

**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 2022
Previous period:	For the year ended 30 June 2021

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

			\$
Revenues from ordinary activities	up	168.0% to	5,320,623
Loss from ordinary activities after tax	down	1.2% to	(16,971,886)
Loss for the year	down	1.2% to	(16,971,886)

**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	<u>2.88</u>	<u>6.37</u>

**5. Explanation of results**

Refer to the Review of Operations. The directors' report will be released together with the audited annual report in September 2022.

**6. Control gained over entities**

Name of entity	Tri-D Dynamics Inc.
Date control acquired	09 July 2021

Name of entity	Dycomet Europe B.V.
Date control acquired	30 November 2021

	\$
Contribution of such entities to the reporting entity's profit/(loss) from ordinary activities before income tax during the period (where material)	(1,391,904)
Profit/(loss) from ordinary activities before income tax of the controlled entity (or group of entities) for the whole of the previous period (where material)	-

**Titomic Limited**  
**Appendix 4E**  
**Preliminary Final Report**

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

	Reporting entity's percentage holding		Contribution to net profit / (loss) in \$000s	
	30 June 2022 %	30 June 2021 %	30 June 2022	30 June 2021
Aranco Yatirim Insaat A.S. (Repkon JV)	49.00%	-	-	-
NEOs Titomic Limited	51.00%	-	-	-

**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.

**9. Signed**



Signed \_\_\_\_\_

Date: 30 August 2022

Humphrey Nolan  
Chairman  
Melbourne

August 30, 2022

# Titomic Limited

## Appendix 4E - Preliminary Final Report

### Operational Update

12 July, 2021

#### Tri-D Dynamics Acquisition

The Company formed a wholly owned subsidiary Titomic USA Inc, which completed the acquisition of Tri-D. This acquisition is an important milestone and in line with Titomic's strategy to be a global solutions leader in cold spray additive manufacturing.

15 July, 2021

#### Quality Systems

Titomic finalised its AS9100D certification, a crucial and advantageous quality management system for successful defence and aerospace manufacturers. Titomic also commenced a full system review in July 2021 to ensure that implemented improvements align with documented procedures.

20 August, 2021

#### TKF 1000 sale to leading research organisation, TWI UK

The Company received a purchase order from TWI of GBP1.2 million (circa. AUD2.3m) to supply a TKF 1000 System due to be installed and commissioned before the end of 2022. TWI is a leading research and technology organisation in the UK.

27 August, 2021

#### AUD2.325 million Modern Manufacturing Industry grant

The Australian Federal Government announced the recipients of their Modern Manufacturing Initiative Grant to manufacture and commercialise low carbon emission 'green' titanium space vehicle demonstrator parts for the Australian space sector and export markets in August, awarding Titomic with AUD2.325 million.

15 October, 2021

#### Capital raise completion

The Company successfully completed a capital raise via an Institutional Placement ('Placement') issuing 34,096,155 shares on the 22nd of October 2021 at the price of \$0.26 cents per share. The total sum raised under the Placement was approximately AUD 9 million. A Share Purchase Plan was also announced giving 'eligible shareholders' the opportunity to subscribe for up to \$30,000 worth of fully paid ordinary shares at an issue price of \$0.26 cents which was equivalent to the price offered under the Placement.

28 October, 2021

#### Triton Systems agreement

Titomic entered into a non-binding agreement with Triton Systems, a leading US-based product development and technology company with over a decade of experience in additive manufacturing. Titomic and Triton will develop applications in the US marketplace using Titomic's patented Titomic Kinetic Fusion process.

9 November, 2021

#### Repkon becomes AUD 2.5 million strategic investor

One of Titomic's customers, Repkon Makina ve Kalip (Repkon), completed a AUD 2.5 million strategic investment in Titomic. Repkon is a Turkish based designer, manufacturer and supplier of metal forming machines for the global defence and aerospace industries. This investment followed Repkon entering into a non-binding Heads of Agreement to form a joint venture with Titomic in March 2021 to build a production facility for the manufacture of weapons system barrels designed by Repkon and manufactured using Titomic's Kinetic Fusion Technology.

30 November, 2021

#### **Dycomet Europe B.V. Acquisition**

Titomic acquired leading European cold spray technology company, Dycomet Europe B.V. (Dycomet). Dycomet is a Netherlands-based manufacturing company, manufacturing and supplying low and medium pressure cold spray solutions as well as supplying high pressure cold spray systems to several industries across Europe. Dycomet provides Titomic with a strong European business with a complementary product portfolio and creates a European base to target local customers in the aerospace, automotive and higher education sectors. It is also immediately revenue accretive with forecast additional annual revenue of 1.0 million euros together with a healthy pipeline of customer orders in Europe.

21 December, 2021

#### **Boeing collaboration for green titanium space components**

Titomic signed an agreement with Boeing to investigate the application of sustainable "green" titanium to produce space components. This is part of the \$2.325 million Australian government Modern Manufacturing Initiative grant to explore and commercialise the production of space vehicle and satellite parts in Australia.

19 May, 2022

#### **Creation of world's first automated cold spray system for glass mould coatings**

Titomic tested and delivered the world's first automated cold spray system for glass mould coatings for the International Partners in Glass Research (IPGR) network. The system automatically coats and repairs moulds with the aid of artificial intelligence. For comparable machines sold within the IPGR network, Titomic expects to generate AUD1.7 million over a three-year period.

27 May, 2022

#### **Sale of first D523 System into Asia Pacific**

Titomic Australia sold its first D523 System into Asia Pacific to Singapore-based D&C Coating for AUD44,758. Titomic believes that it will be able to sell 20 more D523 Systems into the region in the financial year ending 30th June 2023.

8 June, 2022

#### **Nèos Joint Venture**

Titomic signed a joint venture with Neos International to create an advanced joint manufacturing facility in the United Kingdom. The facility is the first of its kind to manufacture Invar36 faceplates and additively manufacture metal products for the aerospace, space, defence, automotive, and nuclear industries. Titomic is expected to sell a 'TKF 2200' - a bespoke system - to the Neos Titomic joint venture for AUD2.4 million, pending final specification. This is another milestone for the Company entering into key markets including aerospace and defence.

10 June, 2022

#### **Fleet Space Technologies - Alpha satellite**

Titomic received a commercial order from South-Australian-based company, Fleet Space Technologies, to create radiation shielding for the world's first fully additively manufactured satellites. Using Titomic Kinetic Fusion, Titomic manufactured the radiation shielding components in just three days. The first Alpha satellite is expected to be launched into orbit in 2023.

23 June, 2022

#### **Repkon joint venture**

Titomic and Repkon signed a joint venture to establish the world's first hybrid cold spray, flowforming manufacturing facility. The facility will additively manufacture barrels in the defence sector. Titomic is expected to receive circa AUD7.6 million from the sale of two Titomic Kinetic Fusion Systems and a share in the profits from barrel sales. Titomic is expecting to enter more joint ventures in the defence and aerospace sectors. This is in line with the Company's strategy to enter multiple markets.

29 June, 2022

#### **Finalised installation of Titomic TKF1000 at TWI UK**

Titomic finalised the installation of a Titomic TKF 1000 cold spray system worth GBP1.2 million (AUD2.2 million) at leading technology and research organisation, TWI UK. TWI, one of the world's foremost independent research and technology organisations with expertise in materials joining and engineering processes, ordered the TKF 1000 in August 2021. The TKF1000 will play a key role in the Aerospace Technology Institute programme, a joint government and industry initiative to offer funding for research and technology development in the UK, to maintain and grow the UK's competitive position in civil aerospace.

## Activities Highlights Since Year End

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, totalling \$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 have completed initial tests of our 'green' titanium for space applications with promising results and are now working together to produce and validate demonstrator parts for the JP9102 satellite.

15 August, 2022

### **Titomic establishes presence in mining and reseller industries.**

Titomic received a stock order from mining engineering company, Brauntell – a Titomic Authorised Service Provider and Reseller – for D523 cold-spray Systems (Systems) for AUD395,000. The Systems are expected to be on-sold by Brauntell to mining end users in New South Wales and Queensland. This sale comes on top of the purchase order for a System to Brauntell announced on 7 July 2022, and now establishes repeat business through the reseller channel and provides the Company with a presence in the mining sector.

18 August, 2022

### **Titomic enters key Middle Eastern markets through Repkon**

Repkon Foreign Trade and Marketing Inc. ("Repkon"), a sister company of Repkon Machine and Tool Industry and Trade Inc., has signed an agreement to become an official reseller of Titomic systems within Turkey, the United Arab Emirates, and Saudi Arabia.

**Titomic Limited**

**Financial Report - 30 June 2022**

**ABN 77 602 793 644**

**Titomic Limited**  
**Contents**  
**30 June 2022**

Consolidated statement of profit or loss and other comprehensive income	2
Consolidated statement of financial position	3
Consolidated statement of changes in equity	4
Consolidated statement of cash flows	5
Notes to the consolidated financial statements	6

**Titomic Limited**  
**Consolidated statement of profit or loss and other comprehensive income**  
**For the year ended 30 June 2022**

		<b>Consolidated</b>	
	<b>Note</b>	<b>30 June 2022</b>	<b>30 June 2021</b>
		<b>\$</b>	<b>\$</b>
<b>Revenue</b>	2	5,320,623	1,984,951
<b>Expenses</b>			
Production and related expenses		(2,015,693)	(1,562,412)
Corporate and administrative expenses		(3,770,555)	(3,103,486)
Grant expenses		(1,419,765)	-
Employee and director expenses		(6,918,776)	(6,254,209)
Share based payment expenses	4	(2,226,111)	(1,042,458)
Remuneration Expense on Tri-D Transaction & Dycomet acquisition	3	(2,599,255)	-
Impairment loss	13	(320,624)	(5,360,761)
Marketing and promotion expenses		(1,149,323)	(147,772)
Depreciation expenses		(1,468,538)	(1,339,632)
Amortisation expenses		(283,385)	(133,512)
Other expenses		(67,453)	(216,055)
Finance costs		(53,031)	-
<b>Loss before income tax expense</b>		(16,971,886)	(17,175,346)
Income tax expense	5	-	-
<b>Loss after income tax expense for the year</b>		(16,971,886)	(17,175,346)
<b>Other comprehensive income/(loss)</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		(51,154)	-
Other comprehensive income/(loss) for the year, net of tax		(51,154)	-
<b>Total comprehensive loss for the year</b>		<u>(17,023,040)</u>	<u>(17,175,346)</u>
<b>Loss per share attributable to the owners of the Company</b>			
		<b>Cents</b>	<b>Cents</b>
Basic earnings per share	6	(9.05)	(11.21)
Diluted earnings per share	6	(9.05)	(11.21)

*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 2022**

		<b>Consolidated</b>	
	<b>Note</b>	<b>30 June 2022</b>	<b>30 June 2021</b>
		<b>\$</b>	<b>\$</b>
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	7	7,108,180	7,946,161
Trade and other receivables	8	951,913	90,108
Inventories	9	2,109,631	1,998,416
Other current assets	10	677,409	1,049,330
<b>Total current assets</b>		<u>10,847,133</u>	<u>11,084,015</u>
<b>Non-current assets</b>			
Property, plant and equipment	11	2,022,865	2,504,679
Right-of-use assets	12	1,401,891	-
Intangible assets	13	546,466	-
<b>Total non-current assets</b>		<u>3,971,222</u>	<u>2,504,679</u>
<b>Total assets</b>		<u>14,818,355</u>	<u>13,588,694</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	14	1,102,759	1,682,786
Other financial liabilities	16	2,265,624	1,026,634
Provisions	15	1,370,560	267,235
<b>Total current liabilities</b>		<u>4,738,943</u>	<u>2,976,655</u>
<b>Non-current liabilities</b>			
Other financial liabilities	18	2,176,540	1,127,527
Provisions	17	490,252	42,959
<b>Total non-current liabilities</b>		<u>2,666,792</u>	<u>1,170,486</u>
<b>Total liabilities</b>		<u>7,405,735</u>	<u>4,147,141</u>
<b>Net assets</b>		<u>7,412,620</u>	<u>9,441,553</u>
<b>Equity</b>			
Issued capital	19	57,853,211	45,853,616
Foreign currency translation reserves		(51,154)	-
Share based payments reserves	20	6,607,710	3,613,198
Accumulated losses	21	(56,997,147)	(40,025,261)
<b>Total equity</b>		<u>7,412,620</u>	<u>9,441,553</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 2022**

<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 2020	45,853,616	2,570,740	-	(22,849,915)	25,574,441
Loss after income tax expense for the year	-	-	-	(17,175,346)	(17,175,346)
Other comprehensive income for the year, net of tax	-	-	-	-	-
Total comprehensive income for the year	-	-	-	(17,175,346)	(17,175,346)
<i>Transactions with Owners in their capacity as Owners:</i>					
Share-based payments (note 4)	-	1,042,458	-	-	1,042,458
Balance at 30 June 2021	<u>45,853,616</u>	<u>3,613,198</u>	<u>-</u>	<u>(40,025,261)</u>	<u>9,441,553</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 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 19)	12,423,968	-	-	-	12,423,968
Share-based payments (note 3 and note 4)	322,596	2,994,512	-	-	3,317,108
Transaction costs (note 19)	(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>

*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 2022**

		<b>Consolidated</b>	
	<b>Note</b>	<b>30 June 2022</b>	<b>30 June 2021</b>
		<b>\$</b>	<b>\$</b>
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of GST)		3,015,475	477,550
Space Grant (incl. GST)		1,738,109	-
Other Grants		1,175,578	1,430,572
Payments for Tri-D transaction		(687,786)	-
Payments to suppliers and employees (inclusive of GST)		(15,369,145)	(10,801,742)
Interest received		19,774	39,288
Finance cost		(53,031)	(183,047)
		<u>(10,161,026)</u>	<u>(9,037,379)</u>
Net cash used in operating activities			
<b>Cash flows from investing activities</b>			
Payment for purchase of business, net of cash acquired	23	(1,364,805)	-
Payments for property, plant and equipment	11	(597,046)	(25,114)
		<u>(1,961,851)</u>	<u>(25,114)</u>
Net cash used in investing activities			
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares	19	12,423,968	-
Payments for the principal portion of lease liabilities		(353,376)	(449,397)
Share issue transaction costs (note 19)	19	(746,969)	-
		<u>11,323,623</u>	<u>(449,397)</u>
Net cash from/(used in) financing activities			
Net decrease in cash and cash equivalents		(799,254)	(9,511,890)
Cash and cash equivalents at the beginning of the financial year		7,946,161	17,458,051
Effects of exchange rate changes on cash and cash equivalents		(38,727)	-
		<u>(799,254)</u>	<u>(9,511,890)</u>
Cash and cash equivalents at the end of the financial year	7	<u><u>7,108,180</u></u>	<u><u>7,946,161</u></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.

### *Major customers*

During the year ended 30 June 2022, approximately 62% (2021: 0%) of the Australian segment's external revenue was derived from sales to TWI UK.

**Titomic Limited**  
**Notes to the consolidated financial statements**  
**30 June 2022**

**1. Segment information (continued)**

*Operating segment information*

The Consolidated entity operated as one segment until the last financial year ended 30 June 2021, being the development and sale of additive manufacturing technology. Historically, it did not have any reportable business or geographic segments.

<b>as at 30 June 2022</b>	<b>Australian \$</b>	<b>USA \$</b>	<b>Europe \$</b>	<b>Consolidated \$</b>
<b>Revenue</b>				
External Customer Sales	2,376,815	31,498	973,152	3,381,465
Intersegment Sales	64,841	-	473,853	538,694
<b>Total Sales Revenue</b>	<b>2,441,656</b>	<b>31,498</b>	<b>1,447,005</b>	<b>3,920,159</b>
Grant Revenue	779,298	-	-	779,298
Other Revenue	1,140,086	-	-	1,140,086
Interest Revenue	19,774	-	-	19,774
<i>Intersegment Eliminations</i>	<i>(64,841)</i>	<i>-</i>	<i>(473,853)</i>	<i>(538,694)</i>
<b>Total Revenue</b>	<b>4,315,973</b>	<b>31,498</b>	<b>973,152</b>	<b>5,320,623</b>
Revenue	4,315,973	31,498	973,152	5,320,623
Depreciation and Amortisation	(1,504,573)	-	(247,350)	(1,751,923)
Other Expenses	(17,982,370)	(983,804)	(1,574,412)	(20,540,586)
<b>Profit/(Loss) before Income Tax Expenses</b>	<b>(15,170,971)</b>	<b>(952,306)</b>	<b>(848,610)</b>	<b>(16,971,886)</b>
Income Tax Expenses	-	-	-	-
Other Comprehensive Income, Net of Tax	-	4,482	(55,636)	(51,154)
<b>Total Comprehensive Loss for The Year</b>	<b>(15,170,971)</b>	<b>(947,824)</b>	<b>(904,246)</b>	<b>(17,023,040)</b>
<b>Assets</b>				
Cash and Cash Equivalents	6,790,554	81,606	236,020	7,108,180
Trade and Other Receivables	913,751	-	38,162	951,913
Deposits and Prepayments	677,409	-	-	677,409
Intercompany Receivables	1,167,313	-	138,830	1,306,143
Inventories	1,525,109	-	584,522	2,109,631
Property, Plant and Equipment (note 11)	1,683,978	8,361	330,527	2,022,866
Right of Use Assets (note 12)	1,315,193	-	86,698	1,401,891
Intangible Assets (note 13)	-	-	546,466	546,466
Investment in Dycomet B.V. at Acquisition Date (note 23)	2,035,276	-	-	2,035,276
<b>Segment Assets</b>	<b>16,108,583</b>	<b>89,967</b>	<b>1,961,225</b>	<b>18,159,775</b>
<i>Intersegment Eliminations</i>	<i>(3,202,589)</i>	<i>-</i>	<i>(138,830)</i>	<i>(3,341,419)</i>
<b>Total Assets</b>	<b>12,905,994</b>	<b>89,967</b>	<b>1,822,395</b>	<b>14,818,356</b>
<b>Liabilities</b>				
Trade and Other Payables	507,697	-	(4,716)	502,981
Deferred Revenue	1,131,632	-	231,190	1,362,822
CSIRO IP Liability	1,654,499	-	-	1,654,499
Provisions and Other Liabilities	2,380,876	-	129,868	2,510,744
Intercompany Payables	138,830	1,167,313	-	1,306,143
Contingent Consideration (note 15 & 17)	884,374	-	-	884,374
Deferred Consideration (note 23)	348,441	-	-	348,441
Contingent and Other Employee Benefits on Tri-D	141,874	-	-	141,874
<b>Segment Liabilities</b>	<b>7,188,223</b>	<b>1,167,313</b>	<b>356,342</b>	<b>8,711,878</b>
<i>Intersegment Eliminations</i>	<i>(138,830)</i>	<i>(1,167,313)</i>	<i>-</i>	<i>(1,306,143)</i>
<b>Total Liabilities</b>	<b>7,049,393</b>	<b>-</b>	<b>356,342</b>	<b>7,405,735</b>

**Titomic Limited**  
**Notes to the consolidated financial statements**  
**30 June 2022**

**2. Revenue**

	<b>Consolidated</b>	
	<b>30 June 2022</b>	<b>30 June 2021</b>
	<b>\$</b>	<b>\$</b>
Revenue from contracts with customers	3,381,465	515,091
R&D tax incentive	1,140,086	1,196,023
Space grant revenue	743,806	-
Other grants	35,492	234,549
Interest received	19,774	39,288
	<u>5,320,623</u>	<u>1,984,951</u>
Revenue	<u>5,320,623</u>	<u>1,984,951</u>

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

	<b>Consolidated</b>	
	<b>30 June 2022</b>	<b>30 June 2021</b>
	<b>\$</b>	<b>\$</b>
Share based payments expense (Dycomet)	110,718	-
Share based payments expense (Tri-D)	980,280	-
Cash remuneration (Tri-D)	1,373,856	-
Taxes due (Tri-D)	134,401	-
	<u>2,599,255</u>	<u>-</u>
	<u>2,599,255</u>	<u>-</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 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

	Consolidated 30 June 2022	30 June 2021
	\$	\$
Share based payments expense - Directors	1,267,902	886,611
Share based payments expense on cancellation of Directors' Performance rights	636,641	-
Share based payments expense - Employees	234,068	155,847
Share based payment expense to Lightforce to settle a liability	87,500	-
	<u>2,226,111</u>	<u>1,042,458</u>

An expense has been recognized relating to the future costs of the cancelled rights and options plans that has been accelerated into the current period in accordance with AASB 2 *Share based payments accounting*

#### 5. Income tax expense

	Consolidated 30 June 2022	30 June 2021
	\$	\$
<b>Income tax expense</b>		
Income tax expense	-	-
Aggregate income tax expense	<u>-</u>	<u>-</u>
<b>Reconciliation of income tax expense to prima facie tax payable</b>		
Loss before income tax expense	(16,971,886)	(17,175,346)
Tax at the statutory tax rate of 25% (2021: 26%)	(4,242,972)	(4,465,590)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Non-assessable R&D tax incentive income	(285,022)	(310,966)
Non-allowable expenses	1,159,626	1,426,569
Tax losses for which no deferred tax asset is recognised	3,038,666	3,349,987
Timing differences for which no DTA is recognised	(9,403)	-
Net income tax losses of foreign controlled entities not recognised	339,105	-
Income tax expense	<u>-</u>	<u>-</u>

#### Unrecognised potential tax benefits

	Consolidated 30 June 2022	30 June 2021
	\$	\$
Unused tax effected losses and temporary differences for which a deferred tax asset has not been recognised	11,769,454	8,740,191

The potential tax benefit can only be utilised by the company in the future if it generates sufficient tax liabilities 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 Australian segment only.

**Titomic Limited**  
**Notes to the consolidated financial statements**  
**30 June 2022**

**6. Loss per share**

	<b>Consolidated</b>	<b>Consolidated</b>
	<b>30 June 2022</b>	<b>30 June 2021</b>
	<b>\$</b>	<b>\$</b>
<i>Earnings per share for loss from continuing operations</i>		
Loss after income tax	<u>(16,971,886)</u>	<u>(17,175,346)</u>
	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares used in calculating basic and diluted earnings per share	<u>187,602,729</u>	<u>153,249,669</u>
Weighted average number of ordinary shares used in calculating basic and diluted earnings per share	<u>187,602,729</u>	<u>153,249,669</u>
	<b>Cents</b>	<b>Cents</b>
Basic earnings per share	(9.05)	(11.21)
Diluted earnings per share	(9.05)	(11.21)

**7. Cash and cash equivalents**

	<b>Consolidated</b>	<b>Consolidated</b>
	<b>30 June 2022</b>	<b>30 June 2021</b>
	<b>\$</b>	<b>\$</b>
Cash at bank	7,108,180	2,946,161
Cash on deposit	<u>-</u>	<u>5,000,000</u>
	<u>7,108,180</u>	<u>7,946,161</u>

**8. Trade and other receivables**

	<b>Consolidated</b>	<b>Consolidated</b>
	<b>30 June 2022</b>	<b>30 June 2021</b>
	<b>\$</b>	<b>\$</b>
Trade receivables	847,101	36,850
Other receivables	<u>104,812</u>	<u>53,258</u>
	<u>951,913</u>	<u>90,108</u>

**9. Inventories**

	<b>Consolidated</b>	<b>Consolidated</b>
	<b>30 June 2022</b>	<b>30 June 2021</b>
	<b>\$</b>	<b>\$</b>
Raw material on hand	1,526,520	1,996,454
Work in progress	1,289,392	694,038
Finished goods - at cost	244,681	-
Less: Provision for obsolescence	<u>(950,962)</u>	<u>(692,076)</u>
	<u>2,109,631</u>	<u>1,998,416</u>



**Titomic Limited**  
**Notes to the consolidated financial statements**  
**30 June 2022**

**10. Other current assets**

	<b>Consolidated</b>	<b>Consolidated</b>
	<b>30 June 2022</b>	<b>30 June 2021</b>
	<b>\$</b>	<b>\$</b>
Prepayments	158,108	753,163
Deposits	519,301	296,167
	<u>677,409</u>	<u>1,049,330</u>

**11. Property, plant and equipment**

	<b>Consolidated</b>	<b>Consolidated</b>
	<b>30 June 2022</b>	<b>30 June 2021</b>
	<b>\$</b>	<b>\$</b>
Building fitouts	68,146	1,092,344
Less: Accumulated depreciation	(9,268)	(260,019)
Less: Provision for impairment	-	(832,325)
	<u>58,878</u>	<u>-</u>
Factory equipment	1,632,452	611,301
Less: Accumulated depreciation	(956,287)	(323,767)
	<u>676,165</u>	<u>287,534</u>
Computer Equipment	367,575	307,176
Less: Accumulated depreciation	(293,143)	(217,061)
	<u>74,432</u>	<u>90,115</u>
Machinery	3,487,492	5,587,212
Less: Accumulated depreciation	(2,415,781)	(3,463,113)
	<u>1,071,711</u>	<u>2,124,099</u>
Capital work in progress	<u>141,679</u>	<u>2,931</u>
	<u><u>2,022,865</u></u>	<u><u>2,504,679</u></u>

	Building Fit outs \$	Factory Equipment \$	Furniture and Fittings \$	Machinery \$	Capital Work in progress \$	Total \$
<b>Consolidated</b>						
Balance at 1 July 2020	827,217	418,444	284,424	2,148,391	609,296	4,287,772
Additions	(21,276)	21,662	30,798	-	2,931	34,115
Impairment of assets	(832,325)	-	-	-	-	(832,325)
Transfers in/(out)	176,973	-	(176,973)	609,296	(609,296)	-
Depreciation expense	(150,589)	(152,572)	(48,134)	(633,588)	-	(984,883)
Balance at 30 June 2021	-	287,534	90,115	2,124,099	2,931	2,504,679
Additions	10,380	74,610	23,182	-	488,874	597,046
Additions through business combinations (note 23)	61,325	224,011	-	-	-	285,336
Disposals	(1,083)	-	-	-	-	(1,083)
Exchange differences	(2,476)	(9,043)	-	-	-	(11,519)
Transfers in/(out)	-	298,089	52,037	-	(350,126)	-
Depreciation expense	(9,268)	(199,036)	(90,902)	(1,052,388)	-	(1,351,594)
Balance at 30 June 2022	<u><u>58,878</u></u>	<u><u>676,165</u></u>	<u><u>74,432</u></u>	<u><u>1,071,711</u></u>	<u><u>141,679</u></u>	<u><u>2,022,865</u></u>

**Titomic Limited**  
**Notes to the consolidated financial statements**  
**30 June 2022**

**12. Right-of-use assets**

	<b>Consolidated</b>	
	<b>30 June 2022</b>	<b>30 June 2021</b>
	<b>\$</b>	<b>\$</b>
Buildings	1,519,709	948,613
Less: Accumulated depreciation	(117,818)	(709,247)
Less: Provision for impairment	-	(239,366)
	<u>1,401,891</u>	<u>-</u>

*Reconciliations*

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

<b>Consolidated</b>	<b>Head office</b>	<b>Factory</b>	<b>Netherlands Office</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Balance at 1 July 2020	406,992	541,621	-	948,613
Impairment of assets	(91,651)	(147,715)	-	(239,366)
Depreciation expense	(315,341)	(393,906)	-	(709,247)
Balance at 30 June 2021	-	-	-	-
Additions	438,930	973,719	-	1,412,649
Additions through business combinations (note 23)	-	-	111,425	111,425
Exchange differences	-	-	(4,365)	(4,365)
Depreciation expense	(48,770)	(48,686)	(20,362)	(117,818)
Balance at 30 June 2022	<u>390,160</u>	<u>925,033</u>	<u>86,698</u>	<u>1,401,891</u>

**13. Intangible assets**

	<b>Consolidated</b>	
	<b>30 June 2022</b>	<b>30 June 2021</b>
	<b>\$</b>	<b>\$</b>
Technology - at cost	438,857	-
Less: Accumulated amortisation	(53,970)	-
	<u>384,887</u>	<u>-</u>
Customer relations - at cost	264,483	-
Less: Accumulated amortisation	(126,976)	-
	<u>137,507</u>	<u>-</u>
Brand - at cost	28,095	-
Less: Accumulated amortisation	(4,023)	-
	<u>24,072</u>	<u>-</u>
Intellectual property - at cost	-	2,670,230
Less: Accumulated amortisation and impairment	-	(2,670,230)
	<u>-</u>	<u>-</u>
	<u>546,466</u>	<u>-</u>

**Titomic Limited**  
**Notes to the consolidated financial statements**  
**30 June 2022**

**13. Intangible assets (continued)**

<b>Consolidated</b>	<b>Goodwill \$</b>	<b>Technology \$</b>	<b>Customer \$</b>	<b>Brands \$</b>	<b>Total \$</b>
Balance at 1 July 2020	-	-	-	-	-
Balance at 30 June 2021	-	-	-	-	-
Additions through business combinations (note 23)	320,625	457,319	275,610	29,277	1,082,831
Exchange differences	-	(18,462)	(11,127)	(1,182)	(30,771)
Impairment of assets	(320,625)	-	-	-	(320,625)
Amortisation expense	-	(53,970)	(126,976)	(4,023)	(184,969)
Balance at 30 June 2022	-	384,887	137,507	24,072	546,466

Effective 1 December 2021, the Company acquired 100% of the shares in Dycomet Europe BV. As part of the acquisition, intangible assets were acquired relating to Technology, Customer Relations, Brand and Goodwill.

The value of each of these has been assessed at the time of acquisition, using expected future cash flows discounted using an appropriate discount rate.

It has been determined that Technology, Customer Relations, and Brand will be amortised evenly over six months to 5 years, depending upon the useful life of these intangibles.

As on 30 June 2022, the Company has fully impaired its goodwill.

**14. Trade and other payables**

	<b>Consolidated 30 June 2022</b>	<b>30 June 2021</b>
	<b>\$</b>	<b>\$</b>
Trade payables	216,161	327,642
Accrued expenses	599,778	654,848
Other payables	286,820	700,296
	<u>1,102,759</u>	<u>1,682,786</u>

**15. Provisions (current)**

	<b>Consolidated 30 June 2022</b>	<b>30 June 2021</b>
	<b>\$</b>	<b>\$</b>
Employee benefits	328,314	267,235
Contingent employee benefits (Tri-D)	707,898	-
Taxes payable on Tri-D transaction	141,874	-
Deferred consideration (Dycomet)	192,474	-
	<u>1,370,560</u>	<u>267,235</u>

**Titomic Limited**  
**Notes to the consolidated financial statements**  
**30 June 2022**

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

	<b>Consolidated</b>	<b>Consolidated</b>
	<b>30 June 2022</b>	<b>30 June 2021</b>
	<b>\$</b>	<b>\$</b>
CSIRO IP Liability	529,698	633,758
Deferred Revenue	1,362,822	70,519
Lease liability	373,104	322,357
	<u>2,265,624</u>	<u>1,026,634</u>

The CSIRO liability comprises the net present value of the performance criteria as defined in note 18.

Deferred Revenue comprises primarily MMI Space Grant revenue received that is yet to be matched to expenses incurred. When relevant expenses are incurred 50% of this value as revenue can be recognised as income.

**17. Provisions (non current)**

	<b>Consolidated</b>	<b>Consolidated</b>
	<b>30 June 2022</b>	<b>30 June 2021</b>
	<b>\$</b>	<b>\$</b>
Employee benefits	77,427	42,959
Deferred consideration for Dycomet acquisition (note 23)	155,967	-
Contingent consideration for Dycomet acquisition (note 23)	176,476	-
Lease make good	48,505	-
Warranties	31,877	-
	<u>490,252</u>	<u>42,959</u>

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

	<b>Consolidated</b>	<b>Consolidated</b>
	<b>30 June 2022</b>	<b>30 June 2021</b>
	<b>\$</b>	<b>\$</b>
Lease liabilities	1,051,739	-
CSIRO IP Liability	1,124,801	1,127,527
	<u>2,176,540</u>	<u>1,127,527</u>

**CSIRO IP Liability**

The Company has three core pieces of Intellectual Property (IP) around it's 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:

- (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.

**Titomic Limited**  
**Notes to the consolidated financial statements**  
**30 June 2022**

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

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.

**19. Issued capital**

	Consolidated			
	30 June 2022 Shares	30 June 2021 Shares	30 June 2022 \$	30 June 2021 \$
Ordinary shares - fully paid	<u>202,530,093</u>	<u>153,249,669</u>	<u>57,853,211</u>	<u>45,853,616</u>

*Movements in ordinary share capital*

Details	Date	Shares	Issue price	\$
Balance	1 July 2020	153,249,669		45,853,616
Balance	30 June 2021	153,249,669		45,853,616
Issue of share capital to sophisticated investors	22 Oct 2021	33,919,232	\$0.260	8,819,000
Issue of share capital to employees	22 Oct 2021	176,923	\$0.260	46,000
Issue of share capital under share purchase plan	18 Nov 2021	3,553,835	\$0.260	923,980
Issue of share capital to directors	23 Dec 2021	519,230	\$0.260	134,988
Issue of share capital to Repkon	29 Dec 2021	9,615,384	\$0.260	2,500,000
Issue of share capital to the Managing Director	13 May 2022	865,385	\$0.185	160,096
Issue of share capital to an employee	16 May 2022	250,000	\$0.300	75,000
Issue of share capital to Lightforce Australia Pty Ltd	16 May 2022	380,435	\$0.230	87,500
Less: Transaction cost arising on shares' issue		-	\$0.000	(746,969)
Balance	30 June 2022	<u>202,530,093</u>		<u>57,853,211</u>

## 19. Issued capital (continued)

### *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.

## 20. Share based payments reserves

	<b>Consolidated</b>	
	<b>30 June 2022</b>	<b>30 June 2021</b>
	<b>\$</b>	<b>\$</b>
Tri D & Dycomet Shares reserves	1,090,998	-
Directors & employee incentive plan	2,241,659	1,330,093
Options reserve	2,256,646	2,188,030
Reserve for forfeited share rights and options	1,018,407	95,075
	<u>6,607,710</u>	<u>3,613,198</u>

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

### **(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 2020. 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.

### **(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.

### **(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.

An expense has been recognized relating to the future costs of the cancelled rights and options plans that has been accelerated into the current period in accordance with AASB 2.

#### *Movements in reserves*

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

<b>Consolidated</b>	<b>Tri D &amp; Dycomet Shares reserves \$</b>	<b>Directors &amp; employee incentive plan \$</b>	<b>Options reserves \$</b>	<b>Forfeited rights and options \$</b>	<b>Total \$</b>
Balance at 1 July 2020	-	382,710	2,188,030	-	2,570,740
Expense for the year	-	1,042,458	-	-	1,042,458
Transfer to other components of Equity	-	(95,075)	-	95,075	-
Balance at 30 June 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 equity capital upon issue of shares	-	(235,096)	-	-	(235,096)
Transfer to forfeited reserves upon cancellation of rights	-	(636,641)	-	636,641	-
Transfer to forfeited reserves upon expiry of rights	-	(286,691)	-	286,691	-
Balance at 30 June 2022	<u>1,090,998</u>	<u>2,241,659</u>	<u>2,256,646</u>	<u>1,018,407</u>	<u>6,607,710</u>

**Titomic Limited**  
**Notes to the consolidated financial statements**  
**30 June 2022**

**21. Accumulated losses**

	<b>Consolidated</b>	
	<b>30 June 2022</b>	<b>30 June 2021</b>
	<b>\$</b>	<b>\$</b>
Accumulated losses at the beginning of the financial year	(40,025,261)	(22,849,915)
Loss after income tax expense for the year	<u>(16,971,886)</u>	<u>(17,175,346)</u>
Accumulated losses at the end of the financial year	<u><u>(56,997,147)</u></u>	<u><u>(40,025,261)</u></u>

**22. Dividends**

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

**23. Business combinations**

On 30 November 2021, Titomic Limited acquired 100% of the ordinary shares of Dycomet Europe B.V. for a total consideration transferred of \$2,035,276. This is a business operating in the Netherlands. It was acquired to complement the Company's Australian operations, providing access to low and medium-pressure cold spray systems as well as access to new markets and customers.

The values identified in relation to the acquisition of Dycomet Europe B.V. are final as at 30 June 2022.

	<b>Fair value</b>
	<b>\$</b>
Cash and cash equivalents	145,556
Trade receivables	132,698
Inventory and WIP	479,241
Other receivables	65,117
Commercial buildings	61,325
Plant and equipment	224,011
Right-of-use asset	111,425
Technology	457,319
Brand	29,277
Customer relations	275,610
Trade and other payables	(100,150)
Other provisions	(55,353)
Lease liability	<u>(111,425)</u>
Net assets acquired	1,714,651
Goodwill	<u>320,625</u>
Acquisition-date fair value of the total consideration transferred	<u><u>2,035,276</u></u>
Representing:	
Cash paid or payable to vendor	1,107,069
Vendor's loan repayment (RTR Loan)	403,292
Contingent consideration (Note 21)	176,474
Deferred consideration - current (Note 19)	192,474
Deferred consideration – Non current (Note 21)	<u>155,967</u>
	<u><u>2,035,276</u></u>



## 23. Business combinations (continued)

	<b>Consolidated 30 June 2022 \$</b>
Cash used to acquire business, net of cash acquired:	
Acquisition-date fair value of the total consideration transferred	2,035,276
Less: cash and cash equivalents	(145,556)
Less: contingent consideration	(176,474)
Less: Deferred consideration - Current	(192,474)
Less: Deferred consideration - Non current	(155,967)
	<u>1,364,805</u>
Net cash used	<u>1,364,805</u>

On 30 November 2021, the company completed the acquisition of 100% of shares in Dycomet NL, acquiring all the net assets of the business. This transaction has been accounted for as a business combination under AASB 3 *Business Combinations*. Pursuant to the agreement, Titomic agreed to pay the seller the purchase price of 2 cash components totalling EUR 955,000, a deferred payment of EUR 150,000 eighteen months after the acquisition date and the second payment of EUR 150,000 three years after the acquisition date. There is also further consideration in the form of an issue of shares in Titomic Limited of 500,000 shares at each of 1 year, 2 years and 3 years after the acquisition date. The issue of these shares is contingent upon a key employee being in employment 3 years after the acquisition date.

In addition, there is an Earn Out component calculated as a percentage of revenue payable 3 years after the acquisition date and 5 years after the acquisition date. The first of these payments is contingent upon a key employee being in employment 3 years after the acquisition date and has been accounted for as a post combination remuneration expense. The second Earn Out payment, which is not subject to the employment condition, has formed part of the purchase consideration.

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*.

## 24. Interests in subsidiaries

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

Name	Principal place of business / Country of incorporation	Ownership interest	
		30 June 2022	30 June 2021
		%	%
Titomic USA Inc	USA	100.00%	-
Dycomet Europe B.V.	Netherlands	100.00%	-

## 25. Events after the reporting period

The Company issued 1,044,683 ordinary shares on 08 August 2022 and 1,175,883 shares on 29 August 2022; in relation to Tri-D purchase consideration and STI shares issued in lieu of cash bonus, respectively.

No other matter or circumstance has arisen since 30 June 2022 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.