



Titomic Limited

ACN: 602 793 644

Notice of Annual General Meeting and Explanatory Memorandum

<u>Date of Meeting:</u>	Thursday, 29 th November 2018
<u>Time of Meeting:</u>	2:00pm AEDST (Registration from 1:45pm AEDST)
<u>Place of Meeting:</u>	Pitcher Partners Level 13/664 Collins Street Docklands, Victoria, Australia 3008

*This is an important document. It should be read in its entirety.
If you are in doubt as to the course you should follow, consult your financial or other professional adviser.*



Dear Shareholder,

Titomic Limited (the Company) has convened the Annual General Meeting (AGM) of Shareholders to be held on Thursday, 29th November 2018 and we invite you to attend.

The meeting will be held at the offices of Pitcher Partners, Level 13/664 Collins Street, Docklands, Victoria, Australia 3008 to commence at 2:00pm with registration open from 1.45pm to consider the following items of business:

- The 2018 Annual Report;
- Adoption of the Remuneration Report for the period ended 30 June 2018;
- The re-election of Mr. Philip Vafiadis, who in accordance with the Company's constitutional director rotation policy resigns and offers himself for re-election;
- Approval of performance-based equity to be issued the Managing Director;
- Approval of Director at-risk equity component for Director remuneration;
- Approval of an increase of the Non-Executive Director Remuneration Pool to \$600,000; and
- Approval of additional 10% placement capacity to issue equity under ASX Listing Rule 7.1A.

Attached to this letter is a Notice of the AGM and an Explanatory Memorandum setting out details on each of the resolutions to be proposed at the meeting.

If you are unable to attend the Meeting, we encourage you to vote using the Proxy Form, which is also enclosed. If you are able to attend, please bring this letter and package with you to facilitate with your registration to vote at the AGM.

We look forward to meeting those Shareholders who can attend the AGM in person.

Thank you for your continued support.

Yours sincerely;

Peter Vaughan
Company Secretary & CFO
Titomic Limited

TITOMIC LIMITED

ACN: 602 793 644

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 2018 Annual General Meeting of Titomic Limited ACN 602 793 644 will be held at the offices of Pitcher Partners, Level 13/664 Collins Street, Docklands, Victoria 3008 on Thursday, 29 November 2018 at 2:00pm AEDT.

The attached Explanatory Statement is provided to supply Shareholders with information to allow them to make an informed decision regarding the Resolutions set out in this Notice of Meeting. The Explanatory Statement is to be read in conjunction with this Notice.

This Notice should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their accountant, solicitor or other professional adviser prior to voting.

1. Agenda - Ordinary Business**2018 Annual Financial Statements**

To receive and consider the Annual Financial Report of the Company for the financial year ended 30 June 2018 together with the Remuneration Report, Director's Declaration and the reports of the Directors and company Auditor.

While no resolution is required in relation to this item, Shareholders will be given the opportunity to ask questions and make comments on the Company's Annual Financial Report.

A representative of Company's Auditor, Pitcher Partners, will be present at the Meeting and Shareholders will have an opportunity to ask the Auditor's representative questions in relation to the conduct of the audit, the Auditor's report, the Company's accounting policies, and the independence of the Auditor.

The Titomic Limited 2018 Annual Report can be viewed online at the Company's website www.titomic.com on the "Financials" page under "Investors & Press".

Resolution 1 Adoption of 2018 Remuneration Report

To consider and if thought fit, to pass, with or without amendment, the following resolution as a non-binding ordinary resolution:

"That for the purpose of section 250R(2) of the Corporations Act and for all other purposes, the Remuneration Report for the year ended 30 June 2018 included in the Directors' Report, which is attached to the Company's Annual Financial Report as required under section 300A of the Corporations Act, be adopted by the Company."

Voting Exclusion Statement:

In accordance with the Corporations Act and ASX Listing Rules, the Company will disregard any votes cast on this Resolution:

- a) by or on behalf of a member of the Key Management Personnel named in the Remuneration Report or their closely related parties, regardless of the capacity in which the vote is cast; or
- b) as a proxy by a person who is a member of the Key Management Personnel at the date of the AGM or their closely related parties.

However, votes will not be disregarded if they are cast as proxy for a person entitled to vote on this Resolution:

- a) in accordance with the directions on the proxy form; or
- b) by the Chairman of the meeting pursuant to an express authorisation to exercise the proxy even though this Resolution is connected with the remuneration of the Key Management Personnel.

The vote on this resolution is advisory only, and does not bind the Directors or the Company.

Shareholders who intend to appoint the Chairman as proxy (including an appointment by default) should refer to the Proxy and Voting Instructions on page 4 of this Notice of Annual General Meeting.

Further details in respect of Resolution 1 are set out in the Explanatory Memorandum accompanying this Notice of Annual General Meeting.

NOTICE OF 2018 ANNUAL GENERAL MEETING

Resolution 2 Re-Election of Non-Executive Director – Mr. Philip Vafiadis

To consider, and if thought fit, to pass, with or without amendment, the following resolution as an ordinary resolution:

"That, for the purposes of ASX Listing Rule 14.4, clause 20.3 of the Constitution and for all other purposes, Mr. Philip Vafiadis, a Non-Executive Director and Chairman of the Company who retires by rotation in accordance with the Company's Constitution, and being eligible, be re-elected as a Director of the Company."

Further details in respect of Resolution 2 are set out in the Explanatory Memorandum accompanying this Notice of Annual General Meeting.

Resolution 3 Approval of Managing Director Incentive Bonus Program

To consider, and if thought fit, to pass, with or without amendment, the following resolution as an ordinary resolution:

"That, for the purposes of ASX Listing Rule 10.11 and for all other purposes, that the issue of certain performance rights to be issued to Mr. Jeffrey Lang be approved."

Voting Exclusion Statement:

In accordance with the Corporations Act, the Company and ASX Listing Rules will disregard any votes cast in favour of this Resolution:

- a) by or on behalf of a member of Jeffrey Lang and any of his associates, regardless of the capacity in which the vote is cast; or
- b) as a proxy by a person who is a member of Key Management Personnel at the date of the AGM or their closely related parties.

However, votes will not be disregarded if they are cast as proxy for a person entitled to vote on this Resolution:

- a) in accordance with the directions on the proxy form; or
- b) by the Chairman of the meeting pursuant to an express authorisation to exercise the proxy even though this Resolution is connected with the remuneration of the Key Management Personnel.

Further details in respect of Resolution 3 are set out in the Explanatory Memorandum accompanying this Notice of Annual General Meeting.

Resolution 4 Issuance of Performance Rights to Directors for FY2019 Remuneration Package

To consider, and if thought fit, to pass, with or without amendment, the following resolution as an ordinary resolution:

"That, for the purposes of ASX Listing Rule 10.11 and for all other purposes, that the issue of performance rights to Directors forming part of their FY2019 Remuneration Package be approved for issuance by shareholders."

Shareholders who intend to appoint the Chairman as proxy (including an appointment by default) should refer to the Proxy and Voting Instructions on page 4 of this Notice of Annual General Meeting.

Voting Exclusion and Prohibition Statement:

In accordance with the Corporations Act and ASX Listing Rules the Company will disregard any votes cast in favour of this resolution:

- a) by Mr Philip Vafiadis, Mr Richard Willson, Professor Richard Fox and their respective associates, regardless of the capacity in which the vote is cast; or
- b) as a proxy by a person who is a member of Key Management Personnel at the date of the AGM or their closely related parties.

However, votes will not be disregarded if they are cast as proxy for a person entitled to vote on this Resolution:

- a) in accordance with the directions on the proxy form; or
- b) by the Chairman of the meeting pursuant to an express authorisation to exercise the proxy even though this Resolution is connected with the remuneration of a member of the Key Management Personnel.

Further details in respect of Resolution 4 are set out in the Explanatory Memorandum accompanying this Notice of Annual General Meeting.

NOTICE OF 2018 ANNUAL GENERAL MEETING

Resolution 5 Increase in Total Non-Executive Remuneration Pool

To consider, and if thought fit, to pass, with or without amendment, the following resolution as an ordinary resolution:

"That, for the purposes of ASX Listing Rule 10.17 and 10.17A, clause 21 of the Company's Constitution and for all other purposes, the total available Non-Executive Director remuneration pool available to remunerate Non-Executive Directors for their services to the Company be increased by \$200,000 to \$600,000 per year."

Voting Exclusion and Prohibition Statement:

In accordance with the Corporations Act and ASX Listing Rules the Company will disregard any votes cast in favour of this resolution:

- a) by the Directors and their associates, regardless of the capacity in which the vote is cast; or
- b) as a proxy by a person who is a member of Key Management Personnel at the date of the AGM or their closely related parties.

However, votes will not be disregarded if they are cast as proxy for a person entitled to vote on this Resolution:

- a) in accordance with the directions on the proxy form; or
- b) by the Chairman of the meeting pursuant to an express authorisation to exercise the proxy even though this Resolution is connected with the remuneration of a member of the Key Management Personnel.

Further details in respect of Resolution 5 are set out in the Explanatory Memorandum accompanying this Notice of Annual General Meeting.

Shareholders who intend to appoint the Chairman as proxy (including an appointment by default) should refer to the Proxy and Voting Instructions on page 4 of this Notice of Annual General Meeting.

Special Resolution

Resolution 6 Approval of Additional Capacity to Issue Shares under ASX Listing Rule 7.1A

To consider and if thought fit, pass the following resolution as a special resolution:

"That, pursuant to and in accordance with ASX Listing Rule 7.1A and for all other purposes, Shareholders approve an additional capacity of the Company to issue equity securities of up to 10% of the issued capital of the Company (at the time of the issue) calculated in accordance with the formula prescribed in ASX Listing Rule 7.1A.2 and on the terms and conditions in the Explanatory Statement."

Voting Exclusion Statement:

The Company will, in accordance with ASX Listing Rule 14.11, disregard any votes cast in favour of this Resolution by a person who may participate in the 10% placement issue and a person who might obtain a benefit (except a benefit solely in the capacity of a holder of ordinary securities) if this Resolution is passed, and any associates of those persons.

As at the date of this Notice of Meeting the Company has no specific plans to issue equity securities under the 10% placement issue and therefore it is not known who (if any) may participate in a potential (if any) issue of equity securities under the 10% placement issue.

However, the Company will not disregard a vote if:

- a) it is cast by the person as proxy for a person who is entitled to vote, in accordance with directions on the Proxy Form; or
- b) it is cast by the Chairman as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Further details in respect of Resolution 6 are set out in the Explanatory Memorandum accompanying this Notice of Annual General Meeting.

NOTICE OF 2018 ANNUAL GENERAL MEETING

1. Proxy Instructions

A Shareholder entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of the Shareholder. Where the Shareholder is entitled to cast two or more votes, the Shareholder may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise.

If the Shareholder appoints two proxies and the appointment does not specify the proportion or number of the Shareholder's votes each proxy may exercise, each proxy may exercise half of the votes. A proxy need not be a Shareholder.

To be effective, the instrument of appointment of a proxy (and power of attorney or other authority, if any, under which it is signed or a certified copy of that power or authority) must be received by the Company by 2:00pm AEDT on Tuesday, 27 November 2018 (being 48 hours before the commencement of the meeting). Any proxy forms received after that time will not be valid for the meeting.

Completed proxy forms should be sent to the Company's share registrar, Computershare Investor Services Pty Ltd. Details are set out on the appended proxy form.

If you choose to appoint a proxy, you are encouraged to direct your proxy how to vote on by marking either "For", "Against" or "Abstain" on the form of proxy for that item of business.

Subject to the voting restrictions set out in the Voting Exclusion Statement, the Chairperson will vote undirected proxies on, and in favour of all Resolutions.

If the proxy is the Chairman, the Chairman can also vote undirected proxies and provided that proxy form expressly authorises the Chairman to vote even though the Resolutions are connected with the remuneration of key management personnel.

A form of proxy accompanies this Notice.

2. Undirected Proxies

The Chairman of the meeting will vote undirected proxies on, and in favor of, all of the proposed resolutions (this includes Resolutions 1 to 5).

If you appoint the Chairman of the meeting as your proxy (or if he may be appointed by default), but you do not direct the Chairman how to vote in respect of Resolutions 1 to 5 your election to appoint the Chairman as your proxy will be deemed to constitute an express authorisation by you directing the Chairman to vote your proxy in favor of Resolutions 1 to 5 (unless you have exercised your right to direct the Chairman otherwise in respect of a particular Resolution by marking the 'against' or 'abstain' column in respect of any of the relevant resolutions).

This express authorisation acknowledges that the Chairman may vote your proxy even if he or she has an interest in the outcome of Resolutions 1 to 5, even if the Resolutions are connected directly or indirectly with remuneration of a member of the KMP of the Company (or if the Company is part of a consolidated entity, for the entity) and accordingly your votes will be counted in calculating the required majority if a poll is called.

3. Corporate Representatives

Corporate representatives are requested to bring appropriate evidence of appointment as a representative in accordance with the constitution of the Company. Attorneys are requested to bring the original or a certified copy of the power of attorney pursuant to which they were appointed. Proof of identity will also be required for corporate representatives and attorneys.

NOTICE OF 2018 ANNUAL GENERAL MEETING

4. Determination of voting entitlement

For the purpose of section 1074E(2)(g)(i) of the Corporations Act and Regulation 7.11.37 of the *Corporations Regulations* 2001 (Cth), the Board has determined that the persons eligible to vote at the Meeting are those who are registered Shareholders at 7:00pm AEDT on Tuesday, 26 November 2018.

5. Votes

Unless a poll is demanded in advance of voting on a resolution, voting on each resolution will initially be by way of a show of hands. On a show of hands, each member present in person or by proxy or, in the case of a body corporate, by a representative, shall have one vote.

On a poll, every member present in person or by attorney or by proxy or, in the case of a body corporate, by a representative, shall have one vote for each share held by him, her or it.

6. Questions and Comments by Shareholders at the Meeting

A reasonable opportunity will be given to Shareholders to ask questions and/or make comments on the management of the Company at the Meeting.

A reasonable opportunity will be given for Shareholders to ask questions of the Company's external auditor, Pitcher Partners. These questions should relevant to:

- the conduct of the audit;
- the preparation and contents of the audit report;
- the accounting policies adopted by the Company in relation to the preparation of its financial statements; and
- the independence of the auditor in relation to the conduct of the audit.

Shareholders may also submit a written question to Pitcher Partners if the question is relevant to the content of the audit report or the conduct of its audit of the Company's financial report for the year ended 30 June 2018. Relevant written questions for the external auditor must be received by the Company by no later than 2:00pm AEDT on Monday, 26 November 2018.

A representative of Pitcher Partners will provide answers to the questions at the Meeting.

For and on behalf of the Board of Directors;



Peter Vaughan
Company Secretary
Titomic Limited

Dated: Friday 26th October 2018

EXPLANATORY STATEMENT

TITOMIC LIMITED

ACN: 602 793 644

EXPLANATORY STATEMENT

This Explanatory Statement is intended to provide Shareholders with sufficient information to assess the merits of the Resolutions contained in this Notice.

The Directors recommend that Shareholders read this Explanatory Statement in full before making any decision in relation to the Resolutions.

RECEIPT OF ANNUAL FINANCIAL REPORT

In accordance with the Company's Constitution, the business of the meeting will include receipt and consideration of the Company's Financial Report and reports of Directors and Auditors for the year ended 30 June 2018.

In accordance with the Corporations Act, Shareholders will be given a reasonable opportunity at the Annual General Meeting to ask questions and make comments on the Financial Report.

During the discussion of this item, the Company's auditor will be present and will answer qualifying questions.

ORDINARY RESOLUTIONS

Resolution 1 Adoption of 2018 Remuneration Report

In accordance with Section 300A(1) of the Corporations Act the Remuneration Report is included in the Directors Report for the financial year ended 30 June 2018.

The Remuneration Report sets out details of the remuneration received by the directors and key Company executives, in addition to describing Board policy in respect of remuneration. Resolution 1 seeks Shareholder approval of the adoption of the Remuneration Report by the Company.

The outcome of the vote on this resolution is advisory only and not binding on the Company or the Board.

The Corporations Act provides that members of the Key Management Personnel (as set out on page 11 of the Company's 2018 Annual Report, and is defined in the Corporation Act to include the Chairman) whose remuneration details are included in the Remuneration Report (and any closely related party of those members) are not permitted to vote on a resolution to approve the Remuneration Report.

Sections 250U to 250Y of Corporations Act provide for a 'two strikes and re-election' process in relation to the shareholder vote on the Remuneration Report provide that:

- A 'first strike' will occur if this Remuneration Report resolution receives a 'no' vote of 25% or more. If this occurs, the Company's subsequent remuneration report must contain an explanation of the Board's proposed action in response to the 'no' vote or an explanation of why no action has been taken by the Board.
- A 'second strike' will occur if the resolution to adopt the Remuneration Report at the 2019 Company Annual General Meeting also receives a 'no' vote of 25% or more. If this occurs, shareholders will vote at that Annual General Meeting to determine whether the Directors will need to stand for re-election at a separate, subsequent meeting (the 'spill resolution'). If the spill resolution passes with 50% or more of eligible votes cast, the spill meeting must take place within 90 days.

The Company has not received a first strike.

The Remuneration Report is set out in the Company's 2018 Annual Report which can be viewed online at the Company's website, www.titomic.com on the "Financials" page under "Investors & Press".

EXPLANATORY STATEMENT

Voting Restrictions

Key Management Personnel (**KMP**) and their closely related parties are not permitted to vote on this Resolution. KMPs of the Company are the Directors of the Company and those other persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. The Remuneration Report identifies the Company's KMPs for the financial year ending 30 June 2018. 'Closely related parties' are defined in the Corporations Act, and include certain of their family members, dependents and companies they control.

However, a KMP may cast a proxy where the proxy specifies in writing how the KMP is to vote (except proxies cast on behalf of another KMP). The Chair is permitted to vote undirected proxies where the shareholder expressly authorises the chair to exercise the proxy.

Accordingly, if you have appointed the Chair as your proxy you must either direct the Chair how to vote or you must tick the box on the proxy form expressly authorising the Chair to vote undirected proxies notwithstanding that the Chair or KMP may benefit.

If you do not direct the Chair how to vote or you do not mark the box authorising the Chair to vote undirected proxies, the Chair will not cast your votes on Resolution 1 and your votes will not be counted in calculating the required majority if a poll is called on this resolution.

The Board abstains from making a recommendation in relation to shareholders voting on Resolution 1.

Resolution 2 Re- Election of Non-Executive Director – Mr. Philip Vafiadis

In accordance with clause 20.3 of the Company's Constitution, while the Company is admitted to the Official List, one third of the Directors (or if their number is not a multiple of three, the number nearest one third) must retire from office at each Annual General Meeting and be eligible for re-election. The Directors to retire pursuant to clause 20.3 of the Constitution will be those who have been longest in office since their last election.

Accordingly, Mr. Philip Vafiadis retires by rotation in accordance with clause 20.3 of the Constitution and being eligible offers himself for re-election.

<i>Appointed to the Board</i>	10 November 2016
<i>Last elected by shareholders</i>	Not Applicable
<i>Experience</i>	<p>Mr. Philip Vafiadis is the founding Director and Chairman of Innovyz and the Innovyz Start Institute. As leader of strategy he is an architect of Innovyz's holistic process and key strategic relationships. Innovyz assists in the commercialisation of technology with a focus on Resources, Energy, Advanced Manufacturing, Health, and Software.</p> <p>Mr. Vafiadis is a serial entrepreneur and innovator with strong international relationships across multiple technology industries.</p> <p>Mr. Vafiadis remains the Chairman of his first business, VAF Research, which he founded at 17 years of age which, according to Rolling Stone Magazine, created "The ultimate in high fidelity performance with the best bass in the world".</p>
<i>Committees</i>	Committee Member of the Company's Remuneration Committee, and Committee Member of the Company's Audit and Risk Committee.

The Directors (with Mr. Philip Vafiadis abstaining) recommend that you vote in favour of this Resolution.

EXPLANATORY STATEMENT

Resolution 3 Approval of Managing Director Incentive Bonus Program

On Monday 22nd October 2018 Titomic announced the appointment of Mr. Jeffrey Lang as the Managing Director of the Company.

The Board of Titomic resolved, subject to shareholder approval, to include at-risk securities as part of Mr. Lang's remuneration package in the form of Performance Rights to a value of \$150,000 issuable to Mr. Lang, and/or his nominee.

Should the Performance Hurdle associated with the Performance Rights be achieved, Mr. Lang, and/or his nominee, will receive one new fully-paid ordinary share in Titomic Limited for each Performance Right satisfactorily achieved.

The Performance Hurdle to satisfy the condition of the Performance Right will be set based on the Company's share price reaching a share price equal to 150% of the Company's 30-day VWAP share price on the date shareholder approval is granted. This Performance Hurdle must be satisfied within three (3) years of the date of the granting of the Performance Right or the Performance Right will lapse and expire.

If the Performance Hurdle is deemed to have been achieved, Titomic will issue fully-paid ordinary shares to Mr. Jeffrey Lang, and or his nominee, as follows:

$$NS = \frac{\$150,000}{SVWAP} \text{ where:}$$

NS means the number of shares to be issued to Mr. Jeffrey Lang (or his nominee); and

SVWAP means the Company's 30-day VWAP per share on the date the shareholder approval is granted.

Once approval is obtained pursuant to Listing Rule 10.11, the Company is entitled to rely on Listing Rule 7.2, Exception 14 as an exception to any requirement that may otherwise apply requiring shareholder approval under Listing Rule 7.1.

The Board has formed the view that the issue of the Performance Right to Mr. Jeffrey Lang does not require shareholder approval under section 208 of the Corporations Act, as the issue constitutes 'reasonable remuneration' in accordance with section 211 of the Corporations Act.

In reaching this view, the Company has considered Mr. Jeffrey Lang's position, responsibility and his overall remuneration package and the need of the Company to effectively incentivise its Managing Director, while aligning the incentive with increasing shareholder value and the desirability of preserving cash resources within the Company.

ASX Listing Rule 10.13 requires the meeting documents concerning a proposed resolution to approve an issue of the rights in accordance with ASX Listing Rule 10.11 must include the following information:

- The Performance Rights will be issued to Mr. Jeffrey Lang and/or his nominee.
- The maximum number of securities to ultimately be issued if the Performance Hurdle is satisfied will be determined in accordance with the formula set out above.
- The Performance Rights will be issued within one month after the date of the Meeting, subsequent issue of new fully-paid ordinary shares may take place up to 3 years from the date of the Meeting.
- The Performance Rights are offered for nil consideration and any new Shares issued pursuant to the Performance Right are issued for nil consideration.
- The Performance Rights will expire at 5.00pm (AEDT) on the date that is three years from the date of the granting of the Performance Rights.
- No funds will be raised from issue of the Performance Rights or subsequent issue of any new Shares pursuant to the Performance Rights.

A voting exclusion statement is contained in the Notice accompanying this Explanatory Statement.

The Company's Directors (with Mr. Jeffrey Lang abstaining) recommend that you vote in favour of this Resolution.

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Resolution 4 Issuance of Performance Rights to Directors for FY2019 Remuneration Package

The Board of Titomic resolved, subject to shareholder approval, to remunerate all Directors (other than the Managing Director) such that one-third of their total remuneration packages will be received by way of at-risk security, subject to a performance hurdle as highlighted in the Company's 2018 Annual Financial Report (and set out below).

The breakdown of the Director remunerations for their Board role from 1 July 2018 is to be as follows:

Role	Cash Remuneration	At Risk-Equity Remuneration	Total Remuneration Package
Director	\$60,000	\$30,000	\$90,000
Chairman	\$100,000	\$50,000	\$150,000

The associated deemed value of the Performance Rights will be calculated based on the Company's 30-day Volume Weighted Average Price (VWAP) per share on the date shareholder approval is granted. If the Performance Hurdle is achieved, Titomic will issue fully-paid ordinary share to the Directors as follows:

$$NS = \frac{AREC}{SVWAP} \text{ where:}$$

- NS** means the number of shares to be issued to a Director, and/or their nominee;
- AREC** means the dollar value of the at-risk equity component of that Director's remuneration; and
- SVWAP** means the Company's 30-day VWAP per share on the date the shareholder approval is granted.

The Performance Hurdle to satisfy the condition of the Performance Rights will be set at a share price equal to 150% of the Company's 30-day VWAP share price on the date shareholder approval is granted, and must be satisfied within three (3) years of the granting of the Performance Right or the Performance Right will lapse and expire.

The Performance Rights are to be issued to Directors in lieu of the provision of cash remuneration for their Director services to the Company during FY2019. The remuneration package offered to Titomic's Directors allows the Company to retain existing Directors as well as attract new potential Directors to the Company.

The Board has formed the view that the issue of the Performance Rights to Directors does not require shareholder approval under section 208 of the Corporations Act, as the issue constitutes 'reasonable remuneration' in accordance with section 211 of the Corporations Act.

In reaching this view, the Company has considered the role and responsibility of the directors and the need of the Company to effectively incentivise its Directors, while aligning the incentive with increasing shareholder value and the desirability of preserving cash resources within the Company.

The Board believes that the proposed issuance of Performance Rights which are pegged directly to the Company's share price, provides a cost-effective incentive-based form of remuneration for the Directors which aligns their interests and remuneration, to the achievement of operational milestones, share price appreciation, and improved overall shareholder value.

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The following information is provided for the purposes of ASX Listing Rule 10.13 which requires the meeting documents concerning a proposed resolution to approve an issue of the rights in accordance with ASX Listing Rule 10.11:

NAME OF PERSON	THE MAXIMUM NUMBER OF SECURITIES ULTIMATELY TO BE ISSUED	DATE BY WHICH THE ENTITY MUST ISSUE THE SECURITIES	RELATIONSHIP WITH THE COMPANY	ISSUE PRICE
Mr. Philip Vafiadis	In accordance with the formula above where AREC equals \$50,000	The performance rights will be issued within one month after the date of the Meeting, subsequent issue of Shares may take place up to 3 years from the date of the Meeting	Director and Chairman* <i>*(subject to passing of resolution 2)</i>	Nil
Mr. Richard Willson	In accordance with the formula above where AREC equals \$30,000	The performance rights will be issued within one month after the date of the Meeting, subsequent issue of Shares may take place up to 3 years from the date of the Meeting	Non-Executive Director	Nil
Prof. Richard Fox	In accordance with the formula above where AREC equals \$30,000	The performance rights will be issued within one month after the date of the Meeting, subsequent issue of Shares may take place up to 3 years from the date of the Meeting	Independent Non-Executive Director	Nil

No funds will be raised from issue of the Performance Rights or any subsequent issue of Shares pursuant to the Performance Rights, and a voting exclusion statement is contained in the Notice accompanying this Explanatory Statement.

Given their interest in the outcome of this resolution, the Board does not make a recommendation to shareholders with respect to this resolution.

Resolution 5 Increase in Total Non-Executive Remuneration Pool

The Company's Constitution provides that each Director is entitled to such remuneration from the Company to serve as a Director of the Company as the Directors decide but the total amount provided to all Directors for their services as Directors must not exceed in aggregate in any financial year the amount approved by the Shareholders.

ASX Listing Rule 10.17 provides that an entity must not increase the total aggregate amount of Director's fees payable to Non-Executive Directors without shareholder approval. The aggregate amount approved by Shareholders excludes remuneration paid to Executive Directors.

At present, the maximum aggregate of fees (total fee pool) that may be collectively paid to the Non-Executive Directors of the Company per annum is \$400,000.

Resolution 5 seeks Shareholder approval to increase this amount by \$200,000 per annum to \$600,000 per year for the following reasons:

The Board wishes to provide additional capacity and flexibility to allow for temporary fluctuations in the size of the Board, if and when appropriate, and to manage Committee appointments, as part of its management of Board succession planning; and

The Board, not that it currently perceives this occurring, wishes to allow for future increases in the level of Director fees paid to ensure the Company is competitive in the market. The Company has considered market data, and an increase in the remuneration pool reflects increasing demands on Non-executive Directors, allowing the Company to attract and

EXPLANATORY STATEMENT

retain high quality of Non-Executive Directors with an appropriate range of skills, expertise and diversity.

The proposed increased Non-Executive remuneration pool for \$600,000 reflects a maximum limit. The Board does not intend presently to increase fees to that limit.

Given their interest in the outcome of this resolution, the Board does not make a recommendation to shareholders with respect to this resolution.

SPECIAL RESOLUTION

Resolution 6 Approval of additional capacity to issue Shares under ASX Listing Rule 7.1A

ASX Listing Rule 7.1A

In 2012, the ASX introduced ASX Listing Rule 7.1A which enables certain 'eligible entities' to issue equity securities of up to 10% of their issued share capital through placements over the 12-month period commencing after the annual general meeting at which the additional approval is obtained (Additional Placement Capacity). ASX Listing Rules require that Shareholders approve the Additional Placement Capacity by special resolution, at an annual general meeting before any equity securities are issued under the Additional Placement Capacity.

For the purposes of ASX Listing Rule 7.1A an 'eligible entity' is an entity that is not included in the S&P/ASX 300 Index and has a market capitalisation of \$300 million or less. The Company is an 'eligible entity' for the purpose of ASX Listing Rule 7.1A. The Additional Placement Capacity is in addition to the Company's 15% placement capacity under ASX Listing Rule 7.1. Therefore, if the Additional Placement Capacity is approved, the Directors will be allowed to issue equity securities of up to 10% of the Company's issued share capital pursuant to ASX Listing Rule 7.1A and up to 15% pursuant to ASX Listing Rule 7.1. If the Additional Placement Capacity is not approved, the Directors will still be allowed to issue equity securities of up to 15% of the Company's issued capital pursuant to ASX Listing Rule 7.1.

The Company seeks Shareholder approval by way of a special resolution to have the ability to issue equity securities under the Additional Placement Capacity to be able to take advantage of being able to immediately place securities without having to incur additional costs to the Company or awaiting the necessary delays to prepare for, and hold another shareholders' meeting to specifically approve such a further issuance of securities.

Whilst the Company currently has no intention or reason to issue this additional placement capacity, in the future having this additional placement capacity to immediately issue securities could be used for reasons such as;

- to settle debts of the company in lieu of cash payments to preserve cash reserves; or
- to perform a minor capital raising to raise funds to pay for an unforeseen expenditure; or
- to perform a minor capital raising to raise funds to take advantage of an opportunity to accelerate current company deliverables and timelines; or
- to provide the new securities as consideration for a strategic acquisition or another complementary entity, business, piece of intellectual property, rights, technology, equipment, or assets.

The Directors advise that this additional placement capacity will only be used by the Company if it is necessary due to timing constraints pertaining to the underlying transaction(s) for which it is used.

Formula for calculating 10% Placement Facility

ASX Listing Rule 7.1A.2 provides that eligible entities which have obtained shareholder approval at an annual general meeting may issue or agree to issue, during the 12-month period after the date of the annual general meeting, a number of equity securities calculated in accordance with the following formula:

(A x D) – E where;

EXPLANATORY STATEMENT

A is:

- the number of shares on issue 12 months before the date of issue or agreement;
- plus the number of fully paid shares issued in the 12 months under an exception in ASX Listing Rule 7.2;
- plus the number of partly paid shares that became fully paid in the 12 months;
- plus the number of fully paid shares issued in the 12 months with approval of holders of shares under ASX Listing Rule 7.1 and 7.4. This does not include an issue of fully paid shares under the entity's 15% placement capacity without shareholder approval;
- less the number of fully paid shares cancelled in the 12 months.

Note that A has the same meaning in ASX Listing Rule 7.1 when calculating an entity's 15% placement capacity.

D is: 10%

E is: the number of equity securities issued or agreed to be issued under ASX Listing Rule 7.1A.2 in the 12 months before the date of the issue or agreement to issue that are not issued with the approval of shareholders under ASX Listing Rule 7.1 or 7.4.

ASX Listing Rule 7.3A

In accordance with ASX Listing Rule 7.3A the Company provides the following information:

- Any securities issued under the Additional Placement Capacity will be in the same class as existing quoted securities of the Company. The Company has only one classes of quoted equity securities on issue as at the date of this Notice of Meeting being fully-paid ordinary shares with the ASX code TTT.
- The issue price for each security issued under the Additional Placement Capacity will not be less than 75% of the volume weighted average price for securities in that class over the 15 trading days on which trades in that class were recorded immediately before:
 - the date on which the price at which the securities are to be issued is agreed; or
 - if the securities are not issued within 5 trading days of the date above, the date on which the securities are issued.
- The issue of equity securities under the Additional Placement Capacity may result in voting dilution of existing ordinary shareholders (as shown in Table 1). There is also the risk that:
 - the market price for equity securities in that class may be significantly lower on the issue date than on the date of the Meeting; and
 - the equity securities may be issued at a price that is at a discount to the market price for those equity securities on the issue date.
- Equity securities under the Additional Placement Capacity may be issued until the earlier of:
 - Thursday, 28 November 2019; and
 - the date of approval by ordinary shareholders of a significant change to the Company's activities under ASX Listing Rule 11.1.2 or the date of approval by ordinary shareholders of a disposal of a major asset under ASX Listing Rule 11.2 or such longer period if allowed by the ASX.
- Any approval of the Additional Placement Capacity at this Meeting will cease to be valid if and from the date that ordinary shareholders approve a transaction under ASX Listing Rule 11.1.2 or 11.2.
- The Company may issue equity securities under the Additional Placement Capacity for the following purposes:
 - non-cash consideration: for the acquisition of new assets or the settlement of obligations (in such circumstances the Company will provide a valuation of the non-cash consideration as required by ASX Listing Rules); or

EXPLANATORY STATEMENT

- cash consideration: to raise funds for working capital, to fund product research, development and commercialisation programs or for the acquisition of new assets.
- The Company will comply with the disclosure obligations under ASX Listing Rules 7.1A (4) and 3.10.5A upon issue of any equity securities.
- The Company's allocation policy for issues under the Additional Placement Capacity is dependent on prevailing market conditions at the time of any proposed issue.
- The identity of the allottees of the equity securities will be determined on a case-by-case basis having regard to the factors including but not limited to the following:
 - the methods of raising funds that are available to the Company, including rights issues or other issues in which existing shareholders may participate;
 - the effect of the issue of the equity securities on the control of the Company;
 - the financial position of the Company; and
 - advice from the Company's advisors.
- During the previous 12 months the Company issued 9,600,000 fully paid ordinary shares under its 7.1A Placement Capacity on 7 May 2018 at an issue price of \$1.25 per share raising \$12 million. This issue represents 7.81% of the total issued share capital on issue as at 26 October 2018.

The Directors have not decided if they will issue any securities under the Additional Placement Capacity and so allottees under the Additional Placement Capacity have not yet been determined. If Directors decide to issue securities under the Additional Placement Capacity, allottees may include existing Shareholders, existing substantial shareholders and/or new shareholders who are not related parties or associates of a related party of the Company.

Table 1 shows the dilution of Shareholders on the basis of the current market price of Shares and the current number of ordinary securities for variable "A" calculated in accordance with the formula in ASX Listing Rule 7.1A(2).

The table also shows:

- two examples where variable "A" has increased, by 50% and 100%. Variable "A" is based on the number of ordinary securities the Company has on issue as at the date of the Notice.

The number of ordinary securities on issue may increase as a result of issues of ordinary securities that do not require Shareholder approval (for example, a pro rata entitlements issue or scrip issued under a takeover offer) or future specific placements under Listing Rule 7.1 that are approved at a future Shareholders' meeting; and

- two examples of where the issue price of ordinary securities has decreased by 50% and increased by 100% as against the current market price.

Table 1

Variable 'A' in Listing Rule 7.1A.2		Dilution		
		50% Decrease in Issue Price (\$0.80)	Issue Price (\$1.60)	100% Increase in Issue Price (\$3.20)
Variable A 122,898,217 Shares	10% Voting Dilution	12,289,822 Shares	12,289,822 Shares	12,289,822 Shares
	Funds Raised	\$9,831,857	\$19,663,715	\$39,327,429
50% increase in Variable A 184,347,326 Shares	10% Voting Dilution	18,434,733 Shares	18,434,733 Shares	18,434,733 Shares
	Funds Raised	\$14,747,786	\$29,495,572	\$58,991,144
100% increase in Variable A 245,796,434 Shares	10% Voting Dilution	24,579,643 Shares	24,579,643 Shares	24,579,643 Shares
	Funds Raised	\$19,663,715	\$39,327,429	\$78,654,859

EXPLANATORY STATEMENT

Table 1 has been prepared based on the following assumptions:

- Variable A is based on the number of Shares on issue on the date of the Notice.
- The Company issues the maximum number of equity securities available under the Additional Placement Capacity.
- The 10% voting dilution reflects the aggregate percentage dilution against the issued share capital at the time of issue.
- The table shows only the issue of equity securities under the Additional Placement Capacity and not under ASX Listing Rule 7.1.
- The issue of equity securities under the additional placement capacity includes only shares.

The issue price of \$1.60 was the closing price of Shares as traded on ASX as at 5:00pm on Friday, 19th October 2018. This price may fluctuate between the time of preparing this Notice and the date of the Meeting.

The Company's Directors recommend that you vote in favour of this Ordinary Resolution.

GLOSSARY

In the Notice of Meeting and Explanatory Statement the following terms have the following meanings:

AEDT means Australian Eastern Daylight Savings Time.

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited.

ASX Listing Rules or **Listing Rules** means the listing rules of ASX.

Board means the board of directors of the Company.

Chairman means the person chairing the Meeting from time to time.

Closely Related Party of a member of the Key Management Personnel means:

- a spouse or child of the member; or
- a child of the member's spouse; or
- a dependent of the member or of the member's spouse; or
- anyone else who is one of the member's family, and may be expected to influence the member, or be influenced by the member, in the member's dealings with the entity; or
- a company the member controls; or
- a person prescribed by the *Corporations Regulations 2001* (Cth).

Company or **Titomic** or **TTT** means Titomic Limited (ACN 602 793 644).

Constitution means the Company's constitution.

Corporations Act means *Corporations Act 2001* (Cth).

Director means a current director of the Company.

Explanatory Statement means the explanatory statement to this Notice of Meeting.

Key Management Personnel or **KMP** means those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any Directors.

Meeting means the 2018 Annual General Meeting of the Shareholders of the Company to be held at 2.00pm on Thursday, 29 November 2018, to which the Notice of Meeting and Explanatory Statement relate.

Notice or **Notice of Meeting** means this notice of meeting of the Company.

Resolution means a resolution referred to in the Notice.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a holder of Shares.

VWAP means the Volume Weighted Average Price.

Words importing the singular include the plural and vice versa. All references to currency are in Australian dollars.



ABN 77 602 793 644

TTT
MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

Lodge your vote:



Online:

www.investorvote.com.au



By Mail:

Computershare Investor Services Pty Limited
GPO Box 242 Melbourne
Victoria 3001 Australia

Alternatively you can fax your form to
(within Australia) 1800 783 447
(outside Australia) +61 3 9473 2555

For Intermediary Online subscribers only
(custodians) www.intermediaryonline.com

For all enquiries call:

(within Australia) 1300 850 505
(outside Australia) +61 3 9415 4000

Proxy Form

XX



Vote and view the annual report online

- Go to www.investorvote.com.au or scan the QR Code with your mobile device.
- Follow the instructions on the secure website to vote.

Your access information that you will need to vote:

Control Number: 999999

SRN/HIN: I9999999999 PIN: 99999

PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.



For your vote to be effective it must be received by 2:00pm (AEDST) Tuesday, 27 November 2018

How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

Appointment of Proxy

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote or abstain as they choose (to the extent permitted by law). If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

Signing Instructions for Postal Forms

Individual: Where the holding is in one name, the securityholder must sign.

Joint Holding: Where the holding is in more than one name, all of the securityholders should sign.

Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

Attending the Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at www.investorcentre.com under the help tab, "Printable Forms".

Comments & Questions: If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

**GO ONLINE TO VOTE,
or turn over to complete the form →**

MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030



Change of address. If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.



I 9999999999

IND

Proxy Form

Please mark ☒ to indicate your directions

STEP 1

Appoint a Proxy to Vote on Your Behalf

XX

I/We being a member/s of Titomic Limited hereby appoint

☐

the Chairman
of the Meeting OR



PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the Meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the Annual General Meeting of Titomic Limited to be held at the offices of Pitcher Partners, Level 13/664 Collins Street, Docklands, Victoria on Thursday, 29 November 2018 at 2:00pm (AEDST) and at any adjournment or postponement of that Meeting.

Chairman authorised to exercise undirected proxies on remuneration related resolutions: Where I/we have appointed the Chairman of the Meeting as my/our proxy (or the Chairman becomes my/our proxy by default), I/we expressly authorise the Chairman to exercise my/our proxy on Resolutions 1, 3, 4 & 5 (except where I/we have indicated a different voting intention below) even though Resolutions 1, 3, 4 & 5 are connected directly or indirectly with the remuneration of a member of key management personnel, which includes the Chairman.

Important Note: If the Chairman of the Meeting is (or becomes) your proxy you can direct the Chairman to vote for or against or abstain from voting on Resolutions 1, 3, 4 & 5 by marking the appropriate box in step 2 below.

STEP 2

Items of Business



PLEASE NOTE: If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

		For	Against	Abstain
Resolution 1	Adoption of 2018 Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	Re-election of Non-Executive Director - Mr. Philip Vafiadis	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	Approval of Managing Director Incentive Bonus Program	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4	Issuance of Performance Rights to Directors for FY2019 Remuneration Package	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5	Increase in Total Non-Executive Remuneration Pool	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6	Approval of Additional Capacity to Issue Shares under ASX Listing Rule 7.1A	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business. In exceptional circumstances, the Chairman of the Meeting may change his/her voting intention on any resolution, in which case an ASX announcement will be made.

SIGN

Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

Contact
Name

Contact
Daytime
Telephone

Date / /

TTT

999999A

Computershare +