Titomic Limited

Appendix 4E
Preliminary Final Report
Full-Year Ended 30 June 2018

Name of Entity:	Titomic Limited
ABN:	77 602 793 644
Current Financial Period:	30 June 2018
Corresponding Financial Period:	30 June 2017

Results for announcement to the market

Revenue for ordinary activities	Up	3,845%	to	$267,859
Net loss after tax (from ordinary activities) for the period attributable to members	Up	170%	to	($3,767,594)
Net loss after tax for the period attributable to members	Up	170%	to	($3,767,594)

Distributions

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

	30 June 2018	30 June 2017
Net tangible assets per share (cents)	12.21	0.91

Explanation of results

Refer to the Director's Report.

Changes in controlled entities

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

Other information required by Listing Rule 4.3A

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

Audit

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

TITOMIC

Annual Report
for the year ended 30 June 2018

Titomic Limited

ABN 77 602 793 644

Titomic Limited

Annual Report
Full-Year Ended 30 June 2018

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Directors	Mr Philip Vafiadis *Non-Executive Chairman* Mr Jeffrey Lang *Executive Director & Chief Technology Officer (CTO)* Prof Richard Fox *Non-Executive Director* Mr Richard Willson *Independent Non-Executive Director*
Chief Executive Officer (CEO)	Mr Gilbert Michaca
Company Secretary and Chief Financial Officer (CFO)	Mr Peter Vaughan
Registered Office	Level 3, 62 Lygon Street Carlton Victoria 3053 Australia Telephone: 1300 108 122
Principal Place of Business	Building 1, 371 Ferntree Gully Road Mount Waverley Victoria 3149, Australia Telephone: 1300 108 122
Share Registry	Computershare GPO Box 3224 Melbourne VIC Victoria 3001
Auditors	Pitcher Partners GPO Box 5193 Melbourne Victoria 3001
Solicitors	Holding Redlich GPO Box 2154 Melbourne Victoria 3001
Bankers	National Australia Bank Level 2, 330 Collins Street Melbourne Victoria 3000
Security Quoted	Australian Securities Exchange Ordinary Fully Paid Shares (Code: TTT)
Website	http://www.titomic.com/

The Directors present their reports together with the financial report of Titomic Limited (the Company) for the financial year ended 30 June 2018 and auditors report thereon.

Directors, Key Management Personnel and Company Secretaries

The following persons held office as Directors, Key Management Personnel and Company Secretaries of Titomic Limited during the financial year:

Mr Philip Vafiadis	Non-Executive Chairman	
Mr Jeffrey Lang	Executive Director & Chief Technology Officer (CTO)	
Prof Richard Fox	Non-Executive Director	
Mr Richard Willson	Independent Non-Executive Director	
Mr Simon Marriott	Executive Director	(resigned 28 February 2018)
Mr John Barnes	Non-Executive Director	(appointed 1 February 2018, resigned 1 June 2018)
Mr Gilbert Michaca	Chief Executive Officer (CEO)	(appointed 18 June 2018)
Mr Peter Vaughan	Company Secretary & Chief Financial Officer (CFO)	
Mr Phillip Hains	Company Secretary	(resigned 29 June 2018)

Principal Activities

Titomic Limited (formally Titomic Pty Limited) (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 (TKF) Additive Manufacturing process utilising cold-spray technology is an automated robotic manufacturing process which can effectively print 3D complex metal 3D products.

Review of Operations and Significant Events for the Reporting Period

Titomic reported a statutory after-tax loss for the year ended 30 June 2018 of $3,767,594 (2017: $1,393,419). At the end of the financial year the Company had net assets of $15,222,899 (2017: $920,961) and $10,347,168 in cash and cash equivalents (2017: $357,144). The operating loss is due to expenses associated to scaling up of operations, compliance, staffing and setting up of the Melbourne facility.

Titomic is a metal additive manufacturing company based in Melbourne, Australia. Together with CSIRO the company co-developed a patented process which involves spraying Titanium and Titanium alloy powders at supersonic speeds onto a scaffold to create load bearing structures. Titomic can overcome the limitations of existing additive manufacturing (3D printing) for metals to produce complex parts without size constraints. Titomic's systems can be customised to offer advanced manufacturing at industrial scale.

FY2018 was an exciting time for the company which has come a long way having embraced its "start-up" position to disrupt a market dominated by traditional manufacturing processes which are both energy and material intensive and not sustainable. During the year the company continued its foundational work to extend its capability to offer additive manufacturing technology.

Highlights during the year in review included:

- A successful Initial Public Offering (IPO) raising $6.5 million and listing on the Australian Securities Exchange in September 2017, under the code "TTT". The IPO was heavily oversubscribed and Titomic was one of 2017's best performing IPOs of the year.
- Winning of the 'Best Maritime Innovation' award at Pacific 2017 International Maritime Expo.
- Patent approvals for the use of Titomic Kinetic Fusion in Japan, New Zealand, US, China and Australia.
- The successful completion of an oversubscribed $12 million capital raising by way of a private placement to new Institutions as well as Sophisticated and Professional Investors in April 2018.
- Significant interest from potential customers at global trade shows including Singapore Airshow, Eurosatory and Eurobike.

- Collaborative agreements signed with:

  - Oil & gas engineering services company, Callidus Welding Solutions, part of the Callidus Group;

  - A major North American bicycle company;

  - American global sporting goods company Callaway Golf; and

  - The Australian division of Fincantieri S.p.A., one of the world's largest shipbuilding groups.

- The appointment of highly experienced personnel across sales, marketing, operational roles from the metals, aerospace and resources, defence and sporting goods industries, together with the appointment of a new CEO, Gilbert Michaca, with proven success in driving the expansion of technology companies such as Siemens in global markets.

Titomic's R&D Projects

During the year Titomic received feasibility and prototyping revenues for work carried out as part of R&D projects. The R&D projects are an important first step in the customer journey with Titomic. During this initial phase Titomic works together with the customer on proof of concept around material science and process validation via stringent tests. Once the tests are successful, the projects progress to fabrication phase for the manufacture of prototypes, where both Titomic and the customer conduct respective validation tests. The customer is offered a licence to manufacture by Titomic.

As well Titomic will provide the complete additive manufacturing supply chain to its customers. This will increase the revenue stream coming from its equipment sales and licenses.

The timeframe for these projects can vary but can take anywhere between 6 and 24 months depending on the product complexity and testing requirements for materials used.

Launch of the World's Largest and Fastest Metal 3D Printer

At the end of March Titomic successfully commissioned its state-of-the-art Melbourne facility. The official opening of the world's largest and fastest metal 3D printer occurred in May with attendance by customers, industry partners, shareholders and media.

Financial year 2018 was a significant year establishing Titomic as a listed company and disruptor to the traditional metal additive and subtractive manufacturing market place.

Titomic expects the positive momentum generated during the year to continue in FY2019 as the company takes steps to:

(i) further refine and expand its industry-leading additive manufacturing systems and processes;
(ii) acquire, develop and protect its IP knowledge;
(iii) mitigate potential or perceived risks for customers; and
(iv) grow the customer pipeline.

Through the year the team at Titomic has grown and FY2019 will see the company focus on consolidating its R&D platform to ensure it provides existing and potential customers with fit-for-purpose tailored outcomes.

The appointment of new CEO, Gilbert Michaca will be important to the development of this platform. Mr Michaca brings significant experience and success from Siemens and Grey Innovation where he navigated complex projects involving government sovereign capabilities across defence, medical, telecommunications and environment industries.

The key areas of focus for FY2019 will be:

(i) Systems and Processes

With the opening of its state-of-the-art facility at the end of Q3 FY2018 Titomic continues to develop and refine its systems and processes to ensure they meet and exceed customer expectations. FY2019 will see the implementation of:

an IT infrastructure which will provide visibility, analytics, and efficiency across every aspect of the company;
ongoing software developments for Titomic systems; and
a quality management system.

FY2019 will also see the launch of a new automated production line which will enable the company to engage in more R&D and prototype projects. In addition the company will be launching a new, smaller printer which will allow Titomic to be even more competitive with the larger addressable additive manufacturing market.

As the manufacturing and production footprint of the Melbourne facility expands the company will be moving to a new Melbourne corporate office in September. The new dedicated head office will be located close to the manufacturing facility and will allow for the continued growth of the Titomic team.

(ii) IP Knowledge

As a global leader in the industrial scale additive manufacturing process Titomic is continually developing a large and valuable knowledge base of intellectual property around the new equipment for manufacturing processes and the use of titanium and titanium alloys. It is important for Titomic to continually secure and protect this developed IP.

FY2019 will see Titomic continue to invest in its IP with a new cyber security program in line with mitigation strategy recommendations from the Australian Signals Directorate to protect its core IP, as well as strengthen its abilities through the acquisition of new IP which will benefit potential customers in the future.

(iii) Risk Mitigation

As a manufacturing group the health and safety of our personnel and their workplace is very important to Titomic. As such Titomic has been working with a group of world leading risk management companies to develop new standards for the transportation and storage of dangerous or potentially hazardous goods such as Titanium alloy powders. Once released these standards will be a benchmark for the additive manufacturing industry.

Titomic is also investigating the global availability of Titanium powders and remains in discussions with leading Titanium powder suppliers around the world regarding the development and security of its own powder supply chain.

(iv) Customer Pipeline

FY2018 saw Titomic enter a number of initial R&D projects with companies across various sectors and these R&D revenues will continue into FY2019.

In FY2019 the company expects to provide an update on the completion of some of its R&D projects and subsequent update on finalised system sales.

Throughout FY2019 Titomic will maintain its strong presence at major Trade shows around the world which will provide the company with further opportunities to showcase its processes and material science potential. This has proved very successful for Titomic so far and the company remains in advanced discussions with a pipeline of potential customers for initial R&D projects in the consumer goods, aerospace, resources, governments, defence, marine and automotive industries.

Significant Changes in the State of Affairs

On 21st September 2017, Titomic successfully completed its Initial Public Offer (IPO) on the Australian Securities Exchange (ASX) following the issuance of 32,500,000 new fully paid ordinary shares to the subscribers at an issue price of $0.20 per share raising $6,500,000 (before costs). The leader broker and underwriter for the issue, PAC Partners also received a further 5,819,050 new fully paid ordinary shares in lieu of cash payment for services rendered pertaining to the IPO.

On 7th May 2018, the Company successfully completed a private placement capital raising via its brokers PAC Partners, for the issuance of 9,600,000 fully paid ordinary shares at $1.25 raising $12,000,000 (before costs).

Events Since the End of the Financial Year

On 29th June 2018, Mr. Phillip Hains resigned as Joint-Company Secretary of Titomic Limited with Mr. Peter Vaughan, previously contracted as CFO and Company Secretary to Titomic through The CFO Solution, assuming a full-time role with Titomic as the Company's CFO and Company Secretary.

Likely Developments and Expected Results of Operations

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

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 Secretaries

The qualifications, experience and special responsibilities of each person who has been a Director of the Company at any time during or since 1 July 2017 is provided below, together with details of the Company secretary as at the year end.

Mr Philip Vafiadis	***Non-Executive Chairman***	
Experience and expertise	Mr Philip Vafiadis 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. Mr Vafiadis is a serial entrepreneur and innovator with strong international relationships across multiple technology industries. Mr Vafiadis 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".*	
Other current directorships	Mr Vafiadis has not held any listed company directorships in the past 3 years.	
Former directorships in last 3 years	None	
Special responsibilities	None	
Interests in shares and options	Interest in Shares	5,375,000
	Interest in Performance Shares	3,750,000
	Interest in Options	589,000

Mr Jeffrey Lang	***Executive Director & Chief Technology Officer (CTO) (Former CEO)***	
Experience and expertise	Mr Jeffrey Lang is an experienced Managing & Technical Director and an award-winning designer in the field of sport products design and commercialisation in China & Australia. Mr Lang 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. Mr Lang is considered by many in the industry as a leader in composites and advance materials manufacturing. Mr Lang resigned as Chief Executive Officer on 17 June 2018 and now continues on as Chief Technology Officer of the Company.	
Other current directorships	Mr Lang has not held any listed Company directorships in the past 3 years.	
Former directorships in last 3 years	None	
Special responsibilities	None	
Interests in shares and options	Interest in Shares	10,004,342
	Interest in Performance Shares	6,166,508
	Interest in Options	354,000

Prof. Richard Fox	***Non-Executive Director***	
Experience and expertise	Prof Richard Fox is the co-founder of Force Industries, one of Australia's leading designer and manufacturer of composite boards for board sports. He is the former director of Research at St Vincents Hospital Melbourne. Prof Fox was also the former Director of Clinical Haematology & Medical Oncology, Royal Melbourne Hospital 1985-2006. Prof Fox was the inaugural Chair of the CRC for Cancer Therapeutics & was awarded the Order of Australia in 2007.	
Other current directorships	Prof. Fox has not held any listed Company directorships in the past 3 years.	
Former directorships in last 3 years	None	
Special responsibilities	None	
Interests in shares and options	Interest in Shares	27,944,012
	Interest in Performance Shares	10,083,492
	Interest in Options	354,000

Mr. Richard Willson	***Independent Non-Executive Director***	
Experience and expertise	Mr Richard Willson is an experienced, Non-Executive Director, Company Secretary and CFO with more than 20 years' experience predominantly within the mining and agricultural sectors for both publicly listed and private companies. Mr Willson has a Bachelor of Accounting from the University of South Australia, is a fellow of CPA Australia, and a Fellow of the Australian Institute of Company Directors.	
Other current directorships	Mr Willson is a Non-Executive Director of AusTin Mining Limited (ASX:ANW), and the not-for-profit Unity Housing Company, Company Secretary of Patron Resources Limited, Beston Global Food Company Limited (ASX:BFC), 1414 Degrees Limited (ASX:14D), Director and Treasurer of Variety SA, and a Director and Company Secretary of numerous other private companies. Richard is the Chairman of the Audit Committee of AusTin Mining Limited and Unity Housing Company.	
Former directorships in last 3 years	*Current* Non-Executive Director - AusTin Mining Ltd (ASX:ANW) Non-Executive Director - Unity Housing Company Limited Non-Executive Director – Variety SA *Previous* Non-Executive Director - FirstWave Cloud Technologies Limited (ASX:FCT) Non-Executive Director - Patron Resources Limited	
Special responsibilities	None	
Interests in shares and options	Interest in Shares	100,000
	Interest in Performance Shares	-
	Interest in Options	354,000

Mr Simon Marriott *Executive Director* (resigned 28 February 2018)

Mr John Barnes *Non-Executive Director* (appointed 1 February 2018, resigned 1 June 2018)

Mr. Gilbert Michaca	***Chief Executive Officer (CEO)***	
Experience and expertise	Mr Gilbert Michaca brings with him more than 20 years of industry experience. For the past 7 years, he has been the CEO of defence, environment and medical technology company, Grey Innovation, which also has leading innovative solutions across sectors including rail, transportation, and energy. Mr Michaca was instrumental in taking an Australian technology to the world market when he launched the first comprehensive inorganic explosive detection system, which is being deployed in government agencies, military, embassies, airports, oil & gas and rail locations around the world.	
Other current directorships	None	
Former directorships in last 3 years	None	
Special responsibilities	None	
Interests in shares and options	Interest in Shares	-
	Interest in Performance Shares	1,000,000
	Interest in Options	-

Mr. Peter Vaughan	***Company Secretary & Chief Financial Officer (CFO)***	
Experience and expertise	Mr Peter Vaughan is a public company specialist who has worked in the listed company environments of ASX, AIM and NASDAQ for more than 15 years across several industries both in Australia and overseas. He has served on, and provided finance, administration, compliance and operations management, and corporate advisory services to several private, not-for-profit and public company Boards, related committees and Senior Management. Mr Vaughan has served as Company Secretary & Chief Financial Officer to a number of listed and unlisted public companies and has led several Initial Public Offerings (IPOs), Reverse Takeovers (RTOs) and a number of significant secondary capital raisings on Australian and US listed markets. Mr Vaughan has also held a number of Director and Treasury positions within for-profit and not-for-profit organisations. Mr Vaughan is a Chartered Accountant who also holds a Senior Executive MBA from Melbourne University and has been awarded a number of awards for his volunteer work with Wildlife Victoria and the State Emergency Service including a Pride of Australia Award in 2011, and a Chartered Accountants award in 2010.	
Other current directorships	None	
Former directorships in last 3 years	None	
Special responsibilities	None	
Interests in shares and options	Interest in Shares	-
	Interest in Performance Shares	-
	Interest in Options	-

Mr Phillip Hains *Company Secretary* (resigned 29 June 2018)

Directors' Meetings

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

	Meetings of Directors		Meetings of Committees			
			Audit & Risk		Remuneration & Nomination	
	A	B	A		B	
Mr Philip Vafiadis	14	14	5	5	1	1
Mr Jeffrey Lang	14	14	-	-	-	-
Prof Richard Fox	13	14	5	5	1	1
Mr Richard Willson	14	14	5	5	1	1
Mr Simon Marriott (resigned 28 Feb 2018)	11	11	-	-	-	-
Mr John Barnes (appointed 1 Feb 2018 resigned 1 Jun 2018)	1	4	-	-	-	-

A = Number of meetings attended
B = Number of meetings held during the time the Director held office or was a member of the committee during the year

Directors' Interests in Shares or Options

Directors' Relevant Interest in	Unlisted Options	Ordinary Shares	Rights to Receive Performance Shares[1]
Mr Philip Vafiadis	589,000	5,375,000	1,875,000[2]
			1,875,000[3]
Prof Richard Fox	354,000	27,944,012	5,041,746[2]
			5,041,746[3]
Mr Jeffrey Lang	354,000	10,004,342	3,083,254[2]
			3,083,254[3]
Mr Richard Willson	354,000	100,000	-

1. *The granting of the Performance Shares was approved by shareholders at the General Meeting held on 26 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.*

2. *Milestone 1*

3. *Milestone 2*

Number of Performance Shares	Milestone
10,000,000	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 (21 September 2017 to 21 September 2020).
10,000,000	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 (21 September 2017 to 21 September 2020).

Indemnification and Insurance of Directors, Officers and Auditors

(a) ***Insurance of Officers***

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

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

(b) ***Indemnity of Auditors***

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

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

Proceedings on Behalf of the Company

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

Auditor's Independence Declaration

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

Non-Audit Services

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

Non-audit services are approved by resolution of the audit committee and approval is provided in writing to the board of Directors. Non-audit services were provided by the auditors of entities in the consolidated group during the year, namely Pitcher Partners (Melbourne), network firms of Pitcher Partners, and other non-related audit firms, as detailed below. The Directors are satisfied that the provision of the non-audit services during the year by the auditor is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001* for the following reasons:

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

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

	2018 **$**	2017 $
Other services		
Pitcher Partners firm:		
Taxation services	**-**	9,500
Investigating Accountant Services relating to IPO	**47,000**	58,300
Total remuneration for non-audit services	**47,000**	67,800

Rounding of Amounts

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

Remuneration Report (Audited)

The Directors present the Titomic Limited 2018 Remuneration Report, outlining key aspects of our remuneration policy and framework, and remuneration awarded this year.

(a) Key management personnel covered in this report

Mr Philip Vafiadis	Non-Executive Chairman	
Mr Jeffrey Lang	Executive Director & Chief Technology Officer (CTO)	
Prof Richard Fox	Non-Executive Director	
Mr Richard Willson	Independent Non-Executive Director	
Mr Simon Marriott	Executive Director	(resigned 28 February 2018)
Mr John Barnes	Non-Executive Director	(appointed 1 February 2018, resigned 1 June 2018)
Mr Gilbert Michaca	Chief Executive Officer (CEO)	(appointed 18 June 2018)
Mr Peter Vaughan	Company Secretary & Chief Financial Officer (CFO)	
Mr Phillip Hains	Company Secretary	(resigned 29 June 2018)

(b) Remuneration policy

Under its charter, the Remuneration and Nomination Committee must have at least three members, a majority of whom (including the chair) must be independent Directors and to the extent possible, Non-executive Directors.

Currently, the Remuneration and Nomination Committee comprises Mr Richard Willson (Committee Chairman), Mr Philip Vafiadis and Prof Richard Fox. In accordance with its charter, it is intended that at least one member will have expertise in remuneration.

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

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

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

(c) Elements of remuneration

(i) Short-term incentives

For the period 1 July 2017 to 31 May 2018, Non-Executive Directors received a total remuneration package of $60,000 each (exclusive of superannuation if payable), made up of 50% in cash and the 50% as at risk remuneration in the form of options over ordinary shares in the Company exercisable at a 150% premium to the IPO listing price to be exercised within 3 years of listing.

The Board has determined there will be an increase in Non-Executive Directors and Executive Directors fees effective 1 June 2018.

The Remuneration and Nomination Committee recommended a change to Director salaries which was subsequently endorsed by the Board as follows:

- From 1 June 2018, the Chairman will receive a total remuneration package of $150,000 (inclusive of superannuation if payable) with made up of $100,000 in cash and $50,000 as at-risk remuneration in the form of equity in the Company which is yet to be specified and will be subject to shareholders approval at the Company's next Shareholders Meeting prior to being issued.
- From 1 June 2018, each Non-Executive Director and Executive Director will receive a total remuneration package of $90,000 each (inclusive of superannuation if payable) with made up of $60,000 in cash and $30,000 as at risk

remuneration in the form of equity in the Company which is yet to be specified and will be subject to shareholders approval at the Company's next Shareholders Meeting prior to being issued. .

Each director serving as members of sub-committees of the Board will receive $7,500 per annum to serve as a Chair of each sub-committee or $2,500 to serve as a general member of each sub-committee.

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

(ii) Performance based remuneration (excludes CEO - refer to (f))

The Company issued 20,000,000 Performance Shares to the founders of Titomic in May 2017 which was subsequently approved by shareholders. The purpose of the issuance of the Performance Shares was to provide a performance incentive for holders of the Performance Shares and to incentivise the holders to act in accordance with the business objectives and aims of the Company. The terms of the Performance Shares include a condition that if a milestone is not reached within the prescribed period, each Performance Share may be redeemed by the Company for $0.0000001.

The terms of each Milestone are as follows:

- **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 actually traded), and the quarterly revenues of the Company must be at least $1m for two consecutive quarters, within 3 years of IPO (21 September 2017 to 21 September 2020).
- **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 actually 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 licences, within 3 years of IPO (21 September 2017 to 21 September 2020).

(d) Link between remuneration and performance

Remuneration is not dependent on satisfaction of performance condition:

The Non-Executive remuneration policy is not directly related to company performance as the Board considers a remuneration policy for Non-Executive Directors based on short-term returns may not be beneficial to the long-term governance of the company.

Remuneration is dependent on satisfaction of performance condition:

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

The key term of Jeffrey Lang's employment with the Company is as follows:

- A bonus cash incentive is available for Jeffrey Lang of $5,750 for the delivery of a research and development or manufacturing agreement with a major international company within the agreed minimum target ranges of $250,000 to $500,000 per annum.

Refer to (f) for Chief Executive Officer (CEO) remuneration and bonuses.

(e) Remuneration expenses for KMP

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

2017	Short-term benefits		Post-employment benefits	Share-based payments	Total
	Cash salary and fees $	Annual leave $	Superannuation $	Options $	$
Directors					
Mr Philip Vafiadis*	122,803	-	-	54,318	177,121
Mr Jeffrey Lang	134,285	4,614	12,882	37,175	188,956
Prof Richard Fox	20,000	-	-	41,709	61,709
Mr Richard Willson	2,500	-	-	30,037	32,537
Mr Simon Marriott **	77,961	-	-	30,037	107,998
Total	**357,549**	**4,614**	**12,882**	**193,276**	**568,321**

* Includes professional management and consulting advisory services paid to an associated entity of Mr Philip Vafiadis throughout the reporting period totalling $94,470 for the services of Innovyz staff.

** Mr Simon Marriott resigned 28 February 2018.

2018	Short-term benefits		Post-employment benefits	Share-based payments	
	Cash salary and fees $	Annual leave $	Superannuation $	Options $	Total $
Directors					
Mr Philip Vafiadis*	187,036	-	-	45,271	232,307
Prof Richard Fox	22,917	-	-	121,731	144,648
Mr Richard Willson	35,000	-	3,563	-	38,563
Mr Jeffrey Lang	267,702	15,175	21,147	74,444	378,468
Mr Simon Marriott **	137,700	-	-	-	137,700
Mr John Barnes ***	10,000	-	-	-	10,000
Other KMP					
Mr Gilbert Michaca****	14,583	1,122	1,385	16,910	34,000
Total	**674,938**	**16,297**	**26,095**	**258,356**	**975,686**

* Includes professional management and consulting advisory services paid to an associated entity of Mr Philip Vafiadis throughout the reporting period totalling $132,869 for the services of Innovyz staff.

** Mr Simon Marriott resigned 28 February 2018. Includes professional consulting advisory services paid to an associated entity of Mr Simon Marriott throughout the reporting period totalling $121,082 for his executive services.

*** Mr John Barnes appointed 1 February 2018 and resigned 1 June 2018.

**** Mr Gilbert Michaca appointed 18 June 2018.

(f) Contractual arrangements with executive KMPs

Chief Executive Officer (CEO)

Mr Gilbert Michaca was appointed Chief Executive Officer (CEO) of the Company commencing on 18 June 2018. The key terms of Mr Gilbert Michaca's employment with the Company are as follows:

- Appointment as an ongoing Chief Executive Officer (CEO);
- Base salary is $350,000 per annum plus superannuation of $20,531;
- Entitlement to 20 days paid annual leave per annum and entitled to 10 days paid personal leave per annum;
- Mr Gilbert Michaca is subject to post-employment restrictions from partaking in certain activities in similar industries ranging for between 1 month to 12 months in duration.

Either the Company or Mr Michaca may terminate the employment contract upon 6 months written notice. The Company may terminate Mr Michaca employment contract without notice in some circumstances.

Mr Michaca has been offered the following incentives under the Company's CEO Incentive Programme:

Performance Shares		Fully Paid Ordinary Shares Offered
1. ***Share Price***		
A.	Titomic Limited achieving a minimum VWAP share price of AUD$3.00 per share for 30 consecutive days where the Company's shares were traded, within the first 3 years of your employment	150,000 fully paid ordinary shares
B.	Titomic Limited achieving a minimum VWAP share price of AUD$4.50 per share for 30 consecutive days where the Company's shares were traded, within the first 3 years of your employment	350,000 fully paid ordinary shares
C.	Titomic Limited achieving a minimum VWAP share price of AUD$6.00 per share for 30 consecutive days where the Company's shares were traded, within the first 3 years of your employment	500,000 fully paid ordinary shares
2. ***Revenue***		
A.	Minimum of $1 million of revenue collected for each of two consecutive quarters by 31 March 2019	AUD$25,000 worth of TTT shares after 31 March 2019
B.	Minimum of $2 million of revenue collected for each of two consecutive quarters by 30 June 2019	AUD$50,000 worth of TTT shares after 30 June 2019
C.	Collect minimum of $1 million of revenue from a single contract by 31 December 2018	AUD$25,000 worth of TTT shares after 31 December 2018
D.	Collect minimum of $4 million of revenue from a single contract by 30 June 2019	AUD$50,000 worth of TTT shares after 30 June 2019
3. ***Profit***		
A.	EBIT of $1 million for 6 months ended 31 December 2018	AUD$50,000 worth of TTT shares after 31 December 2018
B.	EBIT of $2 million for 12 months ended 30 June 2019	AUD$100,000 worth of TTT shares after 30 June 2019

Chief Technology Officer (CTO)

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

- Appointed as Chief Technology Officer for a period of five years;
- Base salary is $215,000 per annum plus $20,425 in superannuation;
- Entitlement to 20 days paid annual leave per annum and Entitled to 10 days paid personal leave per annum.

Either the Company or Mr Lang may terminate the employment contract upon 4 months written notice. The Company may terminate Mr Lang employment contract without notice in some circumstances.

(g) Non-executive director arrangements

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

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

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

Under the ASX Listing Rules, the total amount paid to all Non-Executive [Director for their services must not exceed, in aggregate in any financial year, the agreed and approved Non-Executive Remuneration Pool limit as set by shareholders at a shareholders meeting. The current Non-Executive Remuneration Pool limit has been fixed at $400,000 per annum and any change to the aggregate sum will need to be approved by shareholders at a shareholder meeting.

(h) Key management personnel's equity holdings

Number of Options Held by Key Management Personnel

30 June 2018	Grant Date	Date vested and exercisable	Expiry Date	Granted as compensation	Exercise price	Value of options at grant date
Non-Executive Directors						
Mr Philip Vafiadis	30 May 2017	21 Sept 2017	31 May 2020	589,000	$0.30	$49,797
Prof Richard Fox	30 May 2017	21 Sept 2017	31 May 2020	354,000	$0.30	$30,037
Mr Richard Willson	30 May 2017	21 Sept 2017	31 May 2020	354,000	$0.30	$30,037
Executive Directors						
Mr Jeffrey Lang	30 May 2017	21 Sept 2017	31 May 2020	354,000	$0.30	$30,037
Mr Simon Marriott *	30 May 2017	21 Sept 2017	31 May 2020	354,000	$0.30	$30,037
Other Key Management Personnel						
Mr Gilbert Michaca	-	-	-	-	-	-
					Total	**$169,945**

* Mr Simon Marriott resigned on 28 February 2018

No options have been exercised by Directors or Other Key Management Personnel.

Number of Shares Held by Key Management Personnel

30 June 2018	Balance at the start of the year	Balance at date of appointment	Granted as compensation	Net change (other)	Balance at the end of the year
Non-Executive Directors					
Mr Philip Vafiadis	5,175,000	-	-	200,000	5,375,000
Prof Richard Fox	27,944,012	-	-	-	27,944,012
Mr Richard Willson	-	-	-	100,000	100,000
Executive Directors					
Mr Jeffrey Lang	10,004,342	-	-	-	10,004,342
Mr Simon Marriott *	166,667	-	-	(166,667)	-
Other Key Management Personnel					
Mr Gilbert Michaca	-	-	-	-	-
Total	**43,290,021**			**133,333**	**43,423,354**

* Mr Simon Marriott resigned on 28 February 2018

Performance shares granted to key management personnel

30 June 2018	Grant date	Vested upon	Expiry date	Granted	Exercise price	Value at grant date
Non-Executive Directors						
Mr Philip Vafiadis	26 May 2017	Milestone 1	26-May-2020	1,875,000	N/A	$225,000
	26 May 2017	Milestone 2	26-May-2020	1,875,000	N/A	$56,250
			Total	**3,750,000**		**$281,250**
Prof Richard Fox	26 May 2017	Milestone 1	26-May-2020	5,041,746	N/A	$605,010
	26 May 2017	Milestone 2	26-May-2020	5,041,746	N/A	$151,252
			Total	**10,083,492**		**$756,262**
Executive Directors						
Mr Jeffrey Lang	26 May 2017	Milestone 1	26-May-2020	3,083,254	N/A	$369,990
	26 May 2017	Milestone 2	26-May-2020	3,083,254	N/A	$92,498
			Total	**6,166,508**		**$462,488**
Other Key Management Personnel						
Mr Gilbert Michaca*	18 May 2018	Milestone 1A	18 May 2021	150,000	N/A	$252,000
	18 May 2018	Milestone 1B	18 May 2021	350,000	N/A	$476,000
	18 May 2018	Milestone 1C	18 May 2021	500,000	N/A	$515,000
	18 May 2018	Milestone 2A	31 Mar 2019	N/A*	N/A	$25,000
	18 May 2018	Milestone 2B	30 Jun 2019	N/A*	N/A	$50,000
	18 May 2018	Milestone 2C	31 Dec 2018	N/A*	N/A	$25,000
	18 May 2018	Milestone 2D	30 Jun 2019	N/A*	N/A	$50,000
	18 May 2018	Milestone 3A	31 Dec 2018	N/A*	N/A	$50,000
	18 May 2018	Milestone 3B	30 Jun 2019	N/A*	N/A	$100,000
			Total	**1,000,000**		**$1,543,000**
			Total	**21,000,000**		**$3,043,000**

* For Performance shares Milestone 2A - 3B, the number of performance shares to be granted is variable and will be determined based on market value at vesting date.

(i) Consequences of Company's performance on shareholder wealth

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

	2018	2017
Revenue and other income	$267,859	$6,790
% increase in revenue and other income	3,844%	% N/A
Profit before tax	$3,767,594	$1,393,419
Change in share price (%)	N/A	N/A
Dividend paid to shareholders	$nil	$nil
Return of capital	$nil	$nil
Total remuneration of KMP	$975,686	$568,321
Total performance-based remuneration	$258,356	$193,276

(j) Loans to key management personnel

Aggregate of Loans Made

Borrowings as at 30 June 2017 included a loan from one of the Company's directors and shareholders, Prof Richard Fox. The outstanding loan of $2,152 was repaid on 27 October 2017.

(k) Other transactions with key management personnel

Force Industries Pty Ltd

Current Titomic Director, Prof Richard Fox, and former founding Titomic Director Mr Timothy Fox are Directors and shareholders of Force Industries Pty Ltd (Force) and have been throughout the reporting period. No transaction was undertaken with Force during the 2018 financial year (2017: $37,237).

Innovyz Investments Pty Ltd

Titomic Chairman, Mr Philip Vafiadis, is a founding owner and current Director of Innovyz Investments Pty Ltd (Innovyz). Innovyz provided professional management and consulting advisory services to Titomic throughout the reporting period totalling $132,869 (2017: $94,470).

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

Red Heeler Holdings Pty Ltd

Former Titomic Director, Mr Simon Marriott, provided industry and technical advisory consulting services to Titomic through his consulting firm Red Heeler Holdings Pty Ltd during the reporting period until his resignation in February 2018 totalling $121,082 (2017: $72,961).

(l) Additional information

(i) Voting of shareholders at last year's annual general meeting

Titomic received more than 99% of "yes" approval votes from shareholders on its remuneration report for the 2017 financial year at the Company's Annual General Meeting (AGM) in November 2017. The Company did not receive any specific feedback at the AGM or throughout the period regarding its remuneration practices.

Use of remuneration consultants

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

End of Remuneration Report

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

Mr Philip Vafiadis
Non-Executive Chairman

Dated this the 30th Day of August 2018

TITOMIC LIMITED

AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF TITOMIC LIMITED

In relation to the independent audit for the year ended 30 June 2018, 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

30 August 2018

PITCHER PARTNERS
Melbourne

Titomic Limited

Annual Financial Report

Full-Year Ended 30 June 2018

Titomic Limited
Statement of Profit or Loss and Other Comprehensive Income
For the Year Ended 30 June 2018

	Notes	**2018** **$**	2017 $
Revenue and other income			
Other income	5	**267,859**	6,790
		267,859	6,790
Expenses			
Corporate administration expenses	6	**(1,065,079)**	(482,473)
Depreciation and amortisation expenses	6	**(156,188)**	(17,507)
Research and development expenses	6	**(1,225,070)**	(207,307)
Consulting, employee and director expenses	6	**(1,134,351)**	(610,768)
Travel expenses		**(301,532)**	(69,154)
Marketing and promotion expenses		**(153,233)**	(13,000)
Loss before income tax		**(3,767,594)**	(1,393,419)
Income tax expense	7	**-**	-
Loss for the period		**(3,767,594)**	(1,393,419)
Other comprehensive loss for the period		**-**	-
Total comprehensive loss for the period		**(3,767,594)**	(1,393,419)

		Cents	Cents
Basic loss per share	8	**(3.55)**	(2.18)
Diluted loss per share	8	**(3.55)**	(2.18)

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

Titomic Limited
Statement of Financial Position
As at 30 June 2018

	Notes	2018 $	2017 $
ASSETS			
Current Assets			
Cash and cash equivalents	9	**10,347,168**	357,144
Trade and other receivables	10	**494,160**	154,413
Inventories	11	**205,129**	-
Other current assets	12	**334,677**	72,000
Assets classified as held for sale	13	**134,404**	-
Total Current Assets		**11,515,538**	583,557
Non-Current Assets			
Property, plant and equipment	14	**4,293,946**	1,034,476
Intellectual property	15	**220,669**	269,051
Total Non-Current Assets		**4,514,615**	1,303,527
TOTAL ASSETS		**16,030,153**	1,887,084
LIABILITIES			
Current Liabilities			
Trade and other payables	16	**423,882**	665,014
Provisions	17	**43,340**	4,614
Deferred revenue		**55,104**	-
Total Current Liabilities		**522,326**	669,628
Non-Current Liabilities			
Other payables	18	**284,928**	296,495
Total Non-Current Liabilities		**284,928**	296,495
TOTAL LIABILITIES		**807,254**	966,123
NET ASSETS		**15,222,899**	920,961
EQUITY			
Issued capital	19	**19,987,131**	2,159,045
Reserves	20	**434,722**	193,276
Accumulated losses		**(5,198,954)**	(1,431,360)
TOTAL EQUITY		**15,222,899**	920,961

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

Titomic Limited
Statement of Changes in Equity
For the year ended 30 June 2018

Consolidated Entity	Attributable to owners of Titomic Limited			
	Issued Capital $	Reserves $	Accumulated Losses $	Total $
Balance at 1 July 2016	1,048	-	(37,941)	(36,893)
Loss of the period	-	-	(1,393,419)	(1,393,419)
Total comprehensive loss for the period	**-**	**-**	**(1,393,419)**	**(1,393,419)**
Transactions with owners in their capacity as owners:				
Shares issued, net of costs	2,157,997	-	-	2,157,997
Share based payment	-	193,276	-	193,276
	2,157,997	193,276	-	2,351,273
Balance at 30 June 2017	**2,159,045**	**193,276**	**(1,431,360)**	**920,961**
Balance at 1 July 2017	2,159,045	193,276	(1,431,360)	920,961
Loss for the period	-	-	(3,767,594)	(3,767,594)
Total comprehensive loss for the period	**-**	**-**	**(3,767,594)**	**(3,767,594)**
Transactions with owners in their capacity as owners:				
Shares issued, net of costs	17,828,086	-	-	17,828,086
Share based payment	-	241,446	-	241,446
	17,828,086	241,446	-	18,069,532
Balance at 30 June 2018	**19,987,131**	**434,722**	**(5,198,954)**	**15,222,899**

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

Titomic Limited
Statement of Cash Flows
For the year ended 30 June 2018

	Notes	**2018** **$**	2017 $
Cash Flows from Operating Activities			
Payments to suppliers and employees		**(4,513,577)**	(699,973)
Interest received		**54,942**	6,790
Net Cash Outflow from Operating Activities	22(a)	**(4,458,635)**	(693,183)
Cash Flows from Investing Activities			
Payments for property, plant and equipment		**(3,367,275)**	(1,037,822)
Repayment of CSIRO IP Liability		**(25,000)**	-
Payment for term deposit/bonds		**15,000**	(72,000)
Net Cash Outflow from Investing Activities		**(3,377,275)**	(1,109,822)
Cash Flows from Financing Activities			
Proceeds from issues of shares and other equity securities	19(a)	**17,828,086**	2,157,997
Proceeds from related party borrowing		**-**	2,152
Repayments of related party borrowing	27	**(2,152)**	-
Net Cash Inflow from Financing Activities		**17,825,934**	2,160,149
Net Increase in Cash and Cash Equivalents		**9,990,024**	357,144
Cash and Cash Equivalents at the Beginning of the Financial Year		357,144	-
Cash and Cash Equivalents at End of Period	9	**10,347,168**	357,144

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

1 Summary of Significant Accounting Policies

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

(a) Basis of preparation

This annual report is a general purpose financial statements 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 annual report covers Titomic Limited (Titomic) a company limited by shares, incorporated and domiciled in Australia. The address of the Company's registered office is Level 3, 62 Lygon Street, Carlton, Victoria, 3053, Australia and the principal place of business is Unit 1, 371 Ferntree Gully Road, Notting Hill, Victoria, 3168, Australia. The Company is a for-profit Company for the purpose of preparing the financial statements.

The financial report was authorised for issue by the Directors on the date of this report.

(i) Compliance with IFRS

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

(ii) Historical cost convention

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

(iii) Fair value measurement

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

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

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

(iv) Significant accounting estimates

The preparation of the financial statements requires the use of certain estimates and 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 statements on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

From 1 July 2016 the Company commenced start-up operations associated with research and commercialisation programs of the Company's licensed technology. During this time the Company was funded utilising a mix of funds received from loans from related parties and three seed capital raisings in November 2016 and July 2017 totalling $3,200,000 (before costs) arranged through the Company's lead broking firm PAC Partners.

Further to the July 2017 seed capital raising, the Company executed a further Mandate and Underwriting Agreement on 10 August 2017 with PAC Partners to proceed to list the Company on the Australian Securities Exchange (ASX) via an Initial Public Offering (IPO) of 32,500,000 new fully paid ordinary shares at $0.20 raising $6,500,000 before costs. The IPO was completed and the Company listed on the ASX on 21 September 2017.

Funds received from the IPO were used to purchase, design and build key equipment to establishing Titomic's Kinetic Fusion (TKF) Cold-Spray facility in Melbourne as well as build an experienced operations team whilst funding ongoing start-up operations and research into further commercialisation opportunities for the Company.

On 26th April 2018, the Directors took the opportunity to raise a further $12,000,000 (before costs) via a private placement of 9,600,000 new fully paid ordinary shares at $1.25 per share to institutional and sophisticated investors to fund the acquisition of additional patents,internally develop and patent new IP to expand the Company's existing IP portfolio, establish a new metal powder facility to secure supply chain for titanium alloy powder, expand on current R&D programs to validate the TKF processes, develop further capabilities including the development of a new Surface Engineered 3D Additive Manufacturing production system, and expand the Company's internal staffing, process control systems, equipment and inventories as part of general working capital.

The Company incurred a loss from ordinary activities of $3,767,594 during the year ended 30 June 2018 (2017: $1,393,419 loss). The Company had a net assets position of $15,222,899 (2017: $920,961).

As a result of the Company's activities and subsequent capital raisings, the Directors have concluded that the going concern basis is appropriate, based on analysis of the Company's internal cash flow forecasts.

(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 good is issued;

(ii) Service income

Revenue from the rendering of services is recognised when the services are rendered, using the percentage of completion method based on the actual service provided as a proportion of the total services to be performed.

(iii) Interest

Interest revenue is recognised using the effective interest rate method;

(iv) Research and development tax refund

Research and development tax refund is recognised when it has been established that the conditions of the tax incentive have been met and that the expected amount of tax incentive can be reliably measured.

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

(d) Cash and cash equivalents

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

(e) Trade receivables

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

(f) Leases

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 and recorded as an asset with a corresponding liability equal to the fair value or, if lower, the present value of the minimum lease payments, including any guaranteed residual values. The interest expenses are calculated using the interest rate implicit in the lease and are included in finance costs in the statement of profit or loss. Leased assets are depreciated on a straight-line basis over their estimated useful life on the asset 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.

(g) Property, plant and equipment

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

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

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

• Leasehold buildings	10 - 20 years
• Factory equipment	3 - 5 years
• Furniture and fittings	3 - 5 years
• Machinery and vehicles	10 - 15 years
• Other property, plant and equipment	10 - 20 years

(h) Intangible assets

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

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

(i) Licences

Licences are recognised at cost and are amortised over their estimated useful lives, generally being 20 years. Licences are carried at cost less accumulated amortisation less any impairment losses.

(ii) Research and development

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

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

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

(i) Inventories

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

(j) Impairment of non-financial assets

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

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

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

(k) Income tax

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

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

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

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

(l) Provisions

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

(m) Employee benefits

(i) Short-term employee benefit obligations

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

(ii) Other long-term employee benefit obligations

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

(iv) Share-based payments

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

The fair value of options granted under employment and consultancy agreements are recognised as an employee benefit expense with a corresponding increase in equity. The fair value of the options are measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options.

The fair value of the options at grant date is determined using either a Black-Scholes option pricing model or a Monte Carlo method pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

The fair value of any equity granted may include the impact of market (for example, share price target) and non-market vesting conditions (for example, profitability and sales growth targets). These vesting conditions are included in assumptions about the number of securities that are expected to be issued or become exercisable. At each reporting date, the entity assesses, and when necessary revises the estimated number of securities that are expected to be issued or become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate. The impact of any revision to original estimates is recognised in the statement of profit or loss and other comprehensive income with a corresponding adjustment to equity.

Upon the exercise of options, the balance of the share-based payments reserve relating to those options is transferred to contributed equity.

(n) Financial instruments

(i) Classification

the Company classifies its financial assets in the following categories: financial assets held 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 at initial recognition.

(i) 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. Any investments in other 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 financial period is recognised in profit or loss of the current period. Fair value of listed investments are based on closing market 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 financial assets

Available-for-sale financial assets include any financial assets not included in the above categories, or assets which are designated as such on initial recognition. Available-for-sale financial assets are subsequently measured at fair value at the end of each reporting period. 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.

(ii) 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.

(iii) Impairment

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, 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 losses are 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 losses previously recognised in the 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.

(o) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

(p) Goods and Services Tax (GST)

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

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

(q) Rounding of amounts

The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission (ASIC), relating to the 'rounding off' of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

(r) Held for sale assets

Held for sale assets are measured at fair value without any deduction for expected transaction costs on disposal and the change in fair value is recognised directly in other comprehensive income (except for an impairment loss and a foreign exchange gain or loss) until the financial asset is derecognised when the cumulative gain or loss previously recognised in other comprehensive income is recognised in profit or loss.

(s) Comparatives

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

(t) Accounting standards issued but not yet effective at 30 June 2018

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:

Title	**Nature of change**	**Impact**	**Application date**
AASB 15 *Revenue from Contracts with Customers*	The AASB has issued a new standard for the recognition of revenue. This will replace AASB 118 which covers revenue arising from the sale of goods and the rendering of services and AASB 111 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.	Although the Company anticipate that the adoption of AASB 15 will impact the Company's financial statements, the Company has not finalised its assessment of the impact of AASB 15. No revenue has been recorded from customers to date so no retrospective impact.	Mandatory for financial years commencing on or after 1 January 2018, but available for early adoption. Expected date of adoption by the group: 1 January 2018.
AASB 9 *Financial Instruments*	AASB 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.	Although the Company anticipates that the adoption of AASB 9 will impact the Company's financial statements, any impact will not be significant or material.	Must be applied for financial years commencing on or after 1 January 2018.

Title	Nature of change	Impact	Application date
AASB 16 *Leases*	AASB 16 was issued in February 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short term and low-value leases. The accounting for lessors will not significantly change.	Although the Company anticipate that the adoption of AASB 16 will impact the Company's financial statements, the Company has not yet finalised its assessment yet the impact of AASB 16. The Company has a premises lease and equipment lease which will be brought onto the Balance Sheet as an asset and corresponding liability for lease period per contract.	Mandatory for financial years commencing on or after 1 January 2019. At this stage, the group does not intend to adopt the standard before its effective date.

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:

Equity based payments

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

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 2018 are set out below:

	2018 **$**	2017 $
Cash and cash equivalents	**10,347,168**	357,144
Trade and other payables	**(423,882)**	(665,014)
Trade and other receivables	**494,160**	154,413

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

(b) Risk management policy

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

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

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

Management report risks identified to the Board through regular reporting.

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

(c) Financial risk management

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

Interest Rate Risk

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

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

There has been no change to the Company's exposure to interest rate risk or the manner in which it manages and measures its risk in the year ended 30 June 2018.

Credit risk

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

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

Trade receivables consisted of a small number of transaction with multiple counterparties in the year ended 30 June 2018. Ongoing credit evaluations are performed on the financial condition of each account receivable.

The Company has established an allowance for impairment that represents the Company’s estimate of incurred losses in respect of trade and other 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 receivable from customers, or payable to suppliers denominated in foreign currencies.

Liquidity risk

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

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

Contracts are not entered into unless the Board believes that there are sufficient cash flow to fund the additional activity. The Board considers whether the Company needs to raise additional funding from the equity markets when reviewing its undiscounted cash flow forecasts.

(i) Maturities of financial liabilities

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

Contractual maturities of financial liabilities	Less than 6 months	Between 6 and 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows	Carrying amount (assets)/ liabilities
30 June 2018	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Non-derivatives							
Trade payables	**131,870**	-	-	-	-	**131,870**	**131,870**
Accrued expenses	**292,012**	-	-	-	-	**292,012**	**292,012**
Total non-derivatives	**423,882**	-	-	-	-	**423,882**	**423,882**

Contractual maturities of financial liabilities	Less than 6 months	Between 6 and 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows	Carrying amount (assets)/ liabilities
30 June 2017	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Non-derivatives							
Trade payables	**305,822**	-	-	-	-	**305,822**	**305,822**
Accrued expenses	**359,192**	-	-	-	-	**359,192**	**359,192**
Total non-derivatives	**665,014**	-	-	-	-	**665,014**	**665,014**

4 Fair value measurements

Fair value hierarchy

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

5 Revenue

The Company derives the following types of revenue:

	2018 $	2017 $
From continuing operations		
Interest received	**54,942**	6,790
R&D tax refund	**212,917**	-
Total revenue from continuing operations	**267,859**	6,790

6 Expenses

	2018 **$**	2017 $
Corporate administration expenses		
Accounting expenses	**73,566**	58,820
Legal expenses	**103,358**	64,566
Auditor expenses	**66,815**	119,065
Corporate advisory expenses	**76,089**	150,441
ASX expenses	**126,796**	-
Occupancy expenses	**324,723**	54,934
Insurance expenses	**126,486**	-
Other administration expenses	**167,246**	34,647
	1,065,079	482,473
Depreciation and amortisation expenses		
Depreciation expenses	**50,204**	3,346
Amortisation expenses	**48,382**	14,161
Impairment on Available for Sale Assets	**57,602**	-
	156,188	17,507
Research and development expenses		
R&D employees and consultants expenses	**812,262**	-
R&D legal expenses	**138,782**	138,764
Other R&D related expenses	**274,026**	68,543
	1,225,070	207,307
Consulting, employee and director expenses		
Consulting expenses	**201,968**	178,890
Employee related expenses	**569,848**	28,393
Directors' expenses	**79,572**	194,732
Share-based payment expenses	**241,446**	193,276
Superannuation expenses	**41,517**	15,477
	1,134,351	610,768

7 Income tax expense

(a) Income tax expense

	2018 **$**	2017 $
Income tax expense	**-**	-

(b) Numerical reconciliation of income tax expense to prima facie tax payable

	2018 **$**	2017 $
Profit from continuing operations before income tax expense	**(3,767,594)**	(1,393,419)
Tax at the Australian tax rate of 27.5% (2017 - 27.5%)	**(1,036,088)**	(383,190)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Non-assessable R&D tax incentive income	**(58,552)**	-
Non-allowable expenses	**66,398**	-
Other deductible expenses	**(24,596)**	-
Tax losses and other timing differences for which no deferred tax asset is recognised	**1,052,838**	383,190
Income tax expense	**-**	**-**

(c) Unrecognised temporary differences

	2018 **$**	2017 $
Unused tax losses and temporary differences for which a deferred tax asset has not been recognised	**1,446,455**	393,617
Potential tax benefit at 27.5% (2017: 27.5%)	**397,775**	108,245

8 Loss per share

(a) Reconciliation of loss used in calculating loss per share

	2018 **$**	2017 $
From continuing operations	**(3,767,594)**	(1,393,419)
Loss used in calculating basic loss per share	**(3,767,594)**	(1,393,419)

(b) Weighted average number of shares used as the denominator

	2018 **Number**	2017 Number
Weighted average number of ordinary shares used as the denominator in calculating basic loss per share	**106,201,074**	63,767,408
Effect of dilutive securities:	**-**	-
Adjusted weighted average number of ordinary shares used in calculating diluted loss per share	**106,201,074**	63,767,408

The outstanding share options as at 30 June 2018 are considered to be anti-dilutive and therefore were excluded from the diluted weighted average number of ordinary shares calculation.

(c) Basic earnings per share

	2018 (Cents)	2017 Cents
From continuing operations attributable to the ordinary equity holders of the company	(3.55)	(2.18)
Total basic earnings per share attributable to the ordinary equity holders of the Company	**(3.55)**	(2.18)

9 Cash and cash equivalents

	2018 $	2017 $
Current assets		
Cash at bank and in hand	**1,247,168**	357,144
Term Deposits	**9,100,000**	-
	10,347,168	357,144

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

10 Trade and other receivables

	2018 $	2017 $
Trade receivables	**251,148**	121,723
GST receivables	**243,012**	31,642
Formation cost	**-**	1,048
	494,160	154,413

11 Inventories

	2018 $	2017 $
Raw materials	**129,559**	-
Work in progress	**16,500**	-
Inventories in transit	**59,070**	-
	205,129	-

12 Other current assets

	2018 $	2017 $
Prepayments	**277,677**	-
Deposits paid	**57,000**	72,000
	334,677	72,000

13 Assets classified as held for sale

	2018 $	2017 $
Assets classified as held for sale	**134,404**	-
	134,404	-

Assets classified as held for sale is for large and small dust extraction units.

14 Property, plant and equipment

Consolidated	Leasehold buildings $	Factory equipment $	Furniture and fittings $	Machinery $	Other property, plant and equipment $	Total $
At 1 July 2017						
Cost	-	19,150	26,447	-	992,225	1,037,822
Accumulated depreciation	-	(705)	(2,641)	-	-	(3,346)
Net book amount	**-**	**18,445**	**23,806**	**-**	**992,225**	**1,034,476**
Year ended 30 June 2018						
Opening net book amount	-	18,445	23,806	-	992,225	1,034,476
Additions	575,413	83,688	62,517	1,998,380	647,277	3,367,275
Transfers	-	-	-	992,225	(992,225)	-
Impairment charge	-	-	-	-	(57,602)	(57,602)
Depreciation charge	(4,808)	(6,894)	(13,921)	(24,580)	-	(50,203)
Closing net book amount	**570,605**	**95,239**	**72,402**	**2,966,025**	**589,675**	**4,293,946**
At 30 June 2018						
Cost	575,413	102,838	88,964	2,990,605	589,675	4,347,495
Accumulated depreciation	(4,808)	(7,599)	(16,562)	(24,580)	-	(53,549)
Net book amount	**570,605**	**95,239**	**72,402**	**2,966,025**	**589,675**	**4,293,946**

15 Intellectual property

	2018 $	2017 $
Licenses		
Opening balance at 1 July	**269,051**	283,212
Amortisation expense	**(48,382)**	(14,161)
Closing balance at 30 June	**220,669**	**269,051**

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

In August 2013, Force Industries Pty Ltd ("Force") (a related party of Mr Jeffrey Lang and Mr Richard Fox) 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, a maximum of 20 years.

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

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

To remain exclusive, the license agreement is further subject to the 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 (as at 30 June 2018):

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

The value of the novated exclusive 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 period and discounted using an indicative discount rate of 7.50% pa, to determine the cost of the intangible asset acquired.

The Company paid $25,000 to CSIRO for the Year 1 royalty payment on 23 March 2018.

16 Trade and other payables

	2018 $	2017 $
Trade payables	**131,870**	305,822
Accrued expenses	**292,012**	359,192
	423,882	665,014

17 Provisions

	2018 $	2017 $
Provisions for employee benefits	**43,340**	4,614

18 Other payables

	2018 $	2017 $
CSIRO IP Liability	**284,928**	296,570

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

19 Equity

(a) Issued capital

	30 June 2018 Shares	30 June 2018 $	30 June 2017 Shares	30 June 2017 $
Ordinary shares				
Ordinary shares - fully paid	**122,898,217**	**19,987,131**	71,645,833	2,159,045
Total share capital	**122,898,217**	**19,987,131**	**71,645,833**	**2,159,045**

(b) Movement in issued capital

	Number of Shares	$
Details		
Opening balance 1 July 2016	**10,480**	**1,048**
Share split (4,937.98 : 1) (10 November 2016)	51,739,520	-
Issue of share capital at $0.12 each by placement (21 November 2016)	14,583,333	1,750,000
Issue of share capital at $0.16 each by placement (23 November 2016)	5,312,500	850,000
Less: Transaction costs arising on share issuances	-	(442,003)
Balance 30 June 2017	**71,645,833**	**2,159,045**
Opening balance 1 July 2017	**71,645,833**	**2,159,045**
Issue of share capital at $0.18 each by placement (13 July 2017)	3,333,334	600,000
Issue of share capital at $0.20 at IPO (18 September 2017)	32,500,000	6,500,000
Issue of shares to consultant (18 September 2017)	5,819,050	1,163,810
Issue of share capital at $1.25 (7 May 2018)	9,600,000	12,000,000
Less: Transaction costs arising on share issuances	-	(2,435,724)
Balance 30 June 2018	**122,898,217**	**19,987,131**

(c) Rights of each type of share

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

(d) Capital risk management

The Company's capital management objectives are:

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

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

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

20 Reserves

(a) Share-based payments - Employee option plan

There were no new options issued during the current period. The following is a summary of outstanding options.

	2018 No.	**2018 $**	2017 No.	2017 $
Options over ordinary shares	**2,005,000**	**170,124**	2,005,000	170,124

Details	**Number of Options**	**$**
Opening balance 1 July 2016	**-**	**-**
Options over ordinary shares	2,005,000	170,124
Balance at 30 June 2017	**2,005,000**	**170,124**
Opening balance 1 July 2017	**2,005,000**	**170,124**
Options over ordinary shares	-	-
Balance at 30 June 2018	**2,005,000**	**170,124**

(b) Performance shares

	2018 No.	**2018 $**	**2017 No.**	**2017 $**
Performance shares	**21,000,000**	**264,598**	20,000,000	23,152

Details	**Number of Performance Shares**	**$**
Opening balance 1 July 2016	**-**	**-**
Issue of Founders Performance shares (26 May 2017) - Milestone 1	10,000,000	11,576
Issue of Founders Performance shares (26 May 2017) - Milestone 2	10,000,000	11,576
Balance at 30 June 2017	**20,000,000**	**23,152**
Opening balance 1 July 2017	**20,000,000**	**23,152**
Share-based payments - CEO Milestone shares	1,000,000	-
Share-based payments - Performance shares issued pre-IPO	-	241,446
Balance at 30 June 2018	**21,000,000**	**264,598**

21 Remuneration of auditors

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

(a) Pitcher partners

(i) Audit and other assurance services

	2018 $	2017 $
Audit service		
Audit and review of financial statements	**59,880**	119,065
Total remuneration for audit service	**59,880**	**119,065**
Non-audit services		
Investigating Accountant Report	**47,000**	58,300
Tax due diligence	**-**	9,500
Total remuneration for non-audit services	**47,000**	**67,800**
Total auditors remuneration	**106,880**	**186,865**

22 Cash flow information

(a) Reconciliation of loss after income tax to net cash inflow from operating activities

	2018 $	2017 $
Loss for the period	**(3,767,594)**	(1,393,419)
Adjustment for:		
Depreciation and amortisation	**98,586**	17,507
Share based payment	**241,446**	193,276
Unwinding discount	**13,433**	13,358
Impairment for assets held for sale	**57,602**	-
(Increase) in trade and other receivables	**(474,154)**	(155,591)
(Increase) in inventories	**(205,129)**	-
(Increase) in other current assets	**(262,677)**	-
(Decrease) in trade and other payables	**(253,978)**	305,822
Increase in provisions	**38,726**	325,864
Increase in deferred revenue	**55,104**	-
Net cash (outflow) from operating activities	**(4,458,635)**	**(693,183)**

23 Segment information

The Company operates in one segment, being the development of automated robotic 3D additive manufacturing metal printing systems. It does not have any separate reportable business or geographic segments. Segment details are therefore already deemed to be fully reflected in the body of the financial report.

24 Directors' and executives' compensations

(a) Key Management Personnel Disclosures

Compensation

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

	2018 $	2017 $
Short-term employee benefits	**691,235**	362,163
Post-employment benefits	**26,095**	12,882
Share-based payments	**258,356**	193,276
	975,686	568,321

The above Key Management Personnel disclosures represents the remuneration of Key Management Personnel defined in the Remuneration Report and paid or payable for the period ended 30 June 2018 and 30 June 2017.

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

25 Contingent liabilities and contingent assets

The Company had no contingent liabilities or contingent assets at 30 June 2018 (2017: nil).

26 Commitments

(a) Capital commitments

Significant capital expenditure contracted for at the end of the reporting period but not recognised as liabilities is as follows:

	2018 $	2017 $
Property, plant and equipment	**497,318**	2,161,613

The above commitments include capital expenditure commitments of $245,080 (Advanced Robotics Australia) and $252,238 (Polished Robotics Pty Ltd).

(b) Non-cancellable operating leases

The company leased a warehouse and office on 1 April 2017 under a non-cancellable operating lease expiring in 5 years.

	2018 $	2017 $
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	**199,485**	181,500
Later than one year but not later than five years	**579,373**	778,858
	778,858	960,358

27 Related party disclosures

Force Industries Ltd

Current Titomic Director, Prof Richard Fox, and former founding Titomic Director Mr Timothy Fox are Directors and shareholders of Force Industries Pty Ltd (Force) and have been throughout the reporting period. No transaction was undertaken with Force during the 2018 financial year (2017: $37,237).

Professor Richard Fox

During period ending 30 June 2018, an amount of $2,152 that remained outstanding to Prof Richard Fox was repaid on 27 October 2017.

Innovyz Investments Pty Ltd

Mr Philip Vafiadis is a Non-Executive Chairman and Director of Titomic Limited. Mr Philip Vafiadis is the founding owner, and Director of Innovyz Investments Pty Ltd. Innovyz Investments Pty Ltd provided professional management and consulting advisory services to Titomic Limited throughout the reporting period totalling $132,869 (2017: $94,470).

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

Red Heeler Holdings Pty Ltd

Mr Simon Marriott was a Director and Industry and Technical Adviser of Titomic Limited. Red Heelers Holdings Pty Ltd provided professional consulting advisory services to Titomic Limited throughout the reporting period totalling $121,082 (2017: $72,961).

28 Events occurring after the reporting period

On 29 June 2018, Mr. Phillip Hains resigned as Joint-Company Secretary of Titomic Limited with Mr. Peter Vaughan, previously contracted as CFO and Company Secretary to Titomic through The CFO Solution, assuming a full-time role with Titomic as the Company's CFO and Company Secretary.

Directors' Declaration

In the Directors' opinion:

(a) the financial statements and notes set out on pages 19 to 42 are in accordance with the *Corporations Act 2001*, including:

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

  (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2018 and of its performance for the year ended on that date, and

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

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

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

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

Mr Philip Vafiadis
Non-Executive Chairman

Dated this the 30th Day of August 2018.

TITOMIC LIMITED
ABN 77 602 793 644
INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF TITOMIC LIMITED

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Titomic Limited. "the Company", which comprises the statement of financial position as at 30 June 2018, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

(a) giving a true and fair view of the Company's financial position as at 30 June 2018 and of its financial performance for the year then ended; and
(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

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

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed the key audit matter
Property, Plant & Equipment - $4,293,946 **Refer to note 14**	
The Company has invested significantly in fixed asset additions during the 2018 financial year ($3,367,275) post the IPO and subsequent capital raise. The current years fixed asset additions include construction and commissioning of the 3D metal printing facility and ongoing capital works in progress. We focused on this area as a key audit matter due to the significance of the balance recorded at year end (closing written down value of $4,293,946).	Our procedures included, amongst others: • Obtaining an understanding of the accounting processes and internal controls relating to the cycle; • Obtaining an assessing managements fixed asset register and agreeing the carrying amounts to the general ledger; • Testing the mathematical accuracy of the fixed asset register; • Testing a sample of current year fixed additions to supporting purchase documentation regarding the existence and accuracy of the amounts capitalised; • Visiting the warehouse facilities to observe the existence of a sample of fixed asset additions; • Performing a recalculation of depreciation expense recorded for the current year and agreeing that to the expense in the Statement of Comprehensive Income.
Share Based Payments Reserve - $434,722 **Refer to note 20 and Remuneration Report**	
During the 2018 financial year, performance shares were issued to the newly appointed CEO under the Company's Employee Share and Option Plan. The issue comprised 9 separate tranches with a variety of performance terms designed to incentivise CEO performance over the short to medium term. Management performed a valuation of the fair value of the performance shares at grant date using recognised pricing models (Black Scholes and Monte Carlo). We focused on this area as a key audit matter due to the inherent risk associated with the significant judgement and estimate required by	Our procedures included, amongst others: • Obtaining managements valuation for the 9 new tranches of performance shares issued; • Agreeing the performance terms of the issued performance shares to the CEO's employment contract; • Working with an internal valuation expert to assess and challenge key assumptions used within the valuation for reasonableness; • Recalculating with the assistance of the internal valuation expert, the valuation for the 9 tranches of performance share issued;

management in performing the valuation, including key assumptions used by management including: - Assessing the probability of achieving key performance milestones in relation to market-based conditions; - Assessing the fair value of the share price on grant date, estimate of expected future share price volatility, expected dividend yield and risk-free rate of interest.	• Assessing the accuracy of the expense and reserve amounts recognised in the current year for the new and existing options and performance shares; • Assessing the appropriateness of the related disclosures and accounting policies contained in the financial report and remuneration report.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2018, but does not include the financial report and our auditor's report thereon.

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

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

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

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

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

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

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

TITOMIC LIMITED
ABN 77 602 793 644
INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF TITOMIC LIMITED

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

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

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 11 to 16 of the directors' report for the year ended 30 June 2018. In our opinion, the Remuneration Report of Titomic Limited, for the year ended 30 June 2018 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

B POWERS
Partner

PITCHER PARTNERS
Melbourne

30 August 2018

Shareholder Information

The shareholder information set out below was applicable as at 24th August 2018.

A. Distribution of Equity Securities

Analysis of numbers of equity security holders by size of holding:

Holding	Total Holders	Units
1 - 1000	1,283	729,256
1,001 - 5,000	1,611	4,454,822
5,001 - 10,000	505	4,091,325
10,001 - 100,000	688	20,375,237
100,001 and over	79	93,247,577
Total	**4,166**	**122,898,217**

All ordinary shares carry one vote per share.

B. Equity Security Holders

20 largest quoted equity security holders

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

	Ordinary Fully Paid Shares	
Name	**Units**	**% of Units**
PRESCO 2 PTY LTD <RICHARD FOX FAMILY A/C>	27,944,012	22.74
JEFFREY DAVID LANG <AKASHA FAMILY A/C>	10,004,342	8.14
PRESCO 3 PTY LTD <TIMOTHY FOX FAMILY A/C>	8,626,646	7.02
PAC PARTNERS PTY LTD	5,819,050	4.73
SBPM PTY LTD <INNOVYZ INVEST NO2 UNIT A/C>	5,175,000	4.21
MORGAN STANLEY AUSTRALIA SECURITIES (NOMINEE) PTY LIMITED	4,814,296	3.92
J P MORGAN NOMINEES AUSTRALIA LIMITED	3,631,752	2.96
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	3,572,487	2.91
SWHL INVESTMENTS PTY LTD <SWHL FAMILY A/C>	2,187,500	1.78
BERGIN VAN EPS HOLDINGS PTY LTD <PT AND CL BERGIN FAMILY A/C>	1,501,500	1.22
MR PETER HENDRY	1,475,000	1.20
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	1,401,720	1.14
QUALITY LIFE PTY LTD <NEILL FAMILY A/C>	1,200,000	0.98
MR PHILIP JOHN CAWOOD	940,534	0.77
QUALITY LIFE PTY LTD <THE NEILL FAMILY A/C>	902,143	0.73
CITICORP NOMINEES PTY LIMITED	658,100	0.54
CARPE DIEM ASSET MANAGEMENT PTY LTD	632,864	0.51
SOLAR MATE PTY LTD <SFN FAMILY A/C>	500,000	0.41
SWHL INVESTMENTS PTY LTD <SWHL FAMILY A/C>	500,000	0.41
RAVEN INVESTMENT HOLDINGS PTY LTD <RAVEN INVESTMENT A/C>	442,667	0.36
Total: Top 20 holders of ordinary fully paid (Total)	**81,929,613**	**66.68**
Total remaining holders balance	40,968,604	33.32
Total ordinary fully paid shares on issue	**122,898,217**	**100.00**

Unquoted securities

	Number on Issue	Number of Holders
Unquoted options - exercisable at $0.30 and expiring on 31 May 2020	2,005,000	5
Unquoted performance shares	20,000,000	3

The above securities are escrowed until 21 September 2019. Below are the remaining restricted securities:

- 58,409,882 fully paid ordinary shares held by 13 holders are escrowed until 21 September 2019
- 5,080,004 fully paid ordinary shares held by 86 holders are escrowed for a period of 12 months from the date of issue

C. Substantial Holders

Substantial holders in the company are set out below:

	Number Held	Percentage
PRESCO 2 PTY LTD <RICHARD FOX FAMILY A/C>	27,944,012	22.74%
JEFFREY DAVID LANG <AKASHA FAMILY A/C>	10,004,342	8.14%
PRESCO 3 PTY LTD <TIMOTHY FOX FAMILY A/C>	8,626,646	7.02%
	46,575,000	**37.90%**

D. Shareholder Enquiries

Shareholders with enquiries about their shareholdings should contact the share register:
Computershare
GPO Box 3224, Melbourne Victoria

E. Change of Address, Change of Name, Consolidation of Shareholding

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

F. Removal from the Annual Report Mailing List

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

G. Tax File Numbers

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

H. CHESS (Clearing House Electronic Sub-Register System)

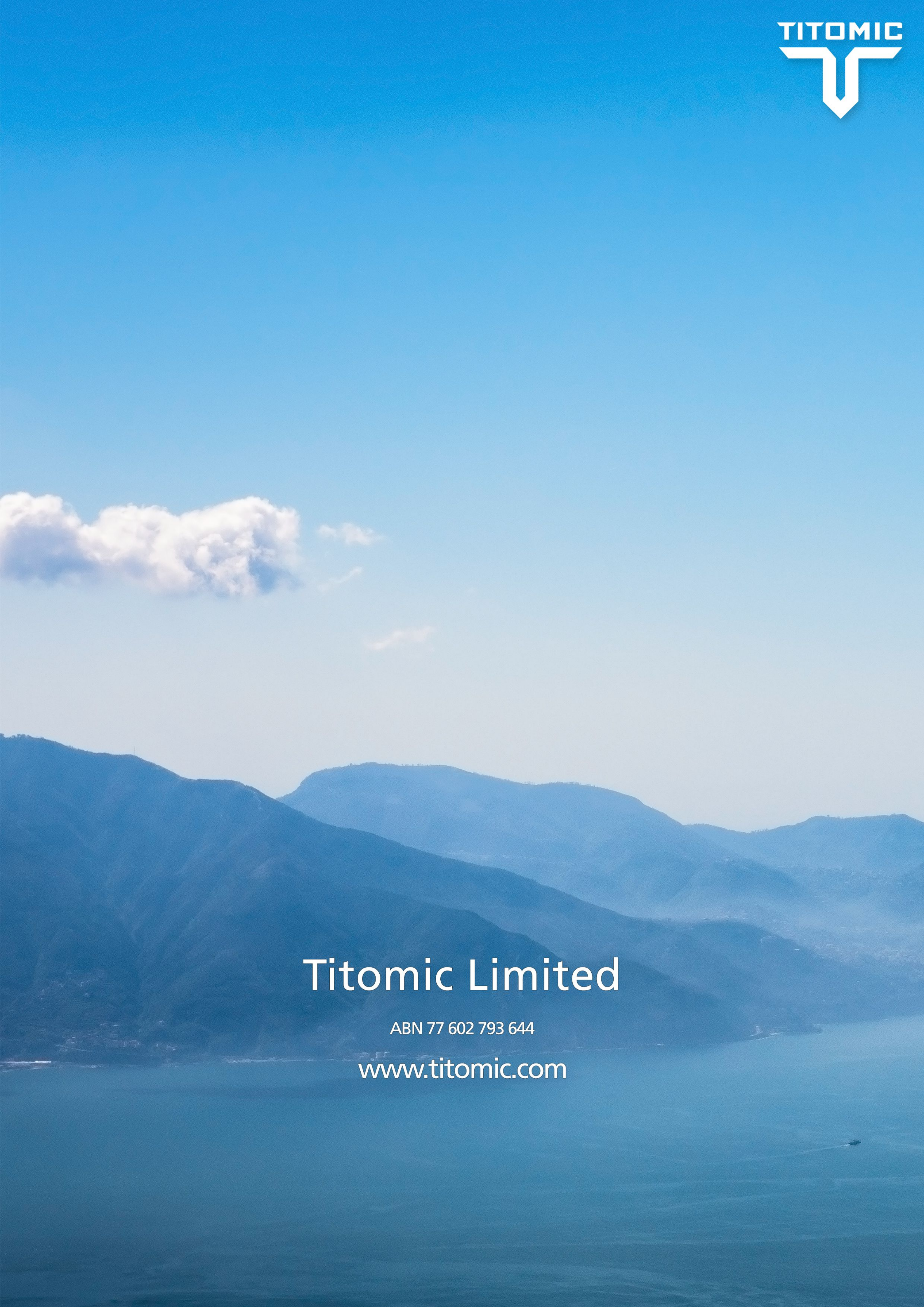
Shareholders wishing to move to uncertified holdings under the Australian Stock Exchange (CHESS) system should contact their stockbroker.

I. Uncertified Share Register

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

J. Listing Rule 4.10.19 disclosure

For the purpose of ASX Listing Rule 4.10.19, the Board confirms that during the period from official quotation on 21 September 2017 to 30 August 2018, the Company has used its cash and assets readily convertible to cash in a manner consistent with its stated business objectives.



TITOMIC

Titomic Limited

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www.titomic.com