

Review of Operations Q2 FY2021

Friday 29th January 2021:

Q2 FY2021 - Operations During the COVID-19 Pandemic

Titomic implemented Covid-19 health and safety policies and procedures to protect our staff and operations as the World confronts one of the greatest health threats of a generation. The impact on Titomic in Q2 FY2021, with the inability for professional interaction, has seen significant delays in sales orders and operations.

Q2 FY2021 - Melbourne TKF Bureau Production Highlights



Additive manufactured High Tensile Steel part produced by TKF for Defence project

Size: 450 mm D X 400 mm
H X 50 mm WT.
Weight: 131 Kg



Additive manufactured Titanium Grade 2 part produced by TKF for Defence project

Size: 600 mm D X 600 mm
L X 50 mm WT.
Weight: 82 Kg



Additive manufactured Invar tool, Titanium Grade 2 produced by TKF for Defence project

Size: 800 mm L X 500 mm WX 450 mm H.
Weight: 83 Kg

Australian Defence: Rifle barrel material evaluation and supply of demonstrator parts

Titomic received a purchase order and delivered a stage 1 technical report on suitable metals and is now awaiting instructions for demonstrator parts to be built with TKF.

US Aerospace: supply of demonstrator parts

Titomic completed and delivered stage 1 demonstrator TKF produced parts with a successful testing of radiation shielding now completed and moving to production of stage 2 small satellite casings.

US Defence Company: Titanium ballistic parts

Titomic completed and delivered TKF additive manufactured Titanium ballistic plates. These parts are now undertaking ballistics testing in the US.

US Defence Company: Titanium demonstrator part

Titomic completed and delivered TKF additive manufactured Titanium 3D boss featured parts to replace Titanium forgings. This part is now being evaluated for performance and TKF capability for OEM production.

US Defence Company: Inconel demonstrator part

Titomic completed and delivered a TKF additive manufactured Inconel 718 (Nickel Alloy) part with a world first heterogeneous copper and Titanium blend. These parts are being evaluated for metallurgical properties.

US Aerospace Company: Titanium demonstrator part for aircraft

Titomic completed and delivered TKF additive manufactured Titanium aircraft parts that are being evaluated for performance and TKF capability for OEM production.

UK Aerospace Company: Invar36 demonstrator tooling part repair

Titomic completed and delivered a TKF additive manufactured Invar36 tool part that is being evaluated for repair of aircraft tooling.

UK Defence Company: Titanium Ti6Al4V ballistic part

Titomic completed and delivered TKF additive manufactured Titanium Ti6Al4V ballistic parts. These parts are now undertaking ballistics testing in the UK.

UK Defence Company: Naval demonstrator parts

Titomic completed and delivered TKF additive manufactured copper and stainless-steel parts. These parts are now undertaking evaluation at the client's Australian division facilities.

US Defence: Titomic has completed TKF additive manufactured trials of High Tensile steels for NATO replacement parts which are now undertaking mechanical and metallurgical properties evaluation.

Q2 FY2021 - Research & Development

IMCRC: \$2.6M Research Project for TKF Manufactured Titanium Complex Structures

Titomic's joint IMCRC research project conducted alongside RMIT and CSIRO, has been completed. The research project outcome has provided further validation of Titomic Kinetic Fusion as a transformational industrial scale additive manufacturing technology for Manufactured Titanium Complex Structures. Considerable new IP was generated in this Government co-funded R&D project that is exclusive for Titomic to commercialise for Aerospace and Defence applications.

Q2 FY2021 - Titomic Head Office

Management Changes

Titomic has announced that as part of its commercialisation strategy within global defence, operational capabilities are being optimised for focussed growth in this sector. As such, Norbert Schulze, a 40-year veteran of the global defence, manufacturing, and automotive industries, has been appointed by the Board of Directors as interim Chief Executive Officer (CEO), 7th December 2020. He has been an adviser to global defence companies on strategy and growth opportunities. Mr Schulze previously served as senior executive of Rheinmetall as well as Renk Group in Europe, Africa as well as Australia.

He succeeds Jeff Lang, who has assumed the role of Chief Technology Officer (CTO) of the Company in addition to maintaining his role as an Executive Director of the Titomic Board. The Board has initiated a search process for a permanent CEO.

Enterprise Resource Planning System (“ERP”)

In alignment with best practices pertaining to cyber security and quality assurance, Titomic has begun the implementation of an ERP platform. The implementation forms part of Titomic’s Industry 4.0 practice, quality assurance measures, and contributes to the acquisition of quality standards certifications needed to operate within the global aerospace and defence sectors.

ISO:9001: Successful recertification of ISO9001 Quality Assurance.

Titomic has successfully completed its audit for recertification of ISO9001, a quality management system based on a number of quality management principles including a strong customer focus, the motivation and implication of top management, process approach and continual improvement. Using ISO9001 helps ensure that Titomic’s customers get consistent, good-quality products and services.

Cyber Security: Successful certifications of ISO27001 Information Security and Cyber.

Titomic received a grant from the Australian Government’s Centre for Defence Industry Capability to provide Titomic an incentive of \$98,300 to implement world-class cyber security practices and a cyber security management plan. The successful certification of ISO27001 and NIST 800-171 compliant, further heightens Titomic’s ability to operate within the international defence and aerospace sectors.

AS9100D: Commencement of AS9100D for Aerospace and Defence Quality Manufacturing.

Titomic has commenced the process of AS9100D certification, a crucial and advantageous quality management system for successful defence and aerospace manufacturers. Titomic has begun the rapid implementation of best practices required for this certification.

This Announcement has been authorised for release by the Board of Titomic Limited.

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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")

31 December 2020

Consolidated Statement of Cash Flows		Current Quarter \$A'000	Year-to-Date (6 months) \$A'000
1.	Cash flows from Operating Activities		
1.1	Receipts from customers	151	156
1.2	Payments for:		
	(a) research and development	(72)	(219)
	(b) product manufacturing and operating costs	(544)	(1,025)
	(c) advertising and marketing	(35)	(117)
	(d) leased assets	-	-
	(e) staff costs	(1,764)	(3,098)
	(f) administration and corporate costs	(706)	(1,353)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	15	32
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	38	150
1.8	Other (provide details if material)	-	-
1.9	Net Cash From / (Used In) Operating Activities	(2,918)	(5,475)
2.	Cash Flows from Investing Activities		
2.1	Payments to acquire:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	(19)	(57)
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-

Consolidated Statement of Cash Flows		Current Quarter \$A'000	Year-to-Date (6 months) \$A'000
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	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	36
2.6	Net Cash From / (Used In) Investing Activities	(19)	(21)
3.	Cash flows from Financing Activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
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	-	(4)
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net Cash From / (Used In) Financing Activities	-	(4)
4.	Net Increase / (Decrease) in Cash and Cash Equivalents for the Period		
4.1	Cash and cash equivalents at beginning of period	14,895	17,458
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,918)	(5,475)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(19)	(21)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	(4)
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and Cash Equivalents at End of Quarter	11,958	11,958

5. Reconciliation of Cash and Cash Equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current Quarter \$A'000	Previous Quarter \$A'000
5.1 Bank balances	11,958	14,895
5.2 Call deposits	-	-
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	-	-
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	11,958	14,895

6. Payments to Related Parties of the Entity and their Associates	Current Quarter \$A'000
6.1 Aggregate amount of payments to related parties and their associates included in item 1	300
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

7. Financing facilities <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>	Total Facility Amount at Quarter End \$A'000	Amount Drawn at Quarter End \$A'000
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	-	-

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.

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (Item 1.9)	(2,918)
8.2	Cash and cash equivalents at quarter end (Item 4.6)	11,958
8.3	Unused finance facilities available at quarter end (Item 7.5)	-
8.4	Total available funding (Item 8.2 + Item 8.3)	11,958
8.5	Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	4.1

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: 29 January 2021

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. Rental payments relating to factory and administrative premises have been classified as operational outflows with 1.2(b) and 1.2(f) respectively.
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.