

**Titomic Limited**  
**Appendix 4E**  
**Preliminary final report**

**1. Company details**

Name of entity:	Titomic Limited
ABN:	77 602 793 644
Reporting period:	For the year ended 30 June 2023
Previous period:	For the year ended 30 June 2022

**2. Results for announcement to the market**

			\$
Revenues from ordinary activities	down	16.4% to	4,450,394
Loss from ordinary activities after tax	down	15.3% to	(14,379,678)
Loss for the year	down	15.3% to	(14,379,678)

**3. Distributions**

*Current period*

There were no dividends paid, recommended or declared during the current financial period.

*Previous period*

There were no dividends paid, recommended or declared during the previous financial period.

**4. Net tangible assets**

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	0.25	2.88

**5. Explanation of results**

Refer to the Review of Operations. The directors' report will be released together with the audited annual report in September 2023.

**6. Control gained over entities**

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

**7. Details of associates and joint venture entities**

	Reporting entity's percentage holding		Contribution to net profit / (loss) in \$000s	
	30 June 2023 %	30 June 2022 %	30 June 2022	30 June 2021
Aranco Yatirim Insaat A.S. (Repkon JV)	49.00%	49.00%	-	-

**Titomic Limited**  
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**8. Audit**

The financial statements accompanying this preliminary Appendix 4E are in the process of being audited and are likely to contain an independent audit report that is subject to an unqualified opinion, with an emphasis of matter relating to going concern.

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**9. Signed**



Signed \_\_\_\_\_

Date: 31 August 2023

Humphrey Nolan  
Chairman  
Melbourne



31 August, 2023

## ASX Announcement

# Titomic Limited

## Appendix 4E - Preliminary Final Report

### Operational Update

7 July, 2022

#### **Sale of first four D523 systems into the Australian transport industry**

Titomic has received purchase orders from Australian-based companies for four separate D523 low pressure cold spray systems, totaling \$314,900 in sales.

29 July, 2022

#### **Boeing and Titomic - JP9102 Satellite Program**

As part of our commitment to furthering Australia's sovereign manufacturing capability across aerospace and defence, Titomic and Boeing completed initial tests of our 'green' titanium for space applications with promising results. Though the JP9102 program was awarded to Lockheed Martin, Titomic and Boeing continue to innovate and produce additive manufacturing solutions for aerospace.

30 August, 2022

#### **Financial year 2022 results**

Titomic reported revenue from customer sales of AUD 3.38 million; a seven-time increase on the prior corresponding period. Total revenue was AUD 5.32 million, up 168% on the prior corresponding period.

17 October, 2022

#### **Titomic Europe receives Horizon Europe Grant**

Titomic has received EUR 260,000 (~AUD 400,000) in COBRAIN funding to research and develop applications of artificial intelligence and machine learning within cold spray applications. The outcomes of the research will assist Titomic in optimising cold spray processes for manufacturing with new and existing materials and metals.

20 October, 2022

#### **Titomic USA enters renewable energy sector**

Titomic made its first sale in both the renewable energy sector and within North America with the sale of a Titomic D523 low-pressure cold spray system. The D523 was sold to Fire Island Wind, part of the Cook Inlet Region Inc. group, to repair and protect against corrosion of the company's steel wind turbine structures across Alaska.

26 October, 2022

#### **Titomic launches D623 system**

Titomic developed a new product; the Titomic D623 medium-pressure cold spray System and has received two purchase orders for these Systems, totaling AUD 270,000. This 'mid-pressure' system expands Titomic's capacity to work with various metals, unlocking new application possibilities. The D623 further extends Titomic's product line, enhancing Titomic's commercial offering and providing further product options to key prospective customers to meet their varying needs.

1 March, 2023

#### **Purchase order from Boeing**

Titomic received a purchase order from Boeing Space, Intelligence, and Weapons Systems (Boeing) for AUD 132,174 for the continuation of flight qualifications of Titomic Kinetic Fusion manufactured components, which were initiated in 2021. The purchase order is a result of an agreement made between Titomic and Boeing in May 2019, which was centered around the production of additively manufactured parts.

3 March, 2023

#### **Manufacturing purchase order from Triton**

Titomic received a purchase order for AUD 260,000 from Triton Systems for the manufacture of components using Titomic's patented additive manufacturing technology, Titomic Kinetic Fusion. Triton Systems is an esteemed and long-established company servicing the US Department of Defense and works to implement emerging advanced technologies within the United States' military.



28 March, 2023

#### **World's first automated glass mould coating system**

The glass mould coating system delivered to Vetropack in Austria has passed its Site Acceptance Test. During May 2022, Titomic Europe delivered its first glass mould coating System which was developed in collaboration with the International Partners in Glass Research (IPGR) - a leading global glass research organization headquartered in Germany - for the coating of glass moulds.

6 June, 2023

#### **Sale of Integrated Spray Booth to Perron038**

Titomic announced the sale of an Integrated Spray Booth to Perron038 for AUD 710,000, which will house a roboticised Titomic D623 medium-pressure cold spray unit. It has been agreed that the System will be delivered and paid for by the end of 2023. Located in the Netherlands, Perron038 is a research and development facilitator that connects high- tech companies, educational institutions and research companies for collaborative development.

### **Highlights Since Period End**

13 July, 2023

#### **Retail Entitlement Offer and Placement**

Titomic has completed a fully underwritten pro rata accelerated renounceable entitlement offer to existing eligible shareholders and a placement offer to raise AUD 6.5 million before costs. Funds raised under the Capital Raising will be used to develop increased manufacturing capacity, enhance capability for increased sales opportunities of current products and new business opportunities and to provide additional general working capital to advance the Company's business.

31 July, 2023

#### **Company restructure**

As originally announced in April 2023, Titomic successfully completed its company restructure in May 2023. The reorganisation has resulted in an optimal company size, enabling Titomic to efficiently meet immediate and near-term customer demands while prudently managing costs. This strategic move positions Titomic to seize upcoming opportunities and enhance overall performance.

31 July, 2023

#### **Establishing a global distribution network with resellers**

Titomic has strategically strengthened its global presence by forging a robust distribution network across nine countries, and particularly within the United States, where Titomic has partnered with three resellers. This expansion holds promising implications for the Company's overall sales and growth trajectory. By leveraging existing networks and collaborating with local sales teams intimately familiar with their client base and market intricacies, Titomic is ensuring an efficient and targeted approach. This comprehensive distribution strategy positions Titomic to effectively navigate diverse markets, build strong customer relationships, and ultimately achieve sustained success.

10 August, 2023

#### **Order for high-pressure cold spray system**

Titomic received a purchase order from Sabanci University's Integrated Manufacturing Technologies Research and Application Center. The System was sold for EUR 1.4 million (AUD 2.4 million) and is expected to be delivered, installed, and paid for by April 2024. The System incorporates Titomic's roboticised high-pressure Titomic Kinetic Fusion technology, also known as cold spray, to enable novel additive manufacturing, material science, and surface engineering capabilities.

23 August, 2023

#### **Order from French Ministry of the Armed Forces**

Titomic received a purchase order from the French Ministry of the Armed Forces for a D523 low-pressure cold spray system. The sale was made to the Ministry for EUR 58,379 (AUD 99,168), which purchased the D523 on behalf of the Fleet Support Service of the Navy Nationale (French Navy). It is expected the D523 will be used in the sustainment and maintenance of the French Navy's fleet and be used specifically to treat corrosion, restore worn surfaces, and restore part geometries in-situ, enabling faster, more cost-effective maintenance.

**Titomic Limited**

**Financial Report - 30 June 2023**

**ABN 77 602 793 644**

**Titomic Limited**  
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**Titomic Limited**  
**Consolidated statement of profit or loss and other comprehensive income**  
**For the year ended 30 June 2023**

		<b>Consolidated</b>	
	<b>Note</b>	<b>30 June 2023</b>	<b>30 June 2022</b>
		<b>\$</b>	<b>\$</b>
<b>Revenue</b>	2	4,450,394	5,320,623
<b>Expenses</b>			
Production and related expenses		(702,993)	(2,015,693)
Corporate and administrative expenses		(3,087,996)	(3,770,555)
Production expenses related to the space grant program		(243,898)	(1,419,765)
Employee and director expenses		(6,623,501)	(6,918,776)
Share based payment expenses	4	(1,512,078)	(2,226,111)
Remuneration Expense on Tri-D Transaction & Dycomet acquisition	3	(162,415)	(2,599,255)
Impairment loss	5	(2,224,537)	(320,624)
Marketing and promotion expenses		(1,954,615)	(1,149,323)
Depreciation expenses		(1,529,691)	(1,468,538)
Amortisation expenses		(185,177)	(283,385)
Other expenses		(136,122)	(67,453)
Finance costs		(467,049)	(53,031)
<b>Loss before income tax expense</b>		(14,379,678)	(16,971,886)
Income tax expense	6	-	-
<b>Loss after income tax expense for the year</b>		(14,379,678)	(16,971,886)
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		52,702	(51,154)
Other comprehensive income for the year, net of tax		52,702	(51,154)
<b>Total comprehensive income for the year</b>		<u>(14,326,976)</u>	<u>(17,023,040)</u>
<b>Loss per share attributable to the owners of the Company</b>			
		<b>Cents</b>	<b>Cents</b>
Basic earnings per share	7	(6.55)	(9.05)
Diluted earnings per share	7	(6.55)	(9.05)

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

**Titomic Limited**  
**Consolidated statement of financial position**  
**As at 30 June 2023**

		<b>Consolidated</b>	
	<b>Note</b>	<b>30 June 2023</b>	<b>30 June 2022</b>
		<b>\$</b>	<b>\$</b>
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	8	1,470,969	7,108,180
Trade and other receivables	9	371,181	951,913
Inventories	10	2,733,253	2,109,631
Other current assets	11	1,198,885	677,409
Total current assets		<u>5,774,288</u>	<u>10,847,133</u>
<b>Non-current assets</b>			
Property, plant and equipment	12	1,426,693	2,022,865
Right-of-use assets	13	55,291	1,401,891
Intangible assets	14	-	546,466
Total non-current assets		<u>1,481,984</u>	<u>3,971,222</u>
<b>Total assets</b>		<u>7,256,272</u>	<u>14,818,355</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	15	929,036	1,102,759
Other financial liabilities	18	1,925,413	2,265,624
Provisions	16	835,716	1,370,560
Borrowings	17	1,017,725	-
Total current liabilities		<u>4,707,890</u>	<u>4,738,943</u>
<b>Non-current liabilities</b>			
Other financial liabilities	20	1,698,455	2,176,540
Provisions	19	611,664	490,252
Total non-current liabilities		<u>2,310,119</u>	<u>2,666,792</u>
<b>Total liabilities</b>		<u>7,018,009</u>	<u>7,405,735</u>
<b>Net assets</b>		<u>238,263</u>	<u>7,412,620</u>
<b>Equity</b>			
Issued capital	21	63,790,575	57,853,211
Foreign currency translation reserves		1,548	(51,154)
Share based payments reserves	22	7,822,965	6,607,710
Accumulated losses	23	<u>(71,376,825)</u>	<u>(56,997,147)</u>
<b>Total equity</b>		<u>238,263</u>	<u>7,412,620</u>

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



**Titomic Limited**  
**Consolidated statement of changes in equity**  
**For the year ended 30 June 2023**

<b>Consolidated</b>	<b>Issued capital \$</b>	<b>Share based payments Reserves \$</b>	<b>Foreign currency translation reserves \$</b>	<b>Accumulated losses \$</b>	<b>Total equity \$</b>
Balance at 1 July 2021	45,853,616	3,613,198	-	(40,025,261)	9,441,553
Loss after income tax expense for the year	-	-	-	(16,971,886)	(16,971,886)
Other comprehensive income for the year, net of tax	-	-	(51,154)	-	(51,154)
Total comprehensive income for the year	-	-	(51,154)	(16,971,886)	(17,023,040)
<i>Transactions with Owners in their capacity as Owners:</i>					
Contributions of equity, net of transaction costs (note 21)	12,423,968	-	-	-	12,423,968
Share-based payments (note 4)	322,596	2,994,512	-	-	3,317,108
Transaction costs (note 21)	(746,969)	-	-	-	(746,969)
Balance at 30 June 2022	<u>57,853,211</u>	<u>6,607,710</u>	<u>(51,154)</u>	<u>(56,997,147)</u>	<u>7,412,620</u>

<b>Consolidated</b>	<b>Issued capital \$</b>	<b>Share based payments Reserves \$</b>	<b>Foreign currency translation reserves \$</b>	<b>Accumulated losses \$</b>	<b>Total equity \$</b>
Balance at 1 July 2022	57,853,211	6,607,710	(51,154)	(56,997,147)	7,412,620
Loss after income tax expense for the year	-	-	-	(14,379,678)	(14,379,678)
Other comprehensive income for the year, net of tax	-	-	52,702	-	52,702
Total comprehensive income for the year	-	-	52,702	(14,379,678)	(14,326,976)
<i>Transactions with Owners in their capacity as Owners:</i>					
Contributions of equity(note 21)	5,100,000	-	-	-	5,100,000
Share-based payments (note 3 and note 4)	1,182,074	465,255	-	-	1,647,329
Transaction costs (note 21)	(344,710)	-	-	-	(344,710)
Advance payment for share capital issued post year-end	-	750,000	-	-	750,000
Balance at 30 June 2023	<u>63,790,575</u>	<u>7,822,965</u>	<u>1,548</u>	<u>(71,376,825)</u>	<u>238,263</u>

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

**Titomic Limited**  
**Consolidated statement of cash flows**  
**For the year ended 30 June 2023**

		<b>Consolidated</b>	
	<b>Note</b>	<b>30 June 2023</b>	<b>30 June 2022</b>
		<b>\$</b>	<b>\$</b>
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of GST)		3,177,130	3,015,475
Payments to suppliers and employees (inclusive of GST)		(12,265,924)	(16,056,931)
		(9,088,794)	(13,041,456)
Interest received		23,023	19,774
Other revenue		1,830,973	2,913,687
Interest and other finance costs paid		(467,049)	(53,031)
Net cash used in operating activities		(7,701,847)	(10,161,026)
<b>Cash flows from investing activities</b>			
Payment for purchase of business, net of cash acquired		-	(1,364,805)
Payments for property, plant and equipment	12	(2,934,458)	(597,046)
Proceeds from release of security deposits		149,401	-
Net cash used in investing activities		(2,785,057)	(1,961,851)
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares	21	5,100,000	12,423,968
Proceeds from borrowings		900,000	-
Repayment of borrowings		(300,000)	-
Proceeds/(repayment) of leases		(923,322)	(353,376)
Loans from/(to) related and other parties		417,725	-
Share issue transaction costs		(344,710)	(746,969)
Net cash from financing activities		4,849,693	11,323,623
Net decrease in cash and cash equivalents		(5,637,211)	(799,254)
Cash and cash equivalents at the beginning of the financial year		7,108,180	7,946,161
Effects of exchange rate changes on cash and cash equivalents		-	(38,727)
Cash and cash equivalents at the end of the financial year	8	<u>1,470,969</u>	<u>7,108,180</u>

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

## **1. Segment information**

### *Identification of reportable operating segments*

The Consolidated entity is organised into three operating segments. These operating segments are based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources. There is no aggregation of operating segments.

The CODM reviews EBITDA (earnings before interest, tax, depreciation and amortisation). The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements.

The information reported to the CODM is on a monthly basis.

The Consolidated entity operates in three geographical segments; located in Australia, USA and Netherlands. Segment details are therefore already deemed to be fully reflected in the body of the financial report.

The principal products and services of each of these operating segments are as follows:

- *Australia:* High pressure, large scale cold spray additive manufacturing machines and manufactured products for customers in the Aerospace and Defence industry segments.
- *USA:* Sales, marketing and customer relationship activities in the US and globally to develop business with the Aerospace and Defence industry customers, particularly in the USA.
- *Netherlands:* Low and Medium pressure cold spray additive manufacturing machines for use by end customers in providing various metal coating and repair services.

### *Intersegment transactions*

Intersegment transactions were made at market rates. Intersegment transactions are eliminated on consolidation.

### *Intersegment receivables, payables and loans*

Intersegment loans are initially recognised at the consideration received. Intersegment loans receivable and loans payable that earn or incur non-market interest are not adjusted to fair value based on market interest rates. Intersegment loans are eliminated on consolidation.

**Titomic Limited**  
**Notes to the consolidated financial statements**  
**30 June 2023**

**1. Segment information (continued)**

*Operating segment information*

<b>Consolidated - 30 June 2023</b>	<b>Australia \$</b>	<b>USA \$</b>	<b>Europe \$</b>	<b>Consolidated \$</b>
<b>Revenue</b>				
External customer sales	1,097,794	369,175	1,152,452	2,619,421
Intersegment sales	44,181	-	1,544,745	1,588,926
Total sales revenue	1,141,975	369,175	2,697,197	4,208,347
Grant revenue	1,021,905	-	-	1,021,905
Other revenue	786,045	-	-	786,045
Interest revenue	23,023	-	-	23,023
<i>Intersegment eliminations</i>	(44,181)		(1,544,745)	(1,588,926)
<b>Total revenue</b>	<b>2,928,767</b>	<b>369,175</b>	<b>1,152,452</b>	<b>4,450,394</b>
<b>EBITDA</b>	(8,624,473)	(1,690,976)	(124,824)	(10,440,273)
Depreciation and amortisation	(1,526,781)	-	(188,087)	(1,714,868)
Impairment of assets	(1,748,167)	-	(476,370)	(2,224,537)
<i>Intersegment eliminations</i>				-
<b>Loss before income tax expense</b>	<b>(11,899,421)</b>	<b>(1,690,976)</b>	<b>(789,281)</b>	<b>(14,379,678)</b>
Income tax expense				-
<b>Loss after income tax expense</b>				<b>(14,379,678)</b>
<b>Assets</b>				
<b>Segment assets</b>	<b>10,148,875</b>	<b>86,208</b>	<b>1,891,018</b>	<b>12,126,101</b>
Intersegment eliminations				(4,869,829)
<b>Total assets</b>				<b>7,256,272</b>
<b>Liabilities</b>				
<b>Segment liabilities</b>	<b>6,037,047</b>	<b>2,789,849</b>	<b>1,025,663</b>	<b>9,852,559</b>
Intersegment eliminations				(2,834,550)
<b>Total liabilities</b>				<b>7,018,009</b>

**Titomic Limited**  
**Notes to the consolidated financial statements**  
**30 June 2023**

**1. Segment information (continued)**

<b>Consolidated - 30 June 2022</b>	Australian segment \$	USA \$	Europe \$	Total \$
<b>Revenue</b>				
Sales to external customers	2,376,815	31,498	973,152	3,381,465
Intersegment sales	64,841	-	473,853	538,694
Total sales revenue	2,441,656	31,498	1,447,005	3,920,159
Grant revenue	779,298	-	-	779,298
Other revenue	1,140,086	-	-	1,140,086
Interest revenue	19,774	-	-	19,774
<i>Intersegment eliminations</i>	(64,841)	-	(473,853)	(538,694)
<b>Total revenue</b>	<b>4,315,973</b>	<b>31,498</b>	<b>973,152</b>	<b>5,320,623</b>
<b>EBITDA</b>	4,380,814	31,498	1,447,005	5,859,317
Depreciation and amortisation	(1,504,573)	-	(247,350)	(1,751,923)
Other expenses	(18,456,223)	(1,048,645)	(1,574,412)	(21,079,280)
Impairment of assets	(1,581,888)	1,012,665	569,223	-
<b>Profit/(loss) before income tax expense</b>	<b>(17,161,870)</b>	<b>(4,482)</b>	<b>194,466</b>	<b>(16,971,886)</b>
Income tax expense				-
<b>Loss after income tax expense</b>				<b>(16,971,886)</b>
<i>Material items include:</i>				
Foreign currency translation reserves	-	4,482	(55,636)	(51,154)
<b>Total Comprehensive Loss for The Year</b>	<b>(17,161,870)</b>	<b>-</b>	<b>138,830</b>	<b>(17,023,040)</b>
<b>Assets</b>				
<b>Segment assets</b>	16,108,583	89,967	1,961,225	18,159,775
Intersegment eliminations				(3,341,420)
<b>Total assets</b>				<b>14,818,355</b>
<b>Liabilities</b>				
<b>Segment liabilities</b>	7,188,223	1,167,313	356,342	8,711,878
Intersegment eliminations				(1,306,143)
<b>Total liabilities</b>				<b>7,405,735</b>

**2. Revenue**

	<b>Consolidated</b>	
	<b>30 June 2023</b>	<b>30 June 2022</b>
	<b>\$</b>	<b>\$</b>
Revenue from contracts with customers	2,619,421	3,381,465
R&D tax incentive	786,045	1,140,086
Space grant revenue	982,499	743,806
Other grants	39,406	35,492
Interest received	23,023	19,774
<b>Revenue</b>	<b>4,450,394</b>	<b>5,320,623</b>

### **3. Remuneration Expense on Tri-D Transaction & Dycomet acquisition**

	<b>Consolidated</b>	
	<b>30 June 2023</b>	<b>30 June 2022</b>
	<b>\$</b>	<b>\$</b>
Share based payments expense (Dycomet)	130,880	110,718
Share based payments expense (Tri-D)	4,371	980,280
Cash remuneration (Tri-D)	18,387	1,373,856
Taxes due (Tri-D)	8,777	134,401
	<u>162,415</u>	<u>2,599,255</u>

#### **Tri-D Dynamic Inc. Transaction**

On 09 July 2021, the Company entered into an Asset Purchase Agreement. In the Agreement, Tri-D Dynamics Inc. (Tri D) agreed to sell substantially all the assets and liabilities of the company. This transaction did not meet the definition of a business and therefore was not accounted for in accordance with AASB 3 *Business Combinations*. Pursuant to the agreement, Titomic agreed to a compensation structure comprising two cash payments of USD\$500,000 each to be paid after six months and twelve months of the transaction date (09 July 2021), refund of income tax levied by IRS to each founder - total amounting of USD\$112,500 and issuance of USD\$500,000 worth of equity shares of the Company to each individual (determined as at the transaction date) with first, second and third tranche due after 12, 24 and 36 months respectively, after the transaction date. Payment of this employment compensation is subject to the continued employment of the Tri D employees in the business. The second and third tranche payments have been accrued and are included in note 16.

The Company's obligations for the consideration described above do not apply if, on the date for delivery of cash as well as equity shares, any of Founders are or have become a "Bad Leaver" as defined in the asset purchase agreement.

Tri D transaction also involves remuneration for services in the form of Short-term incentives ('STI') and Long term incentives ('LTI').

STI involves a guaranteed bonus in the first year of USD80,000 to each of the three employees, but this can be paid in shares at the Company's discretion. In June 2022, the Company agreed to settle the STI in shares; due on the first anniversary of their employment, that is, 16 August 2022. After the first year, the employees are eligible for an STI up to 50% of the Base Salary at the time, which can be settled in cash or shares at the Company's discretion.

Long-term incentives ('LTI') involve each employee being entitled to 150,000 share rights in the Company on the first, second and third anniversaries.

As such, the Company has accounted for these cash and share-based payments in accordance with AASB 119 *Employee benefits* and AASB 2 *Share-Based payment*.

### **4. Share based payment expenses**

	<b>Consolidated</b>	
	<b>30 June 2023</b>	<b>30 June 2022</b>
	<b>\$</b>	<b>\$</b>
Share based payments expense - Directors	819,370	1,267,902
Share based payments expense on cancellation of Directors' Performance rights	-	636,641
Share based payments expense - Employees	692,708	234,068
Share based payment expense to Lightforce to settle a liability	-	87,500
	<u>1,512,078</u>	<u>2,226,111</u>

**Titomic Limited**  
**Notes to the consolidated financial statements**  
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**5. Impairment loss**

	<b>Consolidated</b>	
	<b>30 June 2023</b>	<b>30 June 2022</b>
Impairment of property, plant and equipment	774,002	-
Impairment of right of use assets	974,164	-
Impairment of intangibles	476,370	-
Impairment of goodwill	-	320,264
	<u>2,224,536</u>	<u>320,264</u>

Management considers the relationship between its market capitalisation and the book value of its equity, among other factors, when reviewing for indicators of impairment. As at 30 June 2023, the market capitalisation of the Company was above its book value; however, there were other internal indicators of impairment.

As a result, management performed an impairment test as at 30 June 2023. The impairment test was based on a value in use methodology in accordance with AASB 136: Impairment of Assets. Given the uncertainty attached to future cashflows, an impairment loss has been recognised for those intangible and other non-current assets that had a value in use or fair value less cost to sell below its carrying amount in accordance with the accounting standard.

**6. Income tax expense**

	<b>Consolidated</b>	
	<b>30 June 2023</b>	<b>30 June 2022</b>
	<b>\$</b>	<b>\$</b>
<b><i>Income tax expense</i></b>		
Income tax expense	-	-
Aggregate income tax expense	<u>-</u>	<u>-</u>
<b><i>Reconciliation of income tax expense to prima facie tax payable</i></b>		
Loss before income tax expense	(14,379,678)	(16,971,886)
Tax at the statutory tax rate of 25%	(3,594,920)	(4,242,972)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Non-assessable R&D tax incentive income	(196,511)	(285,022)
Non-allowable expenses	864,254	1,159,626
Tax losses for which no deferred tax asset is recognised	2,896,915	3,038,666
Timing differences for which no DTA is recognised	(241,215)	(9,403)
Net income tax losses of foreign controlled entities not recognised	271,477	339,105
Income tax expense	<u>-</u>	<u>-</u>
<b><i>Unrecognised potential tax benefits</i></b>		

	<b>Consolidated</b>	
	<b>30 June 2023</b>	<b>30 June 2022</b>
	<b>\$</b>	<b>\$</b>
Unused tax losses for which no deferred tax asset has been recognised	14,666,369	11,769,454

The potential tax benefit can only be utilised by the Company in the future if it generates sufficient tax profits and in relation to tax losses, the continuity of ownership test is passed or failing that, the same business test is passed.

The unrecognised potential tax benefit disclosed is attributable to the Australian segment only.

**Titomic Limited**  
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**7. Loss per share**

	<b>Consolidated</b>	
	<b>30 June 2023</b>	<b>30 June 2022</b>
	<b>\$</b>	<b>\$</b>
<i>Earnings per share for loss from continuing operations</i>		
Loss after income tax	<u>(14,379,678)</u>	<u>(16,971,886)</u>
	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares used in calculating basic and diluted earnings per share	<u>219,514,652</u>	<u>187,602,729</u>
Weighted average number of ordinary shares used in calculating basic and diluted earnings per share	<u>219,514,652</u>	<u>187,602,729</u>
	<b>Cents</b>	<b>Cents</b>
Basic earnings per share	(6.55)	(9.05)
Diluted earnings per share	(6.55)	(9.05)

During a loss period, the effect of the potential exercise of stock options and performance rights is not considered in the diluted loss per share calculation since the effect would be anti-dilutive.

**8. Cash and cash equivalents**

	<b>Consolidated</b>	
	<b>30 June 2023</b>	<b>30 June 2022</b>
	<b>\$</b>	<b>\$</b>
Cash at bank	<u>1,470,969</u>	<u>7,108,180</u>

**9. Trade and other receivables**

	<b>Consolidated</b>	
	<b>30 June 2023</b>	<b>30 June 2022</b>
	<b>\$</b>	<b>\$</b>
Trade receivables	305,874	847,101
Other receivables	<u>65,307</u>	<u>104,812</u>
	<u>371,181</u>	<u>951,913</u>



**Titomic Limited**  
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**10. Inventories**

	<b>Consolidated</b>	
	<b>30 June 2023</b>	<b>30 June 2022</b>
Raw material at cost	1,778,629	1,526,520
Less: Provision for obsolescence	(198,339)	(263,557)
Work in progress at cost	1,290,036	1,289,392
Less: Provision for obsolescence	(538,214)	(687,405)
Finished goods - at cost	401,141	244,681
Less: Provision for obsolescence	-	-
	<u>2,733,253</u>	<u>2,109,631</u>

**11. Other current assets**

	<b>Consolidated</b>	
	<b>30 June 2023</b>	<b>30 June 2022</b>
	<b>\$</b>	<b>\$</b>
Prepayments	828,985	158,108
Deposits	369,900	519,301
	<u>1,198,885</u>	<u>677,409</u>

**12. Property, plant and equipment**

	<b>Consolidated</b>	
	<b>30 June 2023</b>	<b>30 June 2022</b>
	<b>\$</b>	<b>\$</b>
Building fitouts	548,388	68,146
Less: Accumulated depreciation	(374,368)	(9,268)
Less: Provision for impairment	(22,540)	-
	<u>151,480</u>	<u>58,878</u>
Factory equipment	2,062,014	1,632,452
Less: Accumulated depreciation	(1,211,204)	(956,287)
Less: Provision for impairment	(525,148)	-
	<u>325,662</u>	<u>676,165</u>
Computer Equipment	354,709	367,575
Less: Accumulated depreciation	(315,580)	(293,143)
Less: Provision for impairment	(30,768)	-
	<u>8,361</u>	<u>74,432</u>
Machinery	5,587,213	3,487,492
Less: Accumulated depreciation	(5,391,667)	(2,415,781)
Less: Provision for impairment	(195,546)	-
	<u>-</u>	<u>1,071,711</u>
Capital work in progress	941,190	141,679
	<u>1,426,693</u>	<u>2,022,865</u>

**Titomic Limited**  
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**13. Right-of-use assets**

	<b>Consolidated</b>	
	<b>30 June 2023</b>	<b>30 June 2022</b>
	<b>\$</b>	<b>\$</b>
Buildings	2,237,414	1,519,709
Less: Accumulated depreciation	(1,207,959)	(117,818)
Less: Provision for impairment	(974,164)	-
	<u>55,291</u>	<u>1,401,891</u>

The details on contractual terms and conditions pertinent to material lease arrangements are explained in note 18

**14. Intangible assets**

	<b>Consolidated</b>	
	<b>30 June 2023</b>	<b>30 June 2022</b>
	<b>\$</b>	<b>\$</b>
Technology - at cost	438,857	438,857
Less: Accumulated amortisation	(101,278)	(53,970)
Less: Provision for impairment	(337,579)	-
	<u>-</u>	<u>384,887</u>
Customer relations - at cost	264,483	264,483
Less: Accumulated amortisation	(146,235)	(126,976)
Less: Provision for impairment	(118,248)	-
	<u>-</u>	<u>137,507</u>
Brand - at cost	28,095	28,095
Less: Accumulated amortisation	(7,551)	(4,023)
Less: Provision for impairment	(20,544)	-
	<u>-</u>	<u>24,072</u>
	<u>-</u>	<u>546,466</u>

**15. Trade and other payables**

	<b>Consolidated</b>	
	<b>30 June 2023</b>	<b>30 June 2022</b>
	<b>\$</b>	<b>\$</b>
Trade payables	645,126	216,161
Accrued expenses	63,279	599,778
Other payables	220,631	286,820
	<u>929,036</u>	<u>1,102,759</u>

**Titomic Limited**  
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**16. Provisions (current)**

	<b>Consolidated</b>	
	<b>30 June 2023</b>	<b>30 June 2022</b>
	<b>\$</b>	<b>\$</b>
Employee benefits	271,036	328,314
Contingent employee benefits (Tri-D)	-	707,898
Taxes payable on Tri-D transaction	152,947	141,874
Deferred consideration (Dycomet)	411,733	192,474
	<u>835,716</u>	<u>1,370,560</u>

**17. Borrowings**

	<b>Consolidated</b>	
	<b>30 June 2023</b>	<b>30 June 2022</b>
	<b>\$</b>	<b>\$</b>
Bridging loan	600,000	-
Insurance premium funding	416,486	-
Other	1,239	-
	<u>1,017,725</u>	<u>-</u>

The bridging loan was drawn to supplement working capital while the Company finalised a capital raising process. The remaining loan balance was repaid during July 2023 on successful completion of a pro rata, accelerated renounceable entitlement offer.

During the year, the Company utilised an insurance premium funding facility which is repaid in monthly instalments across the duration of the insurance premium.

**18. Other financial liabilities (current)**

	<b>Consolidated</b>	
	<b>30 June 2023</b>	<b>30 June 2022</b>
Government grant liabilities	38,738	1,021,237
CSIRO IP Liability	660,714	529,698
Contract liabilities	819,108	341,585
Lease liability	406,853	373,104
	<u>1,925,413</u>	<u>2,265,624</u>

Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

The CSIRO liability comprises the net present value of the performance criteria as defined in note 20.

**Contract liabilities**

Contract liabilities represent the consolidated entity's obligation to transfer goods or services to a customer and are recognised when a customer pays consideration or when the consolidated entity recognises a receivable to reflect its unconditional right to consideration (whichever is earlier) before the consolidated entity has transferred the goods or services to the customer.

## **18. Other financial liabilities (current) (continued)**

### **Lease Liabilities**

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are not included in the lease term since the non-utilisation of the extension option at the time of the lease is reasonably certain.

The Company has two material leases for premises as follows:

#### *Melbourne Head Office*

The Company entered into a new lease for corporate office space in the building next door to the existing factory location. The lease commences on 1 Mar 2022 for an initial term of three years. The lease includes an option to exercise for a further term of two years resulting in an expiry date of 28 Feb 2027.

#### *Melbourne Factory*

The lease for the existing location of the factory was extended effective from 1 Apr 2022 for a further five years with a new expiry date of 31 Mar 2027. This renegotiated lease term lines up closely with the lease of the corporate head office in the building next door, providing flexibility to consider options for co-location if desired in the future.

## **19. Provisions (non current)**

	<b>Consolidated</b>	
	<b>30 June 2023</b>	<b>30 June 2022</b>
	<b>\$</b>	<b>\$</b>
Employee benefits	64,918	77,427
Deferred consideration for Dycomet acquisition (note 32)	289,888	155,967
Contingent consideration for Dycomet acquisition (note 32)	176,476	176,476
Lease make good	48,505	48,505
Warranties	31,877	31,877
	<u>611,664</u>	<u>490,252</u>

## **20. Other financial liabilities (non current)**

	<b>Consolidated</b>	
	<b>30 June 2023</b>	<b>30 June 2022</b>
	<b>\$</b>	<b>\$</b>
Lease liabilities	704,670	1,051,739
CSIRO IP Liability	993,785	1,124,801
	<u>1,698,455</u>	<u>2,176,540</u>

Lease liabilities are explained in the disclosure note 18

### **CSIRO IP Liability**

The Company has three core pieces of Intellectual Property (IP) around its Titomic Kinetic Fusion (TKF) Cold Spray robotic technology manufacturing process. TKF is the process of spraying metal powders 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.

The Company has exclusively licensed the IP for three royalty-bearing licences owned by the Commonwealth Scientific and Industrial Research Organisation (CSIRO). The licences are in respect of:

**20. Other financial liabilities (non current) (continued)**

- (1) **Patent Application No PCT/AU2013/000318** "A Process For Producing A Titanium Load-bearing Structure", and any applicable Know-How and relevant subject matter;
- (2) **Patent Application No PCT/AU2009/000276** "Manufacture of Pipes" using Titanium and Titanium Alloys; and any applicable Know-How and relevant subject matter; and
- (3) **Patent Application No PCT/AU2013/001382** "Method of forming seamless pipe of titanium and/or titanium alloys", and any applicable Know How and relevant subject matter.

The term of these licences is to the expiration, lapsing or cessation of all licenced patents, a maximum of 20 years or the life of the underlying patent.

Under the agreement, Titomic Limited must pay CSIRO 1.5% of attributable gross sales revenue attributed to products produced utilising the licensed patented technologies within the licensed field 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 Company satisfying the following performance criteria:

- A minimum of \$350,000 of research fees payable by Titomic Limited to CSIRO from Commencement Date to 30 June 2021;
- A minimum of \$200,000 of research fees per financial year commencing 1 July 2018 and finishing on 30 June 2021; and,
- Minimum royalty payments are structured as follows:

Period	Minimum Royalty \$
2017 - 2018	25,000
2018 - 2019	50,000
2019 - 2020	75,000
2020 - 2021	75,000
Year 4 and every subsequent agreement year until the end of license term	150,000

The above performance criteria is discounted using an indicative discount rate of 7.00% pa and has been spread over the period to determine the value of the intangible asset acquired.

**21. Issued capital**

	Consolidated			
	30 June 2023	30 June 2022	30 June 2023	30 June 2022
	Shares	Shares	\$	\$
Ordinary shares - fully paid	<u>238,989,955</u>	<u>202,530,093</u>	<u>63,790,575</u>	<u>57,853,211</u>

**Titomic Limited**  
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**21. Issued capital (continued)**

*Movements in ordinary share capital*

Details	Date	Shares	Issue price	\$
Balance	1 July 2021	153,249,669		45,853,616
Issue of share capital to sophisticated investors	22 Oct 2021	33,919,232	\$0.26	8,819,000
Issue of share capital to employees	22 Oct 2021	176,923	\$0.26	46,000
Issue of share capital under share purchase plan	18 Nov 2021	3,553,835	\$0.26	923,980
Issue of share capital to directors	23 Dec 2021	519,230	\$0.26	134,988
Issue of share capital to Repkon	29 Dec 2021	9,615,384	\$0.26	2,500,000
Issue of share capital to the Managing Director	13 May 2022	865,385	\$0.19	160,096
Issue of share capital to an employee	16 May 2022	250,000	\$0.30	75,000
Issue of share capital to Lightforce Australia Pty Ltd	16 May 2022	380,435	\$0.23	87,500
Less: Transaction cost arising on shares' issue		-	\$0.00	(746,969)
Balance	30 June 2022	202,530,093		57,853,211
Issue of share capital for Tri-D consideration	28 Jul 2022	1,044,683	\$0.23	236,620
Issue of share capital to employees	29 Aug 2022	1,175,883	\$0.29	341,006
Issue of share capital to employees	2 Sep 2022	846,952	\$0.28	237,147
Issue of share capital	8 Dec 2022	16,735,556	\$0.16	2,677,690
Issue of share capital for Tri-D consideration	21 Dec 2022	500,000	\$0.16	80,000
Issue of share capital to employees	21 Dec 2022	80,000	\$0.16	12,800
Issue of share capital to employees	17 Feb 2023	150,000	\$0.43	64,500
Issue of share capital to Repkon	23 Feb 2023	14,045,694	\$0.16	2,247,311
Issue of share capital to employees	17 Mar 2023	150,000	\$0.43	64,500
Issue of share capital to directors	4 May 2023	1,093,750	\$0.16	175,000
Issue of share capital to directors	4 May 2023	187,344	\$0.12	22,500
Issue of share capital to employees	19 May 2023	250,000	\$0.30	75,000
Issue of share capital to employees	19 May 2023	200,000	\$0.24	48,000
Less: Transaction cost arising on shares' issue		-	\$0.00	(344,710)
Balance	30 June 2023	<u>238,989,955</u>		<u>63,790,575</u>

***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.

***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.

## 22. Share based payments reserves

	<b>Consolidated</b>	
	<b>30 June 2023</b>	<b>30 June 2022</b>
	<b>\$</b>	<b>\$</b>
Tri D & Dycomet Shares reserves	419,664	1,090,998
Directors & employee incentive plan	2,672,845	2,241,659
Options reserve	117,719	2,256,646
Reserve for forfeited share rights and options	3,862,737	1,018,407
Other reserves	750,000	-
	<u>7,822,965</u>	<u>6,607,710</u>

### (a) Tri D & Dycomet Shares reserves

On 9 July 2021, the Company acquired the assets and liabilities of Tri-D Dynamics Inc. As part of the consideration, the Company agreed to issue USD 500,000 worth of equity shares to each individual in 3 tranches 1, 2 and 3 years after the acquisition date. Issue of these shares is contingent on continued employment in the business.

On 30 November 2021, as part of the acquisition of Dycomet NL, the company agreed to issue 500,000 shares in Titomic Limited at the end of 1 year, 2 years and 3 years after the acquisition date. Each of these yearly issues of shares is contingent on a key employee being retained in employment by the company.

### (b) Directors & employee incentive plan

The Board has undergone a period of change since July 2021. As such, to align the interests of the Board and Shareholders, consideration has been given to the remuneration of the Directors. As approved at the Extraordinary General Meeting on 2 May 2022, Shareholders approved resolutions for all unearned performance rights currently held by Directors (other than Mr Jeffrey Lang) as at the date of the Meeting to be forfeited by the relevant Directors.

The performance hurdle for the cancelled rights was based on the company's 5-day VWAP share price and set at \$0.80. The performance hurdle for the newly approved rights was based on the company's 5-day VWAP share price and set at \$0.40.

The fair value of the performance rights granted on 02 May 2022 has been calculated using the Monte Carlo simulation model using the following key assumptions and inputs, explained below:

Grant date	No of performance rights	Spot price	Risk free rate %	Expiry date	Volatility rate %	Fair value
02 May 2022	6,655,808	\$0.185	3.03%	02 May 2027	75.00%	967,314
02 May 2022	4,000,000	\$0.185	3.03%	02 May 2027	75.00%	581,336
02 May 2022	2,000,000	\$0.185	3.03%	02 May 2027	75.00%	290,669
02 May 2022	2,000,000	\$0.185	3.03%	02 May 2027	75.00%	290,669
02 May 2022	2,000,000	\$0.185	3.03%	02 May 2027	75.00%	290,663
	<u>16,655,808</u>					<u>2,420,651</u>

*Risk-Free rate:* The observed 5-year yield on Commonwealth Government securities as of 2 May 2022 is 3.03%.

*Spot price* on 02 May 2022 was \$0.185

## **22. Share based payments reserves (continued)**

The share-based payments reserve also includes share-based payment expense attributable to the employees' incentive plan disclosed in .

### **(c) Options reserve**

The movement in Options reserves in the current year is attributable to the options issued to Ms Mira Ricardel. The shareholders approved the issuance of options during the AGM held in December 2021 with exercise prices of \$0.80 in year 1, \$1.2 in year 2, \$1.6 in year 3 and \$2.00 in year 4. At the EGM held on 2 May 2022, the shareholders approved a replacement of her existing share option plan. She agreed to forfeit all existing options currently held. Newly approved options for Ms Mira Ricardel have an exercise price of \$0.40 in year 1, \$0.60 in year 2, \$0.80 in year 3 and \$1.00 in year 4.

The fair value of the options has been calculated on the basis of the Black Scholes model using the following key assumptions:

Grant Date	No of options	Spot price	Exercise price	Risk free rate %	Expiry date	Volatility rate %	Fair Value
02 May 2022	500,000	\$0.185	\$0.40	2.90%	31 May 2027	85.00%	37,000
02 May 2022	600,000	\$0.185	\$0.60	2.90%	31 May 2027	85.00%	39,000
02 May 2022	600,000	\$0.185	\$0.80	2.90%	31 May 2027	85.00%	34,800
02 May 2022	<u>800,000</u>	<u>\$0.185</u>	<u>\$1.00</u>	<u>2.90%</u>	<u>31 May 2027</u>	<u>85.00%</u>	<u>40,800</u>
	<u>2,500,000</u>						<u>151,600</u>

### **(d) Reserve for forfeited share rights and options**

The forfeited share rights and options reserve is the prior year's share-based payment expense attributable to the employees exited, and performance rights expired during the current financial year.



**Titomic Limited**  
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**22. Share based payments reserves (continued)**

*Movements in reserves*

Movements in each class of reserve during the current and previous financial year are set out below:

<b>Consolidated</b>	Other reserves \$	Tri D & Dycomet Shares reserves \$	Directors & employee incentive plan \$	Options reserves \$	Forfeited rights and options \$	Total \$
Balance at 1 July 2021	-	-	1,330,093	2,188,030	95,075	3,613,198
Share based payments expense for the year	-	1,090,998	2,069,994	68,616	-	3,229,608
Transfer to forfeited reserves upon cancellation of rights	-	-	(636,641)	-	636,641	-
Transfer to forfeited reserves upon expiry of rights	-	-	(286,691)	-	286,691	-
Transfer to equity capital upon issue of shares	-	-	(235,096)	-	-	(235,096)
Balance at 30 June 2022	-	1,090,998	2,241,659	2,256,646	1,018,407	6,607,710
Share based payments expense for the year	-	516,331	1,490,172	49,103	-	2,055,606
Transfer to equity capital upon issue of shares	-	(804,948)	(377,781)	-	-	(1,182,729)
Transfer to profit or loss upon forfeiture	-	(381,804)	(25,818)	-	-	(407,622)
Transfer to forfeited reserves upon expiry of rights	-	-	(656,301)	(2,188,030)	2,844,331	-
Advance payment for share capital issued post year end	750,000	-	-	-	-	750,000
Balance at 30 June 2023	<u>750,000</u>	<u>420,577</u>	<u>2,671,931</u>	<u>117,719</u>	<u>3,862,738</u>	<u>7,822,965</u>

**(e) Employee incentive plan**

In January 2023, the Directors established a short term incentive plan for all employees. Under the plan, employees are able to opt in to salary sacrifice up to 10% of their monthly gross salary for rights over shares in the Company. The rights vest 6 months after each salary sacrifice event. If the employee remains employed a further 12 months later, they become entitled to an additional 50% of rights.

Rights issued under the employee incentive plan during the year were as follows:

Month of issue	No of rights
July 2023	96,085
August 2023	115,601
September 2023	110,429
October 2023	311,234
November 2023	99,070
December 2023	153,785
	<u>886,204</u>

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**23. Accumulated losses**

	<b>Consolidated</b>	
	<b>30 June 2023</b>	<b>30 June 2022</b>
	<b>\$</b>	<b>\$</b>
Accumulated losses at the beginning of the financial year	(56,997,147)	(40,025,261)
Loss after income tax expense for the year	<u>(14,379,678)</u>	<u>(16,971,886)</u>
Accumulated losses at the end of the financial year	<u><u>(71,376,825)</u></u>	<u><u>(56,997,147)</u></u>

**24. Dividends**

There were no dividends paid, recommended or declared during the current or previous financial year.

**25. Interests in subsidiaries and joint ventures**

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in :

<b>Name</b>	<b>Principal place of business / Country of incorporation</b>	<b>Ownership interest</b>	
		<b>30 June 2023</b>	<b>30 June 2022</b>
		<b>%</b>	<b>%</b>
Titomic USA Inc	USA	100.00%	100.00%
Dycomet Europe B.V.	Netherlands	100.00%	100.00%
Aranco Yatirim Insaat A.S. (Repkon JV)	Turkey	49.00%	49.00%

**26. Events after the reporting period**

During July 2023, the Company completed a fully underwritten, pro rata, accelerated renounceable entitlement offer to existing eligible shareholders and a non-underwritten placement offer to raise \$6,500,000 (before costs). Funds raised will be used to develop increased manufacturing capacity, enhance capability for increased sales opportunities of current products and new business opportunities and to provide additional working capital.

No other matter or circumstance has arisen since 30 June 2023 that has significantly affected, or may significantly affect the Consolidated entity's operations, the results of those operations, or the Consolidated entity's state of affairs in future financial years.