

APPENDIX 4D

1. COMPANY DETAILS

Name of Entity	Titomic Limited
ABN	77 602 793 644
Half-Year Ended	31 December 2021
Previous Period	31 December 2020

2. RESULTS FOR ANNOUNCEMENT TO THE MARKET

Revenue from Ordinary Activities	Up	478.5%	to	\$2,309,755
Loss from ordinary activities after tax attributable to the Owners of Titomic Limited	Up	7.9%	to	(\$7,511,182)
Loss for the half-year attributable to the Owners of Titomic Limited	Up	7.9%	to	(\$7,511,182)

3. NET TANGIBLE ASSETS

	Reporting period	Previous period
	Cents	Cents
Net Tangible Assets per Ordinary Security	6.08	6.37

4. CONTROL GAINED OVER ENTITIES

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

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

	\$
Contribution of such entities to the reporting entity's profit/(loss) from ordinary activities before income tax during the period (where material)	(371,126)
Profit/(loss) from ordinary activities before income tax of the controlled entity (or group of entities) for the whole of the previous period (where material).	-

5. 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.

APPENDIX 4D

6. EXPLANATION OF RESULTS

Refer to the Directors' Report.

7. ATTACHMENTS

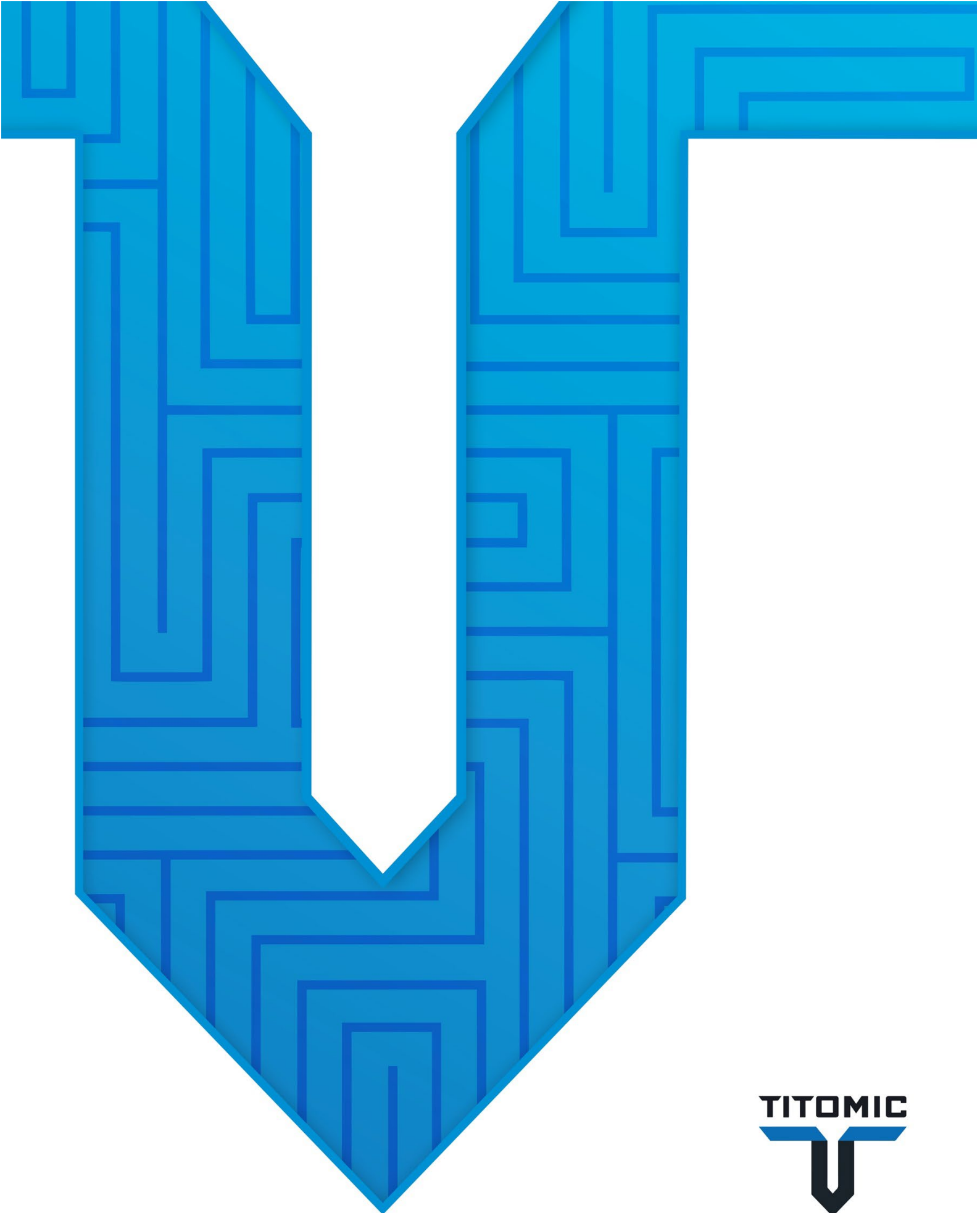
The Interim Report of Titomic Limited for the half-year ended 31 December 2021 is attached.

8. SIGNED

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Humphrey Nolan
Chairman

28 February 2022



INTERIM HALF YEAR REPORT

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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 2022.

CORPORATE DIRECTORY

DIRECTORS

Mr Humphrey Nolan
(Independent Non-Executive Chairman)

Mr Jeffrey Lang
(Executive Director)

Mr Dag W.R Stromme
(Independent Non-Executive Director)

Ms Mira Ricardel
(Independent Non-Executive Director)

Mr Richard Willson
(Independent Non-Executive Director)

Mr Herbert Koeck
(Managing Director)

Dr Andreas Schwer
(Independent Non-Executive Director)

COMPANY SECRETARY

Mr Richard Willson

PRINCIPAL PLACE OF BUSINESS

Ground Floor, 365 Ferntree Gully Road
Mount Waverley, Victoria 3149 AUSTRALIA
Ph: 03 9558 8822

REGISTERED OFFICE IN AUSTRALIA

Ground Floor, 365 Ferntree Gully Road
Mount Waverley, Victoria 3149 AUSTRALIA
Ph: 03 9558 8822

WEBSITE

www.titomic.com

SHARE REGISTRY

COMPUTERSHARE
GPO Box 3224
Melbourne VIC 3001
AUSTRALIA

AUDITORS

BDO AUDIT PTY LTD
Tower 4, 727 Collins Street
Docklands VIC 3008
AUSTRALIA

SOLICITORS

K&L GATES
GPO Box 4388
Melbourne VIC 3001
AUSTRALIA

BANKERS

NATIONAL AUSTRALIA BANK
Level 2 330 Collins Street
Melbourne VIC 3000
AUSTRALIA

SECURITY QUOTED

AUSTRALIAN SECURITIES EXCHANGE
Ordinary Fully Paid Shares (Code: TTT)
Listed Options (Code: TTTO)

DIRECTORS' REPORT

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 2021.

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:

Mr Humphrey Nolan	Independent Non-Executive Chairman (appointed 28 January 2022)
Mr Jeffrey Lang	Executive Director
Prof Richard Fox	Non-Executive Director (resigned 29 December 2021)
Mr Dag W.R Stromme	Independent Non-Executive Director
Ms Mira Ricardel	Independent Non-Executive Director
Mr Richard Willson	Independent Non-Executive Director / Company Secretary
Mr Herbert Koeck	Managing Director (appointed 28 January 2022)
Dr Andreas Schwer	Independent Non-Executive Director (resigned as Chairman on 28 January 2022)

PRINCIPAL ACTIVITIES

Titomic Limited is an Australian publicly 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 \$7,511,182 (31 December 2020: \$6,960,713).

KEY HIGHLIGHTS

Board and Management changes

On 1 July 2021, Herbert Koeck joined the business as Chief Executive Officer of Titomic, following the announcement of his appointment on 19 May 2021. Post balance date, on 28 January 2022 Mr Koeck was promoted to Managing Director of the Company.

On 1 November 2021, Joanna Walker stepped down as Chief Financial Officer due to other external commitments and has been replaced by Jon Nield, a long term Titomic employee.

In late December, Titomic co-founder and Non-Executive Director, Richard Fox announced his retirement from the Board. Post balance date, Mr Fox stepped down from the Titomic Technical Advisory Committee and Andreas Schwer stepped down as Chairman but continues as a Non-Executive Director. Humphrey Nolan, who has been a Director of the Company since July 2020, was elected as Chairman of the Board on 28 January 2022.

DIRECTORS REPORT

HIGHLIGHTS FOR THE HALF YEAR INCLUDE

Dycomet Europe B.V Acquisition

In December Titomic acquired leading European cold spray technology company, Dycomet Europe B.V. (Dycomet). Dycomet is a Netherlands-based company manufacturing, supporting, and using low and medium pressure cold spray solutions as well as supplying high pressure cold spray systems to several industries across Europe. Dycomet provides Titomic with a strong European business with a complementary product portfolio, brings both revenue and profit to Titomic, underscoring the commercial potential of the Company's cold spray additive manufacturing technology in Europe to target local customers in the aviation, automotive and higher education sectors.

Repkon becomes \$2.5m Strategic Investor

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

Tri-D Dynamics Acquisition

The Company formed a wholly owned subsidiary Titomic USA Inc, which executed an asset purchase agreement to acquire the assets and liabilities of Tri-D Dynamics Inc. (Tri D) as at 9 July 2021. This transaction is an important milestone and in line with Titomic's strategy to be a global solutions leader in additive manufacturing. Tri D is a Silicon Valley based design and manufacturing company developing smart pipe infrastructure for the 21st century economy.

TKF1000 Sale to Leading Research Organisation TWI UK

In August, the consolidated entity received a purchase order from TWI of GBP 1.2m (circa. AUD\$ 2.3m) to supply a TKF 1000 System which is projected to ship in May 2022.

Triton Systems Agreement

Titomic has entered into a non-binding agreement with Triton Systems, a leading US-based product development and technology company with over a decade of experience in additive manufacturing. Titomic and Triton will develop applications in the US marketplace using Titomic's patented TKF process. This agreement provides Titomic with another entry into the US Defence, Homeland Security, Aerospace, Automotive and Energy sectors through an established and well-regarded local supplier of uniquely designed and performance-specified components.

AS9100D: Qualification according to AS9100D for Aerospace and Defence Quality Manufacturing

Titomic finalised AS9100D certification in July 2021, a crucial and advantageous quality management system for successful defence and aerospace manufacturers. This milestone is an important step in the Consolidated entity's processes for assuring safe and reliable products and services that meet or exceed customer and applicable regulatory requirements.

Boeing Collaboration for Green Titanium Space Components

During the period Titomic signed an agreement with Boeing to investigate the application of sustainable "green" titanium to produce space components. This is part of the \$2.325m Australian government Modern Manufacturing Initiative grant to explore and commercialise the production of space vehicle and satellite parts using the local titanium mineral resource.

New Head Office in Melbourne

Titomic has moved into a new Head Office building next door to its Melbourne manufacturing facility. The new building is more flexible and ideally suited to support Titomic's changing business needs. The new building will allow Titomic to co-locate its engineering teams, upgrade its laboratory, and accelerate its ability to deliver the innovative TKF Cold Spray Process. The building is better positioned and provides cost savings over the three-year tenure through reduced rent and other efficiency gains. It also provides a layout that facilitates increased productivity and more collaboration between the co-located sites. The combined work campus enables Titomic to flex and reshape its work environment, ready for its future needs, allowing for dedicated secure work locations, further enhancing its cyber security and defence capabilities.

DIRECTORS REPORT

\$9.9m Capital Raise

During October and November 2021, the Company successfully completed a \$9.9m capital raise to new and existing retail and institutional investors with such proceeds enabling the Consolidated entity to accelerate commercialisation and JV activities, establish offshore sales offices and operational facilities, and to fund working capital. The capital raise was structured via an Institutional Placement issuing 34,615,385 shares at the price of \$0.26 cents per share, raising approximately \$9.0m (before transaction costs). In addition, a Share Purchase Plan allowed shareholders to purchase up to \$30,000 worth of fully paid ordinary shares at the same \$0.26 cents issue price, raising a further \$924k through the issue of 3,553,835 new fully paid ordinary shares.

ISO 27001

Titomic also made progress on its Cybersecurity compliance journey in the period, notably passing the ISO 27001 Certification Body Surveillance Audit in December.

COVID-19 Update

Throughout the period, the COVID-19 pandemic continued to impact the supply chain and the consolidated entity's ability to target and finalise some sales opportunities. Despite the challenges, Titomic has at all times operated in accordance with COVID-19 health and safety guidelines to protect its staff and ongoing activity.

Going Concern Assessment

The Directors of the consolidated entity have assessed its ability to continue as a going concern. For the financial half-year ended 31 December 2021, the Consolidated entity incurred an operating net loss of \$7,511,182 (31 December 2020: net loss of 6,960,713), had net cash outflows from operating activities of \$4,531,777 (31 December 2020: net cash outflows of \$5,184,885), current assets at the reporting date of \$18,148,388 (30 June 2021: current assets of \$11,084,015) and total net assets of \$14,269,031 (30 June 2021: \$9,441,553). 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. Revenue from customer contracts is minimal as of 31 December 2021 but is projected to increase over the subsequent 12 months.

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

Annual General Meeting

The Annual General Meeting of the Company was held on 15 December 2021 and all resolutions were passed.

Events after the End of the Financial Half-year

As previously mentioned, the Company has moved into a new head office and entered into a lease for 3 years at \$176,610 per annum commencing on 1 March 2022.

No other matter or circumstance has arisen since 31 December 2021 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.

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.

Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* is set out immediately after this directors' 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.

DIRECTORS REPORT

Directors' Declaration

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

A handwritten signature in blue ink, appearing to read 'H. Nolan', with a horizontal line underneath.

Humphrey Nolan
Chairman

28 February 2022

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 2021, 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 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

AS AT 31 DECEMBER 2021

		31 December 2021	31 December 2020
	Notes	\$	\$
REVENUE			
Revenue and Other Income	3	2,309,755	399,244
EXPENSES			
Production and related expenses		(663,287)	(506,631)
Corporate and administrative expenses		(1,770,032)	(1,135,978)
Remuneration expense on Tri-D transaction	4	(1,267,220)	-
Employee and director expenses		(3,472,565)	(3,630,072)
Share based payment expenses	5	(458,087)	(544,611)
Depreciation expenses	10	(705,638)	(1,287,225)
Marketing and promotion expenses		(392,569)	(98,123)
Amortisation expenses		(59,050)	(66,756)
Space grant expenditure		(995,169)	-
Other expenses		(20,378)	(90,561)
Finance costs		(16,942)	-
LOSS BEFORE INCOME TAX		(7,511,182)	(6,960,713)
Income Tax Expense		-	-
LOSS AFTER INCOME TAX EXPENSE FOR THE HALF-YEAR ATTRIBUTABLE TO THE OWNERS OF TITOMIC LIMITED		(7,511,182)	(6,960,713)
Other comprehensive income for the half-year, net of tax		-	-
TOTAL COMPREHENSIVE INCOME FOR THE HALF-YEAR ATTRIBUTABLE TO THE OWNERS OF TITOMIC LIMITED		(7,511,182)	(6,960,713)
		Cents	Cents
Basic Loss Per Share	6	(4.48)	(4.54)
Diluted Loss Per Share	6	(4.48)	(4.54)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021

		31 December 2021	30 June 2021
	Notes	\$	\$
ASSETS			
<i>Current Assets</i>			
Cash and cash equivalents	7	13,767,548	7,946,161
Trade and other receivables	8	1,654,897	90,108
Inventories	9	1,950,329	1,998,416
Other current assets		775,614	1,049,330
Total Current Assets		18,148,388	11,084,015
<i>Non-Current Assets</i>			
Property, Plant and Equipment	10	2,204,515	2,504,679
Intangible Assets	18	2,125,921	-
Total Non-Current Assets		4,330,436	2,504,679
TOTAL ASSETS		22,478,824	13,588,694
LIABILITIES			
<i>Current Liabilities</i>			
Trade and other payables		1,530,349	1,682,786
Other financial liabilities	11	2,007,542	1,026,634
Provisions	12	1,951,592	267,235
Total Current Liabilities		5,489,483	2,976,655
<i>Non-Current Liabilities</i>			
Provisions		1,612,279	42,959
Other Financial Liabilities		1,108,031	1,127,527
Total Non-Current Liabilities		2,720,310	1,170,486
TOTAL LIABILITIES		8,209,793	4,147,141
NET ASSETS		14,269,031	9,441,553
EQUITY			
Issued Capital	15	57,533,821	45,853,616
Reserves		4,271,653	3,613,198
Accumulated Losses		(47,536,443)	(40,025,261)
TOTAL EQUITY		14,269,031	9,441,553

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

Consolidated	Attributable to Owners of Titomic Limited			
	Issued Capital	Reserves	Accumulated Losses	Total
	\$	\$	\$	\$
Balance at 1 July 2020				
Loss for the Period	45,854,000	2,570,000	(22,850,000)	25,574,000
Loss after income tax expense for the half-year	-	-	(6,960,713)	(6,960,713)
Other comprehensive income for the half-year, net of tax	-	-	(6,960,713)	(6,960,713)
Total comprehensive income for the half-year	-	-	-	-
Balance at 31 December 2020	45,854,000	2,570,000	(29,810,713)	18,613,287
Consolidated				
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)
Transactions with Owners in their capacity as Owners:				
Contributions of equity (note 15)	12,423,968	-	-	12,423,968
Share-based payments (note 5)	-	658,455	-	658,455
Transaction costs (note 15)	(743,763)		-	(743,763)
Balance at 31 December 2021	57,533,821	4,271,653	(47,536,443)	14,269,031

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

		31 December 2021	31 December 2020
		\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers (inclusive of GST)		1,040,274	160,000
Payments to suppliers and employees (inclusive of GST)		(6,596,738)	(5,492,852)
Space grant received (inclusive of GST)		1,023,000	-
Other grants received (inclusive of GST)		9,857	150,000
Interest received		8,772	31,967
Finance cost		(16,942)	(34,000)
Net cash used in operating activities		(4,531,777)	(5,184,885)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for purchase of business, net of cash acquired	18	(961,513)	-
Payments for property, plant and equipment	10	(124,054)	(132,712)
Repayment of loans to other entities		-	35,850
Net cash used in investing activities		(1,085,567)	(96,862)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares	15	12,423,968	-
Payments for the principal portion of lease liabilities		(241,474)	(217,510)
Share issue transaction costs	15	(743,763)	-
Net cash from/(used in) financing activities		11,438,731	(217,510)
Net Increase (Decrease) in cash and cash equivalents		5,821,387	(5,499,257)
Cash and cash equivalents at the beginning of the financial half-year		7,946,161	17,458,051
Cash and cash equivalents at the end of the financial half-year		13,767,548	11,958,794

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

1. SIGNIFICANT ACCOUNTING POLICIES

These general purpose financial statements for the interim half-year reporting period ended 31 December 2021 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 2021 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.

The following Accounting Standards and Interpretations are most relevant to the Consolidated entity:

Going Concern

For the financial half-year ended 31 December 2021, the Consolidated entity incurred an operating net loss of \$7,511,182 (31 December 2020: net loss of 6,960,713), had net cash outflows from operating activities of \$4,531,777 (31 December 2020: net cash outflows of \$5,184,885), current assets at the reporting date of \$18,148,388 (30 June 2021: current assets of \$11,084,015) and total net assets of \$14,269,031 (30 June 2021: \$9,441,553). 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. Revenue from customer contracts is minimal as of 31 December 2021 but is projected to increase over the subsequent 12 months.

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:

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

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.

General Information

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 Waverly Victoria 3149 Australia. The Company is a for-profit company for the purpose of preparing the financial statements.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 2021 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 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.
- *Netherlands*: Low and Medium pressure cold spray additive manufacturing machines for use by end customers in providing various metal coating and repair services.

Intersegment transactions

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

2. OPERATING SEGMENTS (continued)

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	Other segments	Total
Consolidated - 31 Dec 2021	\$	\$	\$	\$
Revenue				
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
Intersegment eliminations	(31,498)	-	-	(31,498)
Total revenue	1,865,587	412,670	31,498	2,309,755
Revenue	1,865,587	412,670	31,498	2,309,755
Depreciation and amortisation	(705,638)	-	-	(705,638)
Other expenses	(8,283,063)	(280,026)	(535,268)	(9,098,357)
Finance costs	(16,942)	-	-	(16,942)
Profit/(loss) before income tax expense	(7,140,056)	132,644	(503,770)	(7,511,182)
Income tax expense				-
Loss after income tax expense				(7,511,182)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

2. OPERATING SEGMENTS (continued)

	Australian segment	European segment	Other segments	Total
Consolidated - 31 Dec 2021	\$	\$	\$	\$
Assets				
Cash and cash equivalents	13,609,184	109,338	49,026	13,767,548
Trade and other receivables	1,183,916	439,483	31,498	1,654,897
Deposits and prepayments	749,412	26,202	-	775,614
Intercompany receivables	592,655	-	-	592,655
Inventories	1,545,020	405,309	-	1,950,329
Property, plant and equipment (note 10)	1,914,734	281,420	8,361	2,204,515
Intangible assets (note 18)	-	2,125,921	-	2,125,921
Investment in Dycomet B.V. at acquisition date (note 18)	3,010,074	-	-	3,010,074
Segment assets	22,604,995	3,387,673	88,885	26,081,553
Intersegment eliminations				(3,602,729)
Total assets				22,478,824
Liabilities				
Trade and other payables	927,801	165,639	-	1,093,440
Deferred revenue	1,209,641	-	-	1,209,641
CSIRO IP Liability	1,825,049	-	-	1,825,049
Provisions and other liabilities	1,032,490	79,316	-	1,111,806
Intercompany payables	-	-	592,655	592,655
Contingent consideration (note 18)	1,161,240	-	-	1,161,240
Deferred consideration (note 18)	741,765	-	-	741,765
Contingent and other employee benefits on Tri-D (note 4)	1,066,852	-	-	1,066,852
Segment liabilities	7,964,838	244,955	592,655	8,802,448
Intersegment eliminations				(592,655)
Total liabilities				8,209,793

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

DIRECTORS' DECLARATION

FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

3. REVENUE

	Consolidated	
	31 December	31 December
	2021	2020
	\$	\$
Interest received	8,772	29,069
R&D tax incentive	1,140,086	-
Other grants	9,857	150,000
Revenue from contracts with customers	647,258	220,175
Government grant	503,782	-
Revenue	2,309,755	399,244

4. REMUNERATION EXPENSE ON TRI-D TRANSACTION

	Consolidated	
	31 December	31 December
	2021	2020
	\$	\$
Cash remuneration	978,441	-
Share based payments (note 5)	200,368	-
Taxes due	88,411	-
	1,267,220	-

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*.

DIRECTORS' DECLARATION

FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

5. SHARE BASED PAYMENT EXPENSE

	Consolidated	
	31 December	31 December
	2021	2020
	\$	\$
Share based payment expense	458,087	544,611
Equity shares compensation expense on Tri-D transaction (note 4)	200,368	-
	658,455	544,611

6. LOSS PER SHARE

	Consolidated	
	31 December	31 December
	2021	2020
	\$	\$
Loss after income tax attributable to the Owners of Titomic Limited	(7,511,182)	(6,960,713)
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	167,622,681	153,249,669
Weighted average number of ordinary shares used in calculating diluted earnings per share	167,622,681	153,249,669
	Cents	Cents
Basic loss per share	(4.48)	(4.54)
Diluted loss per share	(4.48)	(4.54)

7. CASH AND CASH EQUIVALENTS

	Consolidated	
	31 December	30 June
	2021	2021
	\$	\$
Cash at bank	9,767,056	2,946,161
Cash on deposit	4,000,492	5,000,000
	13,767,548	7,946,161

DIRECTORS' DECLARATION

FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

8. TRADE AND OTHER RECEIVABLES

	Consolidated	
	31 December	30 June
	2021	2021
	\$	\$
Trade receivables	502,077	36,850
Other receivables	12,734	53,258
R&D Tax incentive receivable	1,140,086	-
	1,654,897	90,108

9. INVENTORIES

	Consolidated	
	31 December	30 June
	2021	2021
	\$	\$
Raw material on hand	1,689,300	1,996,454
Work in progress	915,187	694,038
Finished goods - at cost	250,972	-
Less: Provision for obsolescence	(905,130)	(692,076)
	1,950,329	1,998,416

DIRECTORS' DECLARATION

FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

10. PROPERTY, PLANT AND EQUIPMENT

	Consolidated	
	31 December	30 June
	2021	2021
	\$	\$
Building fitouts	1,241,928	1,092,344
Less: Accumulated depreciation	(349,119)	(260,019)
Less: Provision for impairment	(832,325)	(832,325)
	60,484	-
Factory equipment	718,862	611,301
Less: Accumulated depreciation	(406,209)	(323,767)
	312,653	287,534
Furniture and Fittings	326,600	307,176
Less: Accumulated depreciation	(260,445)	(217,061)
	66,155	90,115
Machinery	6,069,129	5,587,212
Less: Accumulated depreciation	(4,303,906)	(3,463,113)
	1,765,223	2,124,099
Other Property, Plant & Equipment	-	2,931
	2,204,515	2,504,679

Reconciliations

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

	Building Fitouts	Factory Equipment	Furniture and Fittings	Plant & Machinery	Other Property, Plant and Equipment	Total
Consolidated	\$	\$	\$	\$	\$	\$
Balance at 1 July 2021	-	287,534	90,115	2,124,099	2,931	2,504,679
Additions	-	107,561	16,493	-	-	124,054
Additions through business combinations (note 18)	61,325	-	-	224,011	-	285,336
Exchange differences	(841)	-	-	(3,075)	-	(3,916)
Transfers in/(out)	-	-	2,931	-	(2,931)	-
Depreciation expense	-	(82,442)	(43,384)	(579,812)	-	(705,638)
Balance at 31 December 2021	60,484	312,653	66,155	1,765,223	-	2,204,515

DIRECTORS' DECLARATION

FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

11. OTHER FINANCIAL LIABILITIES

	Consolidated	
	31 December	30 June
	2021	2021
	\$	\$
CSIRO IP Liability	717,018	633,758
Deferred Revenue	1,209,641	70,519
Lease liability	80,883	322,357
	2,007,542	1,026,634

12. PROVISIONS (CURRENT LIABILITIES)

	Consolidated	
	31 December	30 June
	2021	2021
	\$	\$
Employee benefits	481,450	267,235
Contingent employee benefits (Tri-D)	978,441	-
Deferred consideration	403,290	-
Taxes payable on Tri-D transaction	88,411	-
	1,951,592	267,235

13. PROVISIONS (NON-CURRENT LIABILITIES)

	Consolidated	
	31 December	30 June
	2021	2021
	\$	\$
Employee benefits	57,970	42,959
Deferred consideration	338,475	-
Contingent consideration	1,161,240	-
Warranties	54,594	-
	1,612,279	42,959

Contingent consideration

As discussed in Note 18 Business Combination, the Company is obligated to pay 2.75% of IPGR revenue to RTR at the end of 3 years and 5 years from the date of acquisition. But the first earnout payment is conditional upon a key employee being in employment up to 3 years with Titomic. Therefore, the first earnout payment has been accounted for as post combination remuneration expense (accounted for as per AASB 119) and the second earnout payment, which does not mandate the employment condition of a key employee, has formed part of purchase consideration.

DIRECTORS' DECLARATION

FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

14. OTHER FINANCIAL LIABILITIES

	Consolidated	
	31 December	30 June
	2021	2021
	\$	\$
CSIRO IP Liability	1,108,031	1,127,527

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.

15. ISSUED CAPITAL

Consolidated	Consolidated			
	31 Dec 2021	30 June 2021	31 Dec 2021	30 June 2021
	Shares	Shares	\$	\$
Ordinary shares - fully paid	201,034,273	153,249,669	57,533,821	45,853,616

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$
Balance	1 July 2021	153,249,669		45,853,616
Issue of share capital to sophisticated investors	22 Oct 2021	33,919,232	\$0.26	8,819,000
Issue of share capital to employees	22 Oct 2021	176,923	\$0.26	46,000
Issue of share capital under share purchase plan	18 Nov 2021	3,553,835	\$0.26	923,980
Issue of share capital to directors	23 Dec 2021	519,230	\$0.26	134,988
Issue of share capital to Repkon	29 Dec 2021	9,615,384	\$0.26	2,500,000
Less: transaction cost arising on share issue	1 July 2021	-	\$0.00	(743,763)
Balance	31 Dec 2021	201,034,273		57,533,821

DIRECTORS' DECLARATION

FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

15. ISSUED CAPITAL (continued)

Rights of each type of share

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

The Consolidated entity's capital management objectives are:

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

16. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

As described in Note 4 and Note 18 in these financial statements, the Company is liable for certain payments in respect of the Tri D transaction and Dycomet acquisition respectively, that is contingent on future events. The directors have included the relevant provisions based on their best estimate of future obligations to satisfy these contingent liabilities.

During the previous year, there was a contract dispute with a customer. Proceedings are still underway, and the directors are of the opinion, based on independent legal advice, that the consolidated entity may be liable for up to \$250,000 and a provision has been recognised in these financial statements within the trade and other payables.

The Consolidated entity had no contingent assets at 31 December 2021 (30 June 2021: nil).

17. COMMITMENTS

The Consolidated entity had no capital commitments on 31 December 2021 (30 June 2021: nil).

DIRECTORS' DECLARATION

FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

18. BUSINESS COMBINATIONS

On 30 November 2021, Titomic Limited acquired 100% of the ordinary shares of Dycomet Europe B.V. for the total consideration transferred of \$3,010,074. 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.

Goodwill of \$2,125,921 was recognised on acquisition. The acquired business contributed revenues of \$412,670 and profit after tax of \$132,644 to the Consolidated entity for the month of Dec 2021. The values identified in relation to the acquisition of Dycomet Europe B.V. are provisional as at 31 December 2021.

Details of the acquisition are as follows:

	Fair value
	\$
Cash and cash equivalents	145,556
Trade receivables	132,698
Inventory and WIP	410,949
Commercial buildings	61,325
Plant and equipment	224,011
Other receivables	65,117
Other provisions	(55,353)
Trade and other payables	(100,150)
Net assets acquired	884,153
Goodwill	2,125,921
Acquisition-date fair value of the total consideration transferred	3,010,074
Representing:	
Cash paid to vendor	1,107,069
Contingent consideration (Note 13)	1,161,240
Deferred consideration	741,765
	3,010,074
Acquisition costs expensed to profit or loss	(57,530)
Cash used to acquire business; net of cash acquired:	
Acquisition-date fair value of the total consideration transferred	3,010,074
Less: cash and cash equivalents	(145,556)
Less: deferred consideration	(741,765)
Less: contingent consideration	(1,161,240)
Net cash used	961,513

DIRECTORS' DECLARATION

FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

18. BUSINESS COMBINATIONS (continued)

Critical accounting judgements, estimates and assumptions

Business combinations are initially accounted for on a provisional basis. The fair value of assets acquired, liabilities and contingent liabilities assumed are initially estimated by the consolidated entity taking into consideration all available information at the reporting date. Fair value adjustments on the finalisation of the business combination accounting are retrospective, where applicable, to the period the combination occurred and may have an impact on the assets and liabilities, depreciation and amortisation reported.

Accounting Policy for Goodwill

Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

19. INTEREST IN SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1:

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

20. RELATED PARTY TRANSACTIONS

There were no transactions with key management personnel during the half-year financial period.

Subsidiaries

Interests in subsidiaries are set out in note 19.

21. EVENTS AFTER THE REPORTING PERIOD

As previously mentioned, the Company has moved into a new head office and entered into a lease for 3 years at \$176,610 per annum commencing on 1 March 2022.

No other matter or circumstance has arisen since 31 December 2021 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.

DIRECTORS' DECLARATION

FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

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 2021 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 2022

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 2021, 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 2021 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 2021 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



Katherine Robertson
Director

Melbourne, 28 February 2022