

**Titomic Limited**  
**Appendix 4D**  
**Half-year report**

**1. Company details**

Name of entity:	Titomic Limited
ABN:	77 602 793 644
Reporting period:	For the half-year ended 31 December 2022
Previous period:	For the half-year ended 31 December 2021

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

			\$
Revenues from ordinary activities	up	20.7% to	2,787,346
Loss from ordinary activities after tax attributable to the Owners of Titomic Limited	down	3.6% to	(7,241,488)
Loss for the half-year attributable to the Owners of Titomic Limited	down	3.6% to	(7,241,488)

**3. Net tangible assets**

	31 Dec 2022 Cents	30 June 2022 Cents
Net tangible assets per ordinary security	<u>0.99</u>	<u>2.88</u>

**4. Audit qualification or review**

The financial statements were subject to a review by the auditors and the review report is attached as part of the Interim Report.

**5. Explanation of results**

Refer to the Directors' Report.

**6. Attachments**

The Interim Report of Titomic Limited for the half-year ended 31 December 2022 is attached.

**7. Signed**

  
Signed \_\_\_\_\_

Humphrey Nolan  
Chairman

Date: 28 February 2023

**Titomic Limited**

**Interim Report - 31 December 2022**

**ABN 77 602 793 644**

**Titomic Limited**  
**Corporate directory**  
**31 December 2022**

<b>Directors</b>	Mr Humphrey Nolan ( <i>Independent Non-Executive Chairman</i> ) Mr Herbert Koeck ( <i>Managing Director</i> ) Mr Richard Willson ( <i>Independent Non-Executive Director</i> ) Mr Andreas Schwer ( <i>Independent Non-Executive Director</i> ) Mr Dag W.R. Stromme ( <i>Independent Non-Executive Director</i> ) Ms Mira Ricardel ( <i>Independent Non-Executive Director</i> )
<b>Company secretary</b>	Mr Christopher Healy
<b>Registered Office in Australia</b>	Ground Floor, 365 Ferntree Gully Road Mount Waverley, Victoria 3149 , Australia
<b>Principal place of business</b>	Ground Floor, 365 Ferntree Gully Road Mount Waverley, Victoria 3149, Australia
<b>Share registry</b>	Computershare GPO Box 3224 Melbourne, Victoria 3001, Australia
<b>Auditors</b>	BDO Audit Pty Ltd Tower 4, Level 18, 727 Collins Street Docklands, Victoria 3008, Australia
<b>Solicitors</b>	K&L Gates GPO Box 4388 Melbourne, Victoria 3001, Australia
<b>Bankers</b>	National Australia Bank Level 2, 330 Collins Street Melbourne, Victoria 3000, Australia
<b>Security Quoted</b>	Australian Securities Exchange Ordinary Fully Paid Shares (Code: TTT) Listed Options (Code: TTTO)
<b>Website</b>	<a href="http://www.titomic.com/">http://www.titomic.com/</a>

**Titomic Limited**  
**Directors' report**  
**31 December 2022**

The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Consolidated entity') consisting of Titomic Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2022.

**Directors, Key Management Personnel and Company Secretary**

The following persons were Directors of Titomic Limited during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

<b>Mr Humphrey Nolan</b>	Independent Non-Executive Chairman
<b>Mr Herbert Koeck</b>	Managing Director
<b>Mr Richard Willson</b>	Independent Non-Executive Director
<b>Mr Andreas Schwer</b>	Independent Non-Executive Director
<b>Ms Mira Ricardel</b>	Independent Non-Executive Director
<b>Mr Dag W.R. Stromme</b>	Independent Non-Executive Director
<b>Mr Jeffrey Lang</b>	Non-Executive Director (retired on 21 November 2022)

**Principal activities**

Titomic Limited is an Australian public listed company specialising in technology solutions for industrial-scale metal additive manufacturing using its patented Titomic Kinetic Fusion® (TKF) technology with its principal activities in the Defence, Aerospace, Mining, Energy and Transport industries.

**Review of operations**

The loss for the Consolidated entity after providing for income tax amounted to \$7,241,488 (31 December 2021: \$7,511,182).

**Key Highlights**

***Sale of first D523 Systems into the Australian transport industry***

Titomic began its first sales of D523 low-pressure cold spray systems into the Australian transport industry through purchase orders totalling \$314,900. The engine remanufacturing and rail transport businesses adds in-house capability for ongoing component services and repairs, maximising equipment uptime while minimising maintenance costs. Titomic is seeing demand grow for D523 Systems across several industries due to these added capabilities.

***Titomic USA enters renewable energy sector with first D523 sale***

Titomic USA has sold its first D523 System to Fire Island Wind, a company which forms part of the Cook Inlet Region Inc. group. The D523 will be used to apply corrosion-resistant aluminium by hand onto the steel structures, creating long-lasting corrosion protection, thereby reducing maintenance costs and turbine down-time.

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

On May 19, 2022, Titomic announced the sale of an automated glass mould coating system to Vetropak in Austria, a member of the International Partners in Glass Research (IPGR). The installation of the system is largely complete and is currently undergoing Site Acceptance Testing. Titomic anticipates receiving certification from TÜV Austria imminently to allow the system to operate.

TÜV is a well-respected organisation that provides certifications and inspections for equipment across Europe, and their safety and certification protocols are considered to be extremely rigorous. Once Titomic receives certification from TÜV, subsequent inspections are expected to be completed more quickly, allowing for accelerated sales and installations into the European and American glass manufacturing markets and other IPGR partner companies.

***Continuation of flight qualifications with Boeing***

Titomic continues to work collaboratively with Boeing, contributing to their bid for the Australian Government's JP-9102 program. Titomic has provided multiple test components to Boeing which have performed as expected and the Company continues to progress with this commercial partnership.

### ***Launch of new D623 medium-pressure cold spray system***

Titomic has developed a new medium-pressure cold-spray system known as the Titomic D623, further expanding the Company's product line and commercial offering. The new System is capable of depositing harder metals compared to the D523, enhancing the System's key capabilities such as wear-resistant coatings and restoration of high-wear parts, among other additional product innovations. The first two sales of the D623 were made to German-based Neue Materialien Bayreuth GmbH and the Universidad Rey Juan Carlos in Madrid, Spain, with these sales totalling ~ \$270,000

### ***Establishment of presence in the mining industry via the reseller channel***

Titomic established a presence in the mining and reseller industries with a stock order from mining engineering company, Brauntell – a Titomic Authorised Service Provider and Reseller – for D523 cold-spray Systems (Systems) for \$395,000 in August 2022. The Systems will further enhance Brauntell's product offering within maintenance and repair servicing, enabling operators to re-shore and bring maintenance and repair efforts in-house to heighten self-sufficiency, leading to reduced lead times and increased profitability and productivity.

### ***Titomic enters Asian marine sector with reseller Alliance Singapore***

Titomic has further expanded into Asia by entering into a reseller agreement with Alliance Pte Ltd ("Alliance"). Alliance will market Titomic Kinetic Fusion cold spray systems as an official reseller within Malaysia and Singapore. Alliance is targeting the corrosion and coatings segment of the Singaporean and Malaysian marine market.

### ***Strengthening presence in the USA with MSI Viking and ADS, Inc. reseller agreements***

Titomic entered a reseller agreement with a US-based supplier of manufacturing technologies, MSI Viking, and tier-1 military supplier; ADS, Inc. (ADS). MSI Viking purchased a D523 demonstrator System to generate sales opportunities by utilising the D523 to provide repair services. MSI Viking has exclusivity within 11 states across Eastern and Southern USA, and will service these areas from five MSI Viking locations.

ADS has the non-exclusive right to market and sell Titomic Kinetic Fusion Systems within the US, including low-to-medium pressure cold spray systems such as the D523 and D623, automated Integrated Spray Booth units, and high-pressure Titomic Kinetic Fusion additive manufacturing systems.

### ***Entering the Middle Eastern market through Repkon as a reseller***

In August 2022, Titomic signed an agreement with Repkon Foreign Trade and Marketing Inc. to become an official reseller of Titomic systems within Turkey, the United Arab Emirates, and Saudi Arabia. The agreement provides access to, and creates a strong presence in, the key market of the Middle East. Titomic is now able to sell consumables, service contracts, and manufacturing systems into the aerospace and defence sectors in the region.

### ***Titomic Europe awarded Horizon Europe grant***

Titomic will receive €260,000 (~A\$400,000) in CoBRAIN funding to research and develop applications of artificial intelligence and machine learning within cold spray applications. The outcomes of the research will assist Titomic in optimising cold spray processes for manufacturing with new and existing materials and metals. The CoBRAIN program will develop novel hard metals for corrosion and wear resistance and validate an integrated material engineering workflow.

### ***Titomic capital raise update***

Titomic advised the ASX on December 5, 2022 that it had received commitments from new and existing sophisticated and institutional investors to raise \$5.1 million via a strongly supported share placement (Placement) at \$0.16 per share, including a \$2.2 million strategic investment from Repkon Makina ve Kalip (Repkon) and significant investment from Titomic's Directors, Mr Herbert Koeck and Mr Dag Stromme. Funds have now been received from Repkon

### ***Research & development tax incentive***

Titomic has received a \$786,045 research and development tax incentive from the Australian Government.

### ***Restructure of CSIRO royalties***

Titomic's co-founding technology partner, the CSIRO, has agreed to pause Titomic's minimum royalty payments of \$150,000 per year for three years. After the three-year period, the CSIRO has agreed to reduce this minimum royalty payment amount for the following five years.

### ***Titomic receives re-certification for quality standards AS9100D, ISO9001, and ISO27001***

During the half year, Titomic received a review of its business quality systems and was found to have complied with all relevant standards and has retained its AS9100D and ISO9001 quality certifications and ISO27001 IT & Cybersecurity certification.

Titomic continues to work with all staff to create the safest and best work practices while consistently meeting customer requirements, all applicable statutory and regulatory requirements, and expectations for all stakeholders' mutual benefit.

### ***Cost reductions***

Based on the current economic climate and in the interest of commercial longevity, Titomic has undertaken cost-reduction measures, including an employee equity scheme which provides equity in lieu of partial salaries - which has had a significant uptake by staff - and by a reduction of overall current and forecast expenditures.

### ***Titomic Summons***

As announced on December 6, 2022, Titomic has been served with a Summons filed with the Supreme Court of NSW which names the Plaintiff as Composite Technology R&D Pty Ltd ABN 52 094 571 187 and the Defendant as Titomic. The claim set out in the Summons is commercially misleading conduct which the Company denies and will vigorously defend. Titomic is planning to file its defence in March, 2023.

### ***Significant changes in the state of affairs***

There were no significant changes in the state of affairs of the Consolidated entity during the financial half-year.

### ***Matters subsequent to the end of the financial half-year***

As a component of the cash optimisation program currently underway, employees could elect to salary sacrifice up to 10% of their Gross salary for Shares. This is a 6 month program running from January 2023 to June 2023.

The R&D Tax Incentive of \$786,045 was received by Titomic Ltd from the ATO on 3 February, 2023.

One employee elected to convert Share rights he held into Shares in Titomic Ltd on 17 February, 2023 in accordance with the LTI arrangement.

As part of the Capital Raise in late 2022, Repkon agreed to make a further strategic investment of \$2.2M. These funds were paid to Titomic Ltd on 20 February, 2023 and 14,045,694 share were issued on 23 February 2023.

No other matter or circumstance has arisen since 31 December 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.

### ***Auditor's independence declaration***

A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* in relation to the audit for the financial year is provided with this report.

### ***Rounding of amounts***

In accordance with *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*, the amounts in the Directors' report and the Financial Reports have been rounded to the nearest dollar.

**Titomic Limited**  
**Directors' report**  
**31 December 2022**

This report is made in accordance with a resolution of Directors, pursuant to section 298(2)(a) of the *Corporations Act 2001*.

On behalf of the Directors



---

Humphrey Nolan  
Chairman

28 February 2023

## DECLARATION OF INDEPENDENCE BY KATHERINE ROBERTSON TO THE DIRECTORS OF TITOMIC LIMITED

As lead auditor for the review of Titomic Limited for the half-year ended 31 December 2022, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Titomic Limited and the entities it controlled during the period.



**Katherine Robertson**  
**Director**

**BDO Audit Pty Ltd**

Melbourne, 28 February 2023



**Titomic Limited**  
**Contents**  
**31 December 2022**

Consolidated statement of profit or loss and other comprehensive income	8
Consolidated statement of financial position	9
Consolidated statement of changes in equity	10
Consolidated statement of cash flows	11
Notes to the consolidated financial statements	12
Directors' declaration	21
Independent auditor's review report to the members of Titomic Limited	22

**General information**

The financial statements cover Titomic Limited as a Consolidated entity consisting of Titomic Limited and the entities it controlled at the end of, or during, the half-year. The financial statements are presented in Australian dollars, which is Titomic Limited's functional and presentation currency.

Titomic Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Ground floor, 365 Ferntree Gully Road  
Mount Waverley Victoria 3149 Australia

A description of the nature of the Consolidated entity's operations and its principal activities are included in the Directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 28 February 2023.

**Titomic Limited**  
**Consolidated statement of profit or loss and other comprehensive income**  
**For the half-year ended 31 December 2022**

		<b>Consolidated</b>	
	<b>Note</b>	<b>31 Dec 2022</b>	<b>31 Dec 2021</b>
		<b>\$</b>	<b>\$</b>
<b>Revenue</b>	3	2,787,346	2,309,755
<b>Expenses</b>			
Production and related expenses		(324,628)	(663,287)
Corporate and administrative expenses		(2,080,852)	(1,770,032)
Remuneration expense on Tri-D and Dycomet transaction	4	(307,000)	(1,267,220)
Employee and director expenses		(3,336,821)	(3,472,565)
Share based payment expenses	5	(770,984)	(458,087)
Depreciation expenses		(888,961)	(705,638)
Marketing and promotion expenses		(1,096,943)	(392,569)
Amortisation expenses		(39,367)	(59,050)
Space grant expenditure		(1,105,511)	(995,169)
Other expenses		(76,916)	(20,378)
Finance costs		(851)	(16,942)
<b>Loss before income tax expense</b>		(7,241,488)	(7,511,182)
Income tax expense		-	-
<b>Loss after income tax expense for the half-year attributable to the Owners of Titomic Limited</b>		(7,241,488)	(7,511,182)
Other comprehensive income for the half-year, net of tax		-	-
<b>Total comprehensive income for the half-year attributable to the Owners of Titomic Limited</b>		<u>(7,241,488)</u>	<u>(7,511,182)</u>
		<b>Cents</b>	<b>Cents</b>
Basic loss per share		(3.50)	(4.48)
Diluted loss per share		(3.50)	(4.48)

*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 31 December 2022**

		<b>Consolidated</b>	
	<b>Note</b>	<b>31 Dec 2022</b>	<b>30 June 2022</b>
		<b>\$</b>	<b>\$</b>
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		2,139,380	7,108,180
Trade and other receivables	6	1,794,072	951,913
Inventories	7	1,936,838	2,109,631
Other current assets		992,264	677,409
Total current assets		<u>6,862,554</u>	<u>10,847,133</u>
<b>Non-current assets</b>			
Property, plant and equipment		1,604,728	2,022,865
Right-of-use assets		1,255,473	1,401,891
Intangible assets		577,418	546,466
Total non-current assets		<u>3,437,619</u>	<u>3,971,222</u>
<b>Total assets</b>		<u>10,300,173</u>	<u>14,818,355</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables		1,393,516	1,102,759
Other financial liabilities	8	1,853,924	2,265,624
Provisions		936,444	1,370,560
Total current liabilities		<u>4,183,884</u>	<u>4,738,943</u>
<b>Non-current liabilities</b>			
Provisions		481,233	490,252
Other financial liabilities	9	2,007,675	2,176,540
Total non-current liabilities		<u>2,488,908</u>	<u>2,666,792</u>
<b>Total liabilities</b>		<u>6,672,792</u>	<u>7,405,735</u>
<b>Net assets</b>		<u>3,627,381</u>	<u>7,412,620</u>
<b>Equity</b>			
Issued capital	10	61,190,975	57,853,211
Reserves		6,675,041	6,556,556
Accumulated losses		(64,238,635)	(56,997,147)
<b>Total equity</b>		<u>3,627,381</u>	<u>7,412,620</u>

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

**Titomic Limited**  
**Consolidated statement of changes in equity**  
**For the half-year ended 31 December 2022**

<b>Consolidated</b>	<b>Issued capital \$</b>	<b>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 half-year	-	-	(7,511,182)	(7,511,182)
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	-	(7,511,182)	(7,511,182)
<i>Transactions with Owners in their capacity as Owners:</i>				
Contributions of equity	12,423,968	-	-	12,423,968
Share-based payments	-	658,455	-	658,455
Transaction costs	(743,763)	-	-	(743,763)
Balance at 31 December 2021	<u>57,533,821</u>	<u>4,271,653</u>	<u>(47,536,443)</u>	<u>14,269,031</u>
<b>Consolidated</b>	<b>Issued capital \$</b>	<b>Reserves \$</b>	<b>Accumulated losses \$</b>	<b>Total equity \$</b>
Balance at 1 July 2022	57,853,210	6,556,556	(56,997,147)	7,412,619
Loss after income tax expense for the half-year	-	-	(7,241,488)	(7,241,488)
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	-	(7,241,488)	(7,241,488)
<i>Transactions with Owners in their capacity as Owners:</i>				
Contributions of equity	2,677,689	-	-	2,677,689
Share based payments to Directors and Employees	-	499,352	-	499,352
Share based payments under long term Employee Incentive Plan (EIP) (Note 11)	-	341,428	-	341,428
Issue of Shares as remuneration to Tri-D employees	236,621	(236,621)	-	-
Issue of Shares under Tri-D Short Term Incentive	341,006	(341,006)	-	-
Issue of Shares to employees under long term EIP (Note 11)	237,147	(237,147)	-	-
Share issued under retention arrangement with employees	12,800	(12,800)	-	-
Issue of Shares as consideration for acquisition of Dycomet	80,000	(80,000)	-	-
Remuneration expense as part of the Tri-D transaction and deferred consideration for Dycomet acquisition	-	185,279	-	185,279
Transaction costs	(247,498)	-	-	(247,498)
Balance at 31 December 2022	<u>61,190,975</u>	<u>6,675,041</u>	<u>(64,238,635)</u>	<u>3,627,381</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 half-year ended 31 December 2022**

		<b>Consolidated</b>	
	<b>Note</b>	<b>31 Dec 2022</b>	<b>31 Dec 2021</b>
		<b>\$</b>	<b>\$</b>
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of GST)		1,619,679	1,040,274
Payments to suppliers and employees (inclusive of GST)		(8,538,900)	(6,596,738)
Interest received		5,945	8,772
Finance cost		-	(16,942)
Space grant received (inclusive of GST)		-	1,023,000
Other grants received (inclusive of GST)		58,265	9,857
		<u>                    </u>	<u>                    </u>
Net cash used in operating activities		(6,855,011)	(4,531,777)
<b>Cash flows from investing activities</b>			
Payment for purchase of business, net of cash acquired	12	-	(961,513)
Payments for property, plant and equipment		(325,623)	(124,054)
		<u>                    </u>	<u>                    </u>
Net cash used in investing activities		(325,623)	(1,085,567)
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares	10	2,677,689	12,423,968
Share issue transaction costs		(247,498)	(743,763)
Repayment of lease liabilities		(210,123)	(241,474)
		<u>                    </u>	<u>                    </u>
Net cash from financing activities		2,220,068	11,438,731
Net (decrease)/increase in cash and cash equivalents		(4,960,566)	5,821,387
Cash and cash equivalents at the beginning of the financial half-year		7,108,180	7,946,161
Effects of exchange rate changes on cash and cash equivalents		(8,234)	-
		<u>                    </u>	<u>                    </u>
Cash and cash equivalents at the end of the financial half-year		<u>2,139,380</u>	<u>13,767,548</u>

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

## **1. Significant accounting policies**

These general purpose financial statements for the interim half-year reporting period ended 31 December 2022 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2022 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

### **New or amended Accounting Standards and Interpretations adopted**

The Consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Consolidated entity.

### **Going concern**

For the financial half-year ended 31 December 2022, the Consolidated entity incurred an operating net loss of \$7,241,488 (31 Dec 2021: net loss of \$7,511,182), had net cash outflows from operating activities of \$6,855,011 (31 Dec 2021: net cash outflows of \$4,531,777), net current assets at the reporting date of \$6,862,554 (30 June 2022: net current assets of \$10,847,133) and total net assets of \$3,627,381 (30 June 2022: \$7,412,620). The Consolidated entity does not currently have a significant source of operating revenue and is reliant upon raising equity capital, receipt of the R&D tax incentives and government grants to meet its operating costs.

These matters indicate a material uncertainty that may cast significant doubt about the Consolidated entity's ability to continue as a going concern.

The ability to continue as a going concern is dependent upon several factors, one being the continuation and availability of funds. The financial statements have been prepared on the basis that the Consolidated entity is a going concern, which contemplates the continuity of its business, the realisation of assets and the settlement of liabilities in the normal course of business.

To this end, over the next 12 months the Consolidated entity is expecting to fund ongoing obligations as follows:

- Customer deposits and progress payment for machines and production products; and
- Issuance of the Company's securities under ASX Listing Rule 7.1.
- Government Grants received

Based on the above and cash flow forecasts prepared, the directors are of the opinion that the Consolidated entity is well-positioned to meet its objectives and obligations going forward and therefore that the basis upon which the financial statements are prepared is appropriate in the circumstances.

Should the Consolidated entity be unable to continue as a going concern, it may be required to realise its assets and extinguish its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessarily incurred should the consolidated entity not continue as a going concern.

The financial report covers Titomic Limited - a company limited by shares, incorporated and domiciled in Australia. The address of the Consolidated entity's registered office is 365 Ferntree Gully Road Mount Waverley Victoria 3149 Australia. The Company is a for-profit company for the purpose of preparing the financial statements.

## **1. Significant accounting policies (continued)**

The financial report was authorised for issue by the Directors as at the date of the directors' report.

### **Principles of consolidation**

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Titomic Limited ('company' or 'parent entity') as at 31 December 2022 and the results of all subsidiaries for the half-year then ended. Titomic Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

### **Comparative Figures**

Comparatives have been reclassified so as to be consistent with the presentation in the current year.

## **2. Operating Segments**

### *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 Aerospace and Defence industry customers, particularly in the USA.

**Europe:** Low and Medium pressure cold spray additive manufacturing machines for use by end customers in providing various metal coating and repair services.

**Titomic Limited**  
**Notes to the consolidated financial statements**  
**31 December 2022**

**2. Operating Segments (continued)**

*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.

*Operating segment information*

	Australian segment \$	European segment \$	USA segment \$	Total \$
<b>Consolidated - 31 December 2022</b>				
<b>Revenue</b>				
Sales to external customers	920,423	424,053	107,330	1,451,806
Intersegment sales	6,431	753,280	-	759,711
Total sales revenue	926,854	1,177,333	107,330	2,211,517
Grants revenue	541,542	-	-	541,542
Other revenue	786,045	-	-	786,045
Interest revenue	7,953	-	-	7,953
<i>Intersegment eliminations</i>	(6,431)	(753,280)	-	(759,711)
<b>Total revenue</b>	<b>2,255,963</b>	<b>424,053</b>	<b>107,330</b>	<b>2,787,346</b>
<b>EBITDA</b>	(5,290,138)	(5,812)	(1,017,210)	(6,313,160)
Depreciation and amortisation	(809,877)	(118,451)	-	(928,328)
<b>Loss before income tax expense</b>	<b>(6,100,015)</b>	<b>(124,263)</b>	<b>(1,017,210)</b>	<b>(7,241,488)</b>
Income tax expense				-
<b>Loss after income tax expense</b>				<b>(7,241,488)</b>
<b>Assets</b>				
Segment assets	12,440,405	1,980,862	87,816	14,509,083
<i>Intersegment eliminations</i>				(4,208,910)
<b>Total assets</b>				<b>10,300,173</b>
<b>Liabilities</b>				
Segment liabilities	6,218,343	521,334	2,106,746	8,846,423
<i>Intersegment eliminations</i>				(2,173,631)
<b>Total liabilities</b>				<b>6,672,792</b>



**Titomic Limited**  
**Notes to the consolidated financial statements**  
**31 December 2022**

**2. Operating Segments (continued)**

	Australian segment \$	European segment \$	USA segment \$	Total \$
<b>Consolidated - 31 December 2021</b>				
<b>Revenue</b>				
Sales to external customers	203,090	412,670	31,498	647,258
Intersegment sales	31,498	-	-	31,498
Total sales revenue	234,588	412,670	31,498	678,756
Grants revenue	503,782	-	-	503,782
Other revenue	1,149,943	-	-	1,149,943
Interest revenue	8,772	-	-	8,772
<i>Intersegment eliminations</i>	(31,498)	-	-	(31,498)
<b>Total revenue</b>	<b>1,865,587</b>	<b>412,670</b>	<b>31,498</b>	<b>2,309,755</b>
Revenue	(6,434,418)	132,644	(503,770)	(6,805,544)
Depreciation and amortisation	(705,638)	-	-	(705,638)
<b>Profit/(loss) before income tax expense</b>	<b>(7,140,056)</b>	<b>132,644</b>	<b>(503,770)</b>	<b>(7,511,182)</b>
Income tax expense				-
<b>Loss after income tax expense</b>				<b>(7,511,182)</b>
<b>Consolidated - 31 Dec 2021</b>				
<b>Assets</b>				
Segment assets	22,604,995	3,387,673	88,885	26,081,553
<i>Intersegment eliminations</i>				(3,602,729)
<b>Total assets</b>				<b>22,478,824</b>
<b>Liabilities</b>				
Segment liabilities	7,964,838	592,655	244,955	8,802,448
Intersegment eliminations				(592,655)
<b>Total liabilities</b>				<b>8,209,793</b>

**3. Revenue**

	<b>Consolidated</b>	
	<b>31 Dec 2022</b>	<b>31 Dec 2021</b>
	<b>\$</b>	<b>\$</b>
Interest received	7,953	8,772
R&D tax incentive	786,045	1,140,086
Other grants	-	9,857
Revenue from contracts with customers	1,451,806	647,258
Government grant	541,542	503,782
Revenue	<b>2,787,346</b>	<b>2,309,755</b>

**4. Remuneration expense on Tri-D and Dycomet transaction**

	<b>Consolidated</b>	
	<b>31 Dec 2022</b>	<b>31 Dec 2021</b>
	<b>\$</b>	<b>\$</b>
Cash remuneration	18,881	978,441
Share based payments	279,342	200,368
Taxes due	8,777	88,411
	<b>307,000</b>	<b>1,267,220</b>

#### **4. Remuneration expense on Tri-D and Dycomet transaction (continued)**

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.

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*.

#### **5. Share based payment expense**

	<b>Consolidated</b>	
	<b>31 Dec 2022</b>	<b>31 Dec 2021</b>
	<b>\$</b>	<b>\$</b>
Share based payment expense - Directors	412,561	395,587
Share Based payments expenses - Employees & Consultants	358,423	62,500
	<u>770,984</u>	<u>458,087</u>

#### **6. Trade and other receivables**

	<b>Consolidated</b>	
	<b>31 Dec 2022</b>	<b>30 June 2022</b>
	<b>\$</b>	<b>\$</b>
Trade and other receivables	922,933	951,913
Research & Development Tax Incentive	786,044	-
Other receivables	85,095	-
	<u>1,794,072</u>	<u>951,913</u>

#### **7. Inventories**

	<b>Consolidated</b>	
	<b>31 Dec 2022</b>	<b>30 June 2022</b>
	<b>\$</b>	<b>\$</b>
Raw material on hand	1,538,539	1,526,520
Work in progress	918,764	1,289,392
Finished goods - at cost	382,178	244,681
Less: Provision for obsolescence	(902,643)	(950,962)
	<u>1,936,838</u>	<u>2,109,631</u>

**8. Other financial liabilities**

	<b>Consolidated</b>	
	<b>31 Dec 2022</b>	<b>30 June 2022</b>
	<b>\$</b>	<b>\$</b>
CSIRO IP Liability	529,698	529,698
Deferred Revenue	918,097	1,021,237
Contract Liabilities	-	341,585
Lease liability	406,129	373,104
	<u>1,853,924</u>	<u>2,265,624</u>

**9. Other financial liabilities**

	<b>Consolidated</b>	
	<b>31 Dec 2022</b>	<b>30 June 2022</b>
	<b>\$</b>	<b>\$</b>
CSIRO IP Liability	1,124,801	1,124,801
Lease liabilities	882,874	1,051,739
	<u>2,007,675</u>	<u>2,176,540</u>

The CSIRO liability is made up of the net present value of the performance criteria as defined as follows:

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.

The CSIRO Liability relates to the Company's remaining obligation under the license agreement with CSIRO for research fees and minimum royalty payments.

**10. Issued capital**

	<b>Consolidated</b>			
	<b>December</b>		<b>December</b>	
	<b>31, 2022</b>	<b>30 June 2022</b>	<b>31, 2022</b>	<b>30 June 2022</b>
	<b>Shares</b>	<b>Shares</b>	<b>\$</b>	<b>\$</b>
Ordinary shares - fully paid	<u>222,913,167</u>	<u>202,530,093</u>	<u>61,190,975</u>	<u>57,853,211</u>

## 10. Issued capital (continued)

### *Movements in ordinary share capital*

Details	Date	Shares	Issue price	\$
Balance	1 July 2022	202,530,093		57,853,210
Issue of share as remuneration expense in the Tri-D transaction	28-July-2022	1,044,683	\$0.22	236,621
Issue of shares under Tri-D short term incentive	2-Aug-2022	1,175,883	\$0.29	341,006
Issue of share under EIP	2-Sept-2022	846,952	\$0.28	237,147
Issue of shares under signup bonus arrangement to employees	30-Nov-2022	80,000	\$0.16	12,800
Issue of shares as consideration for acquisition of Dycomet	30-Nov-2022	500,000	\$0.16	80,000
Issue of share capital to sophisticated investors	7-Dec-2022	16,735,556	\$0.16	2,677,689
Less: transaction cost arising on share issue		-	\$0.00	(247,498)
Balance	31 December 2022	<u>222,913,167</u>		<u>61,190,975</u>

### *Rights of each type of share*

Ordinary shares participate in dividends and the proceeds on any winding up of the entity in proportion to the number of shares held. At shareholders meetings each ordinary share owned entitles each shareholder to one vote.

The Consolidated entity's capital management objectives are:

- To ensure the consolidated entity's ability to continue as a going concern.
- To provide an adequate return to shareholders.

## 11. Share Based Payments - Employee Incentive Plan

### (a) Employee incentive plan

In July 2022, the Directors established a new Employee LTI plan and for certain retention incentives. The plan is designed to align the interests of eligible employees more closely with the interests of the Company by providing an opportunity for eligible employees to receive an equity interest in the Company.

Details of the performance rights granted during the period are provided below:

2022								
Grant date	Expiry date	Exercise price	Balance at the beginning of the year	Granted during the year	Exercised during the year	Expired / forfeited during the year	Balance at the end of the year	Exercisable at the end of the year
28-Jul-2022	28-Jul-2024	\$0.0000	-	2,599,999	846,952	91,002	1,662,402	-

### (b) Expenses recognised from share-based payment transactions

The expense recognised in relation to the share-based payment transactions recognised within employee benefits expense within profit or loss were as follows:

	Consolidated 31 Dec 2022 \$	31 Dec 2021 \$
Total expense for performance rights issued under employee incentive plan	341,428	-

## **12. 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.

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.

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

The figures accounted for in the Financial Statements as at December 31, 2021 were provisionally accounted for. Since that date the Purchase Price Allocation has been finalised.

	<b>Fair value</b> <b>\$</b>
Cash and cash equivalents	145,556
Trade receivables	132,698
Inventory and WIP	479,241
Customer relations	275,610
Brand	29,277
Technology	457,319
Commercial buildings	61,325
Plant and equipment	224,011
Other receivables	65,117
Right of Use Asset	111,425
Other provisions	(55,353)
Trade and other payables	(100,150)
Lease liability	(111,425)
Net assets acquired	1,714,651
Goodwill	320,625
Total	<u>2,035,276</u>
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: deferred consideration	(751,733)
Less: contingent consideration	(176,474)
Net cash used	<u>961,513</u>

### **13. Events after the reporting period**

As a component of the cash optimisation program currently underway, employees could elect to salary sacrifice up to 10% of their Gross salary for Shares. This is a 6 month program running from January 2023 to June 2023.

The R&D Tax Incentive of \$786,045 was received by Titomic Ltd from the ATO on 3 February, 2023.

One employee elected to convert Share rights he held into Shares in Titomic Ltd on 17 February, 2023 in accordance with the LTI arrangement.

As part of the Capital Raise in late 2022, Repkon agreed to make a further strategic investment of \$2.2M. These funds were paid to Titomic Ltd on 20 February, 2023 and 14,045,694 share were issued on 23 February 2023.

No other matter or circumstance has arisen since 31 December 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.

**Titomic Limited**  
**Directors' declaration**  
**31 December 2022**

In the Directors' opinion:

- the attached financial statements and notes comply with the *Corporations Act 2001*, the Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the Consolidated entity's financial position as at 31 December 2022 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of Directors made pursuant to section 295(5)(a) of the *Corporations Act 2001*.

On behalf of the Directors



---

Humphrey Nolan  
Chairman

28 February 2023

## INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Titomic Limited

### Report on the Half-Year Financial Report

#### Conclusion

We have reviewed the half-year financial report of Titomic Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2022, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of the Group does not comply with the *Corporations Act 2001* including:

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2022 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

#### Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001* which has been given to the directors of the Company, would be the same terms if given to the directors as at the time of this auditor's review report.

#### Material uncertainty relating to going concern

We draw attention to Note 1 in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our conclusion is not modified in respect of this matter.



### **Responsibility of the directors for the financial report**

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

### **Auditor's responsibility for the review of the financial report**

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including giving a true and fair view of the Group's financial position as at 31 December 2022 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**BDO Audit Pty Ltd**

The image shows a handwritten signature in blue ink. Above the signature, the letters 'BDO' are written in a stylized, handwritten font. The signature itself appears to read 'Katherine Robertson'.

**Katherine Robertson**  
**Director**

Melbourne, 28 February 2023