



## Review of Operations - Quarter Ending 30<sup>th</sup> June 2020

### Friday 31<sup>st</sup> July 2020:

The Company's operations in the quarter ending 30<sup>th</sup> June 2020 closely followed management's expectations in terms of production output, factory yield, research and development, and sales leads. Titomic is holding a firm TKF machine sales contract of AU\$25.5 million with a defence company combined with multiple existing sales leads of AU\$6 million that are expected to be finalised by CY Q4 into firm purchase orders.

Titomic's sales forecast of AU\$17 million for CY 2020, has increased to AU\$25.5 million - a growth of 50% - on the previously announced sales forecast. Strong sales leads from the global defence sector for TKF machines and the OEM production of parts in our Melbourne TKF Bureau is evenly distributed across Q3 and Q4 in CY 2020.

Titomic remains in a strong position for our commercial growth in 2020 and is continuing work at our Melbourne Production Bureau during this pandemic. Titomic has seen an increased demand from the global defence sector with a new push toward additively manufactured lightweight titanium structures and other specialised metals and alloys which Titomic has now validated for use in TKF Manufacturing Systems.

As a leader in industrial-scale metal additive manufacturing, Titomic's unique value proposition of affordability, productivity, and improved performance of manufactured metal parts has seen considerable growth opportunities in the defence sector due to global supply chain disruption resulting from COVID-19.

In response to Victoria's most recent legislation, Titomic has further implemented robust COVID-19 specific health and safety policies and procedures to protect our staff during operations throughout this period.

### Melbourne TKF Bureau – OEM Production

This quarter, the Melbourne TKF Bureau has continued to develop and deliver advanced metal manufacturing solutions for several clients including global defence and aerospace primes and tooling companies.

These recent developments, manufacturing outputs, and achievements include:

- Titomic recently commissioned the Bureau's third TKF Production System.
- Titomic has validated additional metals alloys for use in TKF machines for various industries.
  - 4340 - a high-tensile steel for defence armament casings, barrels, and aircraft parts,
  - Inconel – a heat and pressure resistant alloy,
  - Ti6Al4V – a high-strength, corrosion-resistant titanium alloy,
  - Micro-Melt – a high-hardness steel alloy for use in nuclear energy, and wear-resistant parts in mining.
- OEM manufacturing has continued unabated with delivery of multiple production projects for defence, aerospace, and nuclear industries.
- Development of advanced robotics for metal near-net-shape parts to replace metal castings and forgings, reducing carbon footprint of metal parts by 60% on average. [View May 2020 Video update.](#)

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## **ISO-9001: Successful Surveillance Audit**

During the successful completion of a recent surveillance audit, Titomic demonstrated working knowledge and evidence of compliance to ISO9001:2015 and a commitment to Best Practices. Titomic retained continuous certification with no minor or major non-conformances of ISO9001:2015. This result confirms readiness to undertake the preparation for certification to AS9100:2016 D.

## **Appointment of Additional Staff**

Titomic has welcomed Mr. Michael Rochford as the of Head of Operations at the Melbourne TKF Bureau. Mr. Rochford has extensive experience in manufacturing, previously in operations leadership roles at General Motors Holden and Amcor. Mr. Rochford brings a wealth of best-practice experience and leadership to the Bureau's team. Across both the Melbourne TKF Bureau and Head Office, Titomic now employs 36 fulltime staff with no additional staff hires planned in the foreseeable future.

## **\$25.5M TKF Manufacturing Systems Sale - Composite Technology**

*Announced 28<sup>th</sup> February 2020*

At the Melbourne TKF Bureau, the technical research and development phase of the Composite Technology agreement, relative to the agreement's respective metal material validation, is nearing completion and moving to the next phase in Q3 CY 2020. In parallel to the material and part test validation, the custom TKF Manufacturing System design and engineering has been completed by Titomic ahead of schedule. This custom TKF System is the world's fastest metal additive manufacturing system with build rate of up to 75 kilograms of material per hour. This unprecedented build speed is an inflection point for advanced metal manufacturing of parts, and provides further advantage, providing an average 60% reduction in carbon footprint.

## **Patents and Intellectual Property**

Titomic has further added to its suite of technology patents with newly filed provisional patent applications and entered to International Patent Application (PCT) phase:

**a) Metallised Composite (AU2020901480)**

Applications: Aerospace, Defence, and Energy sectors.

**b) Multi-Material Device for Heat Transfer and a Method of Manufacture" (PCT AU2020050346)**

Applications: Defence, Space and Energy sectors.

## **Titomic Head Office**

### **Chairman Appointed: Global Defence Specialist, Dr Andreas Schwer**

Titomic has appointed a new, Non-Executive Chairman; Dr Andreas Schwer. With a 25-year career across defence, manufacturing, and aviation, Dr Schwer brings a wealth of experience, insight, and a deep understanding of the needs of Titomic as the Company moves into its commercialisation phase.

Dr Schwer joined SAMI as their inaugural CEO and has held roles of Chairman of the Board & President of Rheinmetall International, and CEO of Rheinmetall's Combat Systems Division – both arms of Rheinmetall AG, a major international defence prime. Prior to joining Rheinmetall, Dr Schwer held various executive management positions within Airbus Group and The Manitowoc Company.

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## Appointment of Additional Directors

Titomic has appointed two Directors to the Board: Mr. Dag W.R. Stromme and Mr. Humphrey Nolan; both internationally-recognised leaders of their respective fields.

Mr. Stromme is an investor and entrepreneur with close to 30 years' experience within successful private ownership and leading European, as well as global, financial institutions. Until 2015, Mr. Stromme was a senior industry advisor to Triton, an investment firm with €17B under management. He joined Morgan Stanley in New York in 1990 and was a Managing Director of Morgan Stanley London from 2001 to 2007 and Co-Head of Nordic Investment Banking from 2000 to 2007.

Mr. Humphrey Nolan is a seasoned Board Director and CEO with 30 years' experience driving strategic and operational change across industrial, logistics and distribution industries. Mr. Nolan has held senior leadership positions within global logistics companies, including at the P&O Group. Mr. Nolan is currently Chairman of both the Nolan Group and Tapex Group; both leading distributors of technical and industrial textiles operating across Australia and New Zealand.

The pair's expertise within international markets will add tremendous value to Titomic's board as Titomic shifts toward a focus on commercialisation in 2020 and beyond.

## Government Grant Awarded

Titomic has recently received a grant from the Australian Government's Centre for Defence Industry Capability. The grant will provide Titomic an incentive of \$98,300 to implement world-class cyber security practices and a cyber security management plan. These initiatives will prepare the Company to become ISO27001 and NIST 800-171 compliant.

Receipt of these cyber security accreditations will enable Titomic to engage with defence primes globally fully and more freely, opening doors to further defence contract opportunities.

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***This announcement has been authorised for release by the Managing Director of Titomic.***

### **Contacts:**

Peter Vaughan  
Company Secretary  
Ph: +61 (0)3 9822 2222  
[investors@titomic.com](mailto:investors@titomic.com)

### **Media Enquires:**

Ben Andrews  
Titomic Media Manager  
Ph: +61 (0)3 9822 2222



### **About Titomic Limited:**

Titomic Limited (ASX:TTT) is an Australian public company specialising in digital manufacturing solutions for industrial scale metal additive manufacturing using its patented Titomic Kinetic Fusion® (TKF) technology. The TKF technology provides unique capabilities for producing commercially viable additively manufactured metal products competing directly with traditional manufacturing methods. Titomic provides OEM production and R&D services from their TKF Smart Production Bureaus to the global Aerospace, Defence, Shipbuilding, Oil & Gas, Mining and Automotive industries. Titomic also provides an extensive range of metal powders for 3D Printing especially Titanium and super alloys whilst providing sales and support services for their TKF production systems. For more information please visit: [www.titomic.com](http://www.titomic.com).

### **Forward-looking statements:**

Certain statements made in this release are forward-looking statements and are based on Titomic's current expectations, estimates and projections. Words such as "anticipates," "expects," "intends," "plans," "believes," "seeks," "estimates," "guidance" and similar expressions are intended to identify forward-looking statements. Although Titomic believes the forward-looking statements are based on reasonable assumptions, they are subject to certain risks and uncertainties, some of which are beyond Titomic's control, including those risks or uncertainties inherent in the process of both developing and commercialising technology. As a result, actual results could materially differ from those expressed or forecasted in the forward-looking statements. The forward-looking statements made in this release relate only to events as of the date on which the statements are made. Titomic will not undertake any obligation to release publicly any revisions or updates to these forward-looking statements to reflect events, circumstances or unanticipated events occurring after the date of this release except as required by law or by any appropriate regulatory authority.

**Appendix 4C**  
**Quarterly cash flow report for entities**  
**subject to Listing Rule 4.7B**

**Name of Entity**

TITOMIC LIMITED

**ABN**

77 602 793 644

**Quarter Ended ("Current Quarter")**

30 June 2020

<b>Consolidated Statement of Cash Flows</b>		<b>Current Quarter \$A'000</b>	<b>Year-to-Date (12 months) \$A'000</b>
<b>1.</b>	<b>Cash flows from Operating Activities</b>		
1.1	Receipts from customers	96	309
1.2	Payments for:		
	(a) research and development	(166)	(657)
	(b) product manufacturing and operating costs	(600)	(2,374)
	(c) advertising and marketing	(40)	(583)
	(d) leased assets	(33)	(179)
	(e) staff costs	(1,554)	(5,443)
	(f) administration and corporate costs	(482)	(1,919)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	42	76
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	77	2,626
1.8	Other (provide details if material)	-	-
<b>1.9</b>	<b>Net Cash From / (Used In) Operating Activities</b>	<b>(2,660)</b>	<b>(8,144)</b>
<b>2.</b>	<b>Cash Flows from Investing Activities</b>		
2.1	Payments to acquire:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	(40)	(998)
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-

<b>Consolidated Statement of Cash Flows</b>		<b>Current Quarter \$A'000</b>	<b>Year-to-Date (12 months) \$A'000</b>
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	(107)
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	18	18
<b>2.6</b>	<b>Net Cash From / (Used In) Investing Activities</b>	<b>(22)</b>	<b>(1,087)</b>

<b>3.</b>	<b>Cash flows from Financing Activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	2,439	26,918
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	(56)	(1,465)
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
<b>3.10</b>	<b>Net Cash From / (Used In) Financing Activities</b>	<b>2,383</b>	<b>25,453</b>

<b>4.</b>	<b>Net Increase / (Decrease) in Cash and Cash Equivalents for the Period</b>		
4.1	Cash and cash equivalents at beginning of period	17,932	1,412
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,660)	(8,144)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(22)	(1,087)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	2,383	25,453
4.5	Effect of movement in exchange rates on cash held	-	-
<b>4.6</b>	<b>Cash and Cash Equivalents at End of Quarter</b>	<b>17,633</b>	<b>17,633</b>

<b>5.</b>	<b>Reconciliation of Cash and Cash Equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current Quarter \$A'000</b>	<b>Previous Quarter \$A'000</b>
5.1	Bank balances	17,633	17,932
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>17,633</b>	<b>17,932</b>

<b>6.</b>	<b>Payments to Related Parties of the Entity and their Associates</b>	<b>Current Quarter \$A'000</b>
6.1	Aggregate amount of payments to related parties and their associates included in item 1	261
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

Directors fees including retirement payment to the Chairman
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<b>7.</b>	<b>Financing facilities</b> <i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	<b>Total Facility Amount at Quarter End \$A'000</b>	<b>Amount Drawn at Quarter End \$A'000</b>
7.1	Loan facilities	-	-
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	<b>Total financing facilities</b>	<b>-</b>	<b>-</b>

7.5 **Unused financing facilities available at quarter end** -

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

Director salaries and fees at normal commercial rates. Amounts exclude GST where applicable.
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<b>8.</b>	<b>Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1	Net cash from / (used in) operating activities (Item 1.9)	(2,660)
8.2	Cash and cash equivalents at quarter end (Item 4.6)	17,633
8.3	Unused finance facilities available at quarter end (Item 7.5)	-
8.4	Total available funding (Item 8.2 + Item 8.3)	17,633
<b>8.5</b>	<b>Estimated quarters of funding available (Item 8.4 divided by Item 8.1)</b>	<b>6.6</b>

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: N/A

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: N/A

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: N/A

### Compliance Statement

1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.

2 This statement gives a true and fair view of the matters disclosed.

Date: 31 July 2020

Authorised by: The Audit Committee and Board of Titomic Limited

(Name of body or officer authorising release – see note 4)

### Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 107: Statement of Cash Flows apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.