December 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 APES 110 *Code of Ethics for Professional Accountants*.

B POWERS

Partner

Date: 28 June 2017

PITCHER PARTNERS
Melbourne

CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

	Notes	31 December 2016 $	31 December 2015 $
Revenue and other income			
Sales revenue		-	-
***Less:* Expenses**			
Consulting expenses		(82,214)	-
Corporate administration expenses	6	(105,564)	-
Employee benefits expense	7	(73,976)	
Research and development expenses		(28,619)	-
Travel and entertainment expenses		(19,642)	
Finance costs		(205)	-
Share of profits / (losses) of associates and joint-ventures accounted for using the equity method		-	-
Profit / (loss) before income tax		**(310,220)**	**-**
Income tax expense		-	-
Profit / (loss) for the period		**(310,220)**	**-**
Other comprehensive income for the period		-	-
Total comprehensive loss for the period		**(310,220)**	**-**
Earnings per share for profit attributable to the equity holders of the parent entity:			
Basic earnings per share		(0.01)	-
Diluted earnings per share		(0.01)	-

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

CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

	Notes	31 December 2016 $	30 June 2016 $
ASSETS			
Current assets			
Cash and cash equivalents	8	2,213,477	-
Other receivables		1,048	1,048
Other assets	9	85,266	-
Total Current Assets		**2,299,791**	**1,048**
Non-Current Assets			
Intellectual Property	10	283,212	283,212
Total Non-Current Assets		**283,212**	**283,212**
TOTAL ASSETS		**2,583,003**	**284,260**
LIABILITIES			
Current Liabilities			
Trade and other payables	11	217,882	37,941
Provision for employee benefits		4,616	-
Borrowings	12	2,152	-
Total Current Liabilities		**224,650**	**37,941**
Non-Current Liabilities			
Other payables	13	283,212	283,212
Total Non-Current Liabilities		**283,212**	**283,212**
TOTAL LIABILITIES		**507,862**	**321,153**
NET ASSETS		**2,075,141**	**(36,893)**
EQUITY			
Issued capital	14	2,423,302	1,048
Accumulated Losses	15	(348,161)	(37,941)
TOTAL EQUITY		**2,075,141**	**(36,893)**

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

CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2016

	Notes	Issued Capital $	Accumulated Losses $	Total $
Balance at 1 July 2015	14	**1,048**	**-**	**1,048**
Loss for the period		-	-	-
Transactions with owners in their capacity as owners		-	-	-
Balance at 31 December 2015		**1,048**	**-**	**1,048**
Balance at 1 July 2016	14	**1,048**	**(37,941)**	**(36,893)**
Loss for the period		-	(310,220)	(310,220)
Transactions with owners in their capacity as owners				
Shares issued, net of costs	14	2,422,254	-	2,422,254
Balance as at 31 Dec 2016		**2,423,302**	**(348,161)**	**2,075,141**

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

CONDENSED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2016

	Notes	31 December 2016 $	31 December 2015 $
Cash flow used in operating activities			
Payments to suppliers and employees		(165,269)	-
Finance costs		(205)	-
Net cash used in operating activities		**(165,474)**	**-**
Cash flow used in investing activities			
Deposits paid		(45,455)	-
Net cash used in investing activities		**(45,455)**	**-**
Cash flow from financing activities			
Proceeds from share issue		2,600,000	-
Share issue transaction costs		(177,746)	-
Proceeds from related party borrowings		2,152	-
Net cash provided by financing activities		**2,424,406**	**-**
Net increase in cash and cash equivalents		2,213,477	-
Cash and cash equivalents at the start of the period		-	-
Cash and cash equivalents at the end of the period	8	**2,213,477**	**-**

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

NOTES TO THE FINANCIAL STATEMENTS HALF YEAR ENDED 31 DECEMBER 2016

NOTE 1 - BASIS OF PREPARATION OF THE HALF-YEAR REPORT

This condensed interim financial report for the half year reporting period ended 31 December 2016 has been prepared in accordance with Accounting Standard AASB 134 Interim Financial Reporting.

This half year financial report of Titomic Limited (Formerly Titomic Pty Limited), ("the Company") does not include all notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2016 during the interim reporting period. Titomic 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

Compliance with AASB 134 "Interim Financial Report" ensures that the financial statements and notes of the entity comply with International Financial Reporting Standard IAS 34 "Interim Financial Reporting."

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

All accounting policies adopted are consistent with the most recent Annual Financial Report for the year ended 30 June 2016.

NOTE 3 - GOING CONCERN

The Directors have prepared the half year 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.

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 technology.

The Company incurred a loss from ordinary activities of $310,220 during the half year ended 31 December 2016. The Company had a net assets position of $2,075,141 (June 2016 deficiency in net assets: $36,893), and current assets exceed current liabilities by $2,075,141 (June 2016: current liabilities exceeded current assets by $36,893).

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.

NOTES TO THE FINANCIAL STATEMENTS HALF YEAR ENDED 31 DECEMBER 2016 CONTINUED…

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 to generate profit and positive cash flows from operating activities; and
- Obtaining additional funding as and when required via the planned IPO.

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 Condensed 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 Condensed Statement of Financial Position.

NOTE 4 – ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

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:

NOTES TO THE FINANCIAL STATEMENTS HALF YEAR ENDED 31 DECEMBER 2016 CONTINUED…

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.

NOTE 5 - SEGMENT INFORMATION

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

NOTE 6 - CORPORATE ADMINISTRATION EXPENSES	**31 Dec 2016 $**	**31 Dec 2015 $**
Audit fees	25,000	-
Investigating accountants report	20,000	-
Legal fees	42,727	-
Advisory fees	15,731	-
Other	2,106	-
Total	**105,564**	**-**

NOTE 7 - EMPLOYEE BENEFITS EXPENSE	**31 Dec 2016 $**	**31 Dec 2015 $**
Salaries and wages	64,210	-
Short term employee entitlements	4,616	-
Other	5,150	-
Total Cash and Cash Equivalents	**73,976**	**-**

NOTE 8 - CASH AND CASH EQUIVALENTS	**31 Dec 2016 $**	**30 June 2016 $**
Cash at bank	2,213,477	-
Total Cash and Cash Equivalents	**2,213,477**	**-**

NOTES TO THE FINANCIAL STATEMENTS HALF YEAR ENDED 31 DECEMBER 2016 CONTINUED…

NOTE 9 - OTHER ASSETS	31 Dec 2016 $	30 June 2016 $
Deposits paid	45,455	-
Goods and services tax refundable	39,811	-
Total other assets	**85,266**	**-**

NOTE 10 - 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.

NOTES TO THE FINANCIAL STATEMENTS HALF YEAR ENDED 31 DECEMBER 2016 CONTINUED…

NOTE 10 - INTANGIBLE ASSETS	**31 Dec 2016**	**30 June 2016**
	$	**$**
Novated Licence Agreement	283,212	283,212
Total intangible assets	**283,212**	**283,212**

NOTE 11 - TRADE AND OTHER PAYABLES	**31 Dec 2016**	**30 June 2016**
	$	**$**
Trade payables	66,747	-
Accrued expenses	130,945	37,941
Other payables	20,190	-
Total other assets	**217,882**	**37,941**

NOTE 12 - BORROWINGS	**31 Dec 2016**	**30 June 2016**
	$	**$**
Director loan (i)	2,152	-
Total borrowings	**2,152**	**-**

(i) Interest-free loan from Titomic Director and shareholder Richard Fox. This amount is repayable on demand.

NOTE 13 - OTHER PAYABLES	**31 Dec 2016**	**30 June 2016**
	$	**$**
Liability in relation to IP (i)	283,212	283,212
Total Other Payables	**283,212**	**283,212**

(i) 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 14 - ISSUED CAPITAL

Ordinary shares fully paid

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

(a) Movements in shares on issue	**31 Dec 2016**		**30 June 2016**	
	No of Shares	**$**	**No of Shares**	**$**
Beginning of the financial year	10,480	1,048	10,480	1,048
– Issued during the year				
a) 10 November 2016 - Share-split (4,937.98 : 1)	51,739,520	-	-	-
b) 21 November 2016 – Seed Raising 1	14,583,333	1,750,000	-	-
c) 23 November 2016 – Seed Raising 2	5,312,500	850,000	-	-
– Transaction costs of equity issued (net of tax)	-	(177,746)	-	-
End of the financial year	**71,645,833**	**2,423,302**	**10,480**	**1,048**

NOTES TO THE FINANCIAL STATEMENTS HALF YEAR ENDED 31 DECEMBER 2016 CONTINUED…

(b) Rights of each type of share

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

NOTE 15 - ACCUMULATED LOSSES	**31 Dec 2016 $**	**30 June 2016 $**
Carried forward losses from prior periods	**(37,941)**	-
Current year losses	(310,220)	(37,941)
Total accumulated losses	**(348,161)**	**(37,941)**

NOTE 16 - INVESTMENTS IN SUBSIDIARIES

On 30 November 2016, the Company subscribed for share capital in the following entities:

Name	Country of incorporation	Principal activity	Proportion of ownership interest and principal place of business
Ezilite Holdings Pty Ltd	Melbourne, Australia	Dormant	45%
Ezilite Trading Pty Ltd	Melbourne, Australia	Dormant	45%

Summarised financial information for each joint venture is set out below:

EZILITE HOLDINGS PTY LTD	**31 Dec 2016 $**	**30 June 2016 $**
Current assets	100	-
Total Assets	**100**	**-**
Share capital		
Total equity	**100**	**-**
EZILITE TRADING PTY LTD		
Current assets	100	-
Total Assets	**100**	**-**
Share capital		
Total equity	**100**	**-**

Both companies are currently dormant, and correspondingly no dividends were received during the period.
Both companies are private; therefore, no quoted market prices are available for their shares.

NOTES TO THE FINANCIAL STATEMENTS HALF YEAR ENDED 31 DECEMBER 2016 CONTINUED…

NOTE 17 - RELATED PARTY TRANSACTIONS

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.

During the reporting period:
- Force provided professional consulting services to Titomic totalling $44,983
- Force paid third-party service providers for Titomic-related costs totalling $3,655
- Titomic paid third-party service providers for Force-related costs totalling $11,402

All of the above-mentioned transactions were undertaken on a commercial, arms-length basis.
At the end of the reporting date, the net result of all transactions between the two entities resulted in Titmoic owing Force $41,735 from professional services rendered and invoiced. This is recorded within Trade Payables at Note 11.

Professor Richard Fox
Prof. Richard Fox is a Director of Titiomic. Prior to Titomic's seed capital raising in Nov 2016, Prof. Fox provided funds to Titomic in the form of unsecured interest-free loans to enable Titomic to commence operations whilst meeting its associated debts as and when they fell due.

During the half-year Prof. Fox loaned Titomic a total amount of $34,310. This amount was repaid from funds raised under the seed capital raisings however, an amount of $2,152 remained outstanding to Prof Fox as at 31 Dec 2016.

Innovyz Investments Pty Ltd
Philip Vafiadis is a Director and Chairman of Titomic. Mr Vafiadis is the founding owner, and Director of Innovyz Investments Pty Ltd. Innovyz provided professional management and consulting advisory services to Titomic throughout the reporting period totalling $25,000.

On 1 November 2016 Titomic engaged Inovyz for ongoing professional advisory services under a consulting agreement between the parties for which Innovyz will be paid $12,500 per month until 30 days after the Company's IPO listing.

The service fees paid to Innovyz for services rendered are charged at arms-length commercial rates.

NOTE 18 - EVENTS AFTER THE REPORTING DATE

- 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.

NOTES TO THE FINANCIAL STATEMENTS HALF YEAR ENDED 31 DECEMBER 2016 CONTINUED…

- 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 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:
    - <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 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 two subsidiaries Ezilite Trading Pty Ltd and Ezilite Holdings Pty Ltd. As these are both non-operational subsidiaries which have undertaken no activities of any kind since their establishment, these ownership interests were sold for a deemed value of $1 each.

- 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

The directors of the company declare that:

1. In the directors' opinion, the financial statements and notes thereto, as set out on pages 7 to 18, are in accordance with the *Corporations Act 2001*, including:

   (a) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and

   (b) giving a true and fair view of the financial position of the Company as at 31 December 2016 and of its performance for the half-year ended on that date.

2. In the directors' opinion there are reasonable grounds, at the date of this declaration, to believe that Titomic Limited (formerly Titomic Pty Ltd) will be able to pay its debts as and when they become due and payable.

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

Phillip Vafiadis
Non-Executive Chairman Dated
this 28th day of June 2017

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Titomic Limited (Formerly Titomic Pty Ltd), "the Company", which comprises the condensed statement of financial position as at 31 December 2016, the condensed statement of profit or loss and other comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Company's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Titomic Limited (Formerly Titomic Pty Ltd) is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Company's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Emphasis of Matter

Without modifying our conclusion expressed above, attention is drawn to the matters set out in Note 3 – Going Concern in the half year financial report.

These conditions, as set forth in Note 3 – Going Concern, indicated 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