

Titomic Limited

ABN 77 602 793 644

**Annual report
for the year ended 30 June 2017**

Titomic Limited ABN 77 602 793 644
Annual report - 30 June 2017

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| | |
|---------------------------------------|---|
| Directors | Mr Phillip Vafiadis <i>Non-executive Chairman</i> |
| | Mr Jeffrey Lang <i>Executive Director & Chief Executive Officer</i> |
| | Prof. Richard Fox <i>Non-Executive Director</i> |
| | Mr Simon Marriott <i>Executive Director</i> |
| | Mr Richard Willson <i>Non-Executive Director</i> |
| Secretary | Mr Phillip Hains Mr Peter Vaughan |
| Registered office in Australia | Level 3, 62 Lygon Street Carlton Victoria 3053 Australia |
| Principal place of business | Level 1, Building 4 270 Ferntree Gully Road Notting Hill Victoria 3168 Australia 1300 108 122 |
| Share and debenture register | Computershare GPO Box 2975 Melbourne VIC Victoria 3000 |
| Auditor | Pitcher Partners Level 19 15 William Street Melbourne Victoria 3000 |
| Solicitors | Holding Redlich Level 8, 555 Bourke Street Melbourne Victoria 3000 |
| Bankers | National Australia Bank Level 2, 330 Collins Street Melbourne Victoria 3000 |
| Website | http://www.titomic.com/ |

The Directors present their report together with the financial report of Titomic Limited (formerly Titomic Pty Limited) "the Company" for the financial year ended 30 June 2017 and auditors report thereon.

Directors and company secretary

The following persons held office as Directors of Titomic Limited during the financial year:

Mr Phillip Vafiadis, Non-executive Chairman (appointed 27 October 2016)
Mr Jeffrey Lang, Executive Director & Chief Executive Officer
Prof. Richard Fox, Non-Executive Director
Mr Simon Marriott, Executive Director (appointed 26 May 2017)
Mr Richard Willson, Non-Executive Director (appointed 17 May 2017)
Mr Timothy Fox, Non-Executive Director (resigned 27 October 2016)

The Director's have been in office since the start of the year unless otherwise stated.

Principal activities

Titomic Limited (formally Titomic Pty Limited) (Titomic) holds the exclusive rights to commercialise a patented additive manufacturing technology process developed by the Commonwealth Scientific & Industrial Research Organisation (CSIRO).

The technology is based on the application of cold-gas dynamic spraying (also known as Kinetic Fusion or Cold Spray) of titanium or titanium alloy particles/powder onto a scaffold surface to rapidly produce titanium or titanium/composite products and parts to a scale and quality not possible via any other additive manufacturing process.

The Titomic Kinetic Fusion process is an automated robotic process and which can effectively create complex objects in 3D, which already has several industrial applications such as for protective coating technologies.

Results

The loss after income tax attributable to the members of Titomic Limited was \$1,393,419 (2016 loss: \$37,941)

Review of operations

Titomic was incorporated on 11 November 2014. In return for agreed future royalty revenue, the Company acquired a license for proprietary technology developed by The Commonwealth Scientific & Industrial Research Organisation (CSIRO) in January 2016 from Force Industries Pty Ltd (a Director related entity).

Titomic performed two successful seed capital raisings in November 2016 raising \$2,600,000 (before costs) to advance their development efforts of its licensed technology, and is currently working to commercialise this technology with the assistance of key industry advisors.

The Company held its first General Meeting of shareholders in May 2017 where shareholders approved a number of resolutions including, a new constitution, change of company type from proprietary limited to limited, appointment of an Auditor, appointment of a new executive director, Mr Simon Marriott, and also the issuance of up to 20 million performance shares to the founders of the Company subject to the achievement of significant milestones for the Company within the next three years.

During the year, the Company also executed a major supply contract with its two main partners Advanced Robotics Australia and Plasma Giken for the delivery of its first Kinetic Fusion Cold Spray systems. Titomic has ordered two systems one being the R&D Cell for industrial scale additive manufacturing and the second being the Production Cell. It is anticipated both systems will be delivered to the company's new major facility in Melbourne in November 2017. These system should be installed and fully operational by February 2018. Once operational, this Titomic Kinetic Fusion process will be able to demonstrate a complete production line system as well as one of the largest metal additive manufacturing machines in the world with a 40.5 cubic metre build area. Both systems have 3D printing build speeds of up to 45 kg per hour making it also the fastest in the world.

Review of operations (continued)

Speed to market is key for many industries. A single Titomic production cell can manufacture two bicycle frames per hour at a much lower cost and approximately four times faster than a highly-qualified human titanium welder and finisher. This same technology presents outstanding opportunities across various applications and we thank our new and existing shareholders for their support as we aim to bring Titomic to a wider market.

Significant changes in the state of affairs

The Company completed a capital share split on 10 November 2016 whereby 10,480 fully paid ordinary shares issued to the four founding shareholders were split into 51,750,000 fully paid ordinary shares.

In November 2016, the Company successfully completed two seed capital raisings:

- Issuance of 14,583,333 fully paid ordinary shares at \$0.12 raising \$1,750,000 (before costs); and
- Issuance of 5,312,500 fully paid ordinary shares at \$0.16 raising \$850,000 (before costs).

On 26 May 2017, Titomic shareholders ratified the conversion of the Company from private to public and hence the Company's name change from Titomic Pty Limited to Titomic Limited.

On 26 May 2017, Titomic granted performance shares to Philip Vafiadis, Richard Fox and Jeff Lang. The conversion of these Performance Shares into ordinary shares is subject to achievement of Milestones 1 and/or Milestone 2 as defined later in the Director's report.

On 30 May 2017, Titomic issued each of the Company's Director's unlisted options. Total number of options issued were 2,005,000

There have been no other significant changes in the Company's state of affairs during or since the end of the financial year.

Event since the end of the financial year

On 7 July 2017, the Company executed a Mandate with PAC Partners (PAC), being the same brokers who performed the November 2016 seed capital raisings, to perform a \$600,000 (before costs) seed capital raising via the issuance of 3,333,333 new fully paid ordinary shares at \$0.18 per share. Funds from this seed capital placement were received on 14 July 2017 for which PAC charged a 5% commission.

On 10 August 2017, the Company executed a Mandate with PAC Partners (PAC). This Mandate committed PAC to perform a \$6,500,000 (before costs) Initial Public Offering (IPO) for Titomic which was fully underwritten. The Prospectus was lodged with ASIC on the same day. The completion date of the IPO was 7 September 2017. A copy of the Prospectus is available from: www.titomic.com.

On 17 August 2017, Titomic published a Supplementary Prospectus on their website and lodged with the Australian Securities and Investments Commission (ASIC) on that date.

On 21 September 2017, Titomic was admitted to an official quotation with the Australian Securities Exchange (ASX). The Company also completed an initial public offering which raised a total of \$6,500,000 (before cost) via issuing 32,500,000 new fully paid ordinary shares.

Likely developments and expected results of operations

There are no likely developments and expected results of operation as of the date of this report which may significantly affect the Company's position or performance.

The successful completion of the \$6,500,000 capital raising for the issuance of new fully paid ordinary shares will enable the Company to further commercialise its licensed technology. In the opinion of the Directors, disclosure of any further information would be likely to result in unreasonable prejudice to the Company.

Environmental regulation

The Company's operations are not subject to any significant environmental Commonwealth or State regulations or laws.

Dividend paid, recommended and declared

No dividends were paid, declared or recommended since the start of the financial year.

Information on directors and company secretaries

The qualifications, experience and special responsibilities of each person who has been a Director of the Company at any time during or since 1 July 2016 is provided below, together with details of the Company secretary as at the year end.

| Mr Philip Vafiadis <i>Non-Executive Chairman</i> | | |
|---|---|-----------|
| Experience and expertise | <p>Philip is the founding Director and Chairman of Innovyz and the Innovyz Start Institute. As leader of strategy he is an architect of Innovyz's holistic process and key strategic relationships. Innovyz assists in the commercialisation of technology with a focus on Resources, Energy, Advanced Manufacturing, Health, and Software.</p> <p>Philip is a serial entrepreneur and innovator with strong international relationships across multiple technology industries.</p> | |
| Other current directorships | Philip remains the Chairman of his first business, VAF Research, which he founded at 17 years of age which, according to Rolling Stone Magazine, created <i>"The ultimate in high fidelity performance with the best bass in the world"</i> . | |
| Former directorships in last 3 years | Philip has not held any listed company directorships in the past 3 years. | |
| Special responsibilities | None | |
| Interests in shares and options | Interest in shares | 5,175,000 |
| | Interest in performance shares | 3,750,000 |
| | Interest in options | 589,000 |

Information on directors and company secretaries (continued)

| Mr Jeff Lang <i>Executive Director & Chief Executive Officer</i> | | |
|---|---|------------|
| Experience and expertise | <p>Jeff is an experienced Managing & Technical Director and an award winning designer in the field of sport products design and commercialisation in China & Australia. Jeff has many years of business experience in the sports industry working and collaborating with many International Sports Brands, Manufacturers, Universities, Government Agencies, Scientific Organisations, Sports Associations and Sports Clubs.</p> <p>Jeff is considered by many in the industry as a leader in composites and advance materials manufacturing.</p> | |
| Other current directorships | None | |
| Former directorships in last 3 years | Jeff has not held any listed Company directorships in the past 3 years. | |
| Special responsibilities | None | |
| Interests in shares and options | Interest in shares | 10,004,342 |
| | Interest in performance shares | 6,166,508 |
| | Interest in options | 354,000 |

| Prof. Richard Fox <i>Non-Executive Director</i> | | |
|--|--|------------|
| Experience and expertise | <p>Richard is the co-founder of Force Industries, one of Australia's leading designer and manufacturer of composite boards for board sports. He is the former director of Research at St Vincents Hospital Melbourne. Richard was also the former Director of Clinical Haematology & Medical Oncology, Royal Melbourne Hospital 1985-2006.</p> <p>Richard was the inaugural Chair of the CRC for Cancer Therapeutics & was awarded the AM in 2007.</p> | |
| Other current directorships | None | |
| Former directorships in last 3 years | Richard has not held any listed Company directorships in the past 3 years. | |
| Special responsibilities | None | |
| Interests in shares and options | Interest in shares | 27,944,012 |
| | Interest in performance shares | 10,083,492 |
| | Interest in options | 354,000 |

Information on directors and company secretaries (continued)

| Simon Marriott <i>Executive Director</i> | | |
|---|---|---------|
| Experience and expertise | <p>Simon Marriott is a highly experienced senior executive with more than 20 years' experience in Advanced Manufacturing. He has held managerial, operational and strategic roles, and has had over 15 years' executive level reporting and Board roles. He has gained this expertise over time in privately held and publically listed companies, with responsibility and scope of roles covering Australia and Asia Pacific.</p> <p>After 8 years as an International Director overseeing operations and technology diffusion for the Australian & New Zealand division of the ARRK group, Simon led a management buyout of the ANZ business. This new venture, Formero and its sister company, XYZ Innovation, expanded into 3D printer distribution and Additive Manufacturing services. This led to Formero's acquisition by 3D Systems, a US based manufacturing and marketing conglomerate of 3D printing equipment and Additive manufacturing service bureaus. Simon held director responsibilities at 3D Systems until his departure in December 2014.</p> | |
| Other current directorships | Concurrently, Simon was on the Board of Cetus Energy and an active Rotarian and in 2014 he became a Director of Amaero Engineering Pty Ltd. | |
| Former directorships in last 3 years | Simon has not held any listed company directorships in the past 3 years. | |
| Special responsibilities | None | |
| Interests in shares and options | Interest in shares | 166,667 |
| | Interest in performance share | - |
| | Interest in options | 354,000 |

Information on directors and company secretaries (continued)

| Richard Willson <i>Non-Executive Director</i> | | |
|--|--|---------|
| Experience and expertise | <p>Richard is an accountant with more than 20 years' experience in CFO, Company Secretarial and Non-Executive Director roles, predominantly within the mining and agricultural sectors for both publicly listed and private companies.</p> <p>Richard has a Bachelor of Accounting from the University of South Australia, is a fellow of CPA Australia, and a Fellow of the Australian Institute of Company Directors.</p> | |
| Other directorships | <p>Richard is currently a Non-Executive Director of ASX listed Aus Tin Mining Limited, a Non-Executive Director and Company Secretary of the not-for-profit Unity Housing Company, Company Secretary of Wilgena Resources Limited, Company Secretary of ASX listed Beston Global Food Company Limited, Director and Treasurer of Variety SA, and a Director and Company Secretary of numerous other private companies.</p> <p>Richard also the Audit Committee Chairman of Aus Tin Mining Limited and Unity Housing Company.</p> | |
| Former directorships in last 3 years | <p><u>Current</u></p> <p>Non-Executive Director - AusTin Mining Ltd (ASX:ANW) Non-Executive Director - Unity Housing Company Limited</p> <p><u>Previous</u></p> <p>Non-Executive Director - FirstWave Cloud Technologies Limited (ASX:FCT) Alternate Director - Aurelia Metals Limited (ASX:AMI) Non-Executive Director - Wilgena Resources Limited</p> | |
| Special responsibilities | None | |
| Interests in shares and options | Interest in shares | - |
| | Interest in performance shares | - |
| | Interest in options | 354,000 |

Information on directors and company secretaries (continued)

| Phillip Hains <i>Joint Company Secretary</i> | | |
|---|---|---|
| Experience and expertise | <p>Mr. Hains is a Chartered Accountant and specialist in the public company environment. He has served the needs of a number of public company boards of directors and related committees and is Company Secretary & CFO for a number of listed and unlisted public companies.</p> <p>Phillip has over 20 years' experience in providing accounting, administration, compliance and general management services. He holds a Masters of Business Administration from RMIT and a Public Practice Certificate from the Institute of Chartered Accountants of Australia.</p> | |
| Other current directorships | None | |
| Former directorships in last 3 years | None | |
| Special responsibilities | None | |
| Interests in shares and options | Interest in shares | - |
| | Interest in performance shares | - |
| | Interest in options | - |
| Peter Vaughan <i>Joint Company Secretary</i> | | |
| Experience and expertise | <p>Mr. Vaughan is a Chartered Accountant who has worked in the listed company environment for more than 14 years across several industries. He has served on, and provided accounting, administration, compliance and general management and corporate advisory services to several private, not-for-profit and public company boards of directors and related committees. Mr Vaughan is Company Secretary & CFO of a number of listed and unlisted public companies.</p> <p>Mr. Vaughan is currently completing a Senior Executive Masters of Business Administration at Melbourne University.</p> | |
| Other current directorships | None | |
| Former directorships in last 3 years | None | |
| Special responsibilities | None | |
| Interests in shares and options | Interest in shares | - |
| | Interest in performance shares | - |
| | Interest in options | - |

Directors' meetings

The number of meetings of the board of Director and of each board committee held during the financial year and the numbers of meetings attended by each director were:

| | Full meetings of directors | | Nomination and remuneration committee meetings | | Audit and risk committee meetings | |
|---------------------|----------------------------|---|--|---|-----------------------------------|---|
| | A | B | A | B | A | B |
| Mr Phillip Vafiadis | 7 | 8 | - | - | - | - |
| Mr Jeffrey Lang | 8 | 8 | - | - | - | - |
| Prof. Richard Fox | 8 | 8 | - | - | - | - |
| Mr Timothy Fox | - | - | - | - | - | - |
| Mr Simon Marriott | 3 | 3 | - | - | - | - |
| Mr Richard Willson | 3 | 3 | - | - | - | - |

A = Number of meetings attended

B = Number of meetings held during the time the Director held office or was a member of the committee during the year

Directors' interests in shares or options

| Directors' relevant interest in | Unlisted options | Ordinary shares | Rights to receive Performance Shares ¹ |
|---------------------------------|------------------|-----------------|---|
| <i>Philip Vafiadis</i> | 589,000 | 5,175,000 | 3,750,000 |
| <i>Richard Fox</i> | 354,000 | 27,944,012 | 10,083,492 |
| <i>Jeff Lang</i> | 354,000 | 10,004,342 | 6,166,508 |
| <i>Simon Marriott</i> | 354,000 | 166,667 | - |
| <i>Richard Wilson</i> | 354,000 | - | - |

¹. The granting of the Performance Shares was approved by shareholders at the General Meeting held on 26 May 2017. The conversion of these Performance Shares into ordinary shares is subject to achievement of Milestones 1 and/or Milestone 2 as defined below.

| Number of performance shares | Milestone |
|------------------------------|---|
| 10,000,000 | 1: The Company's Share price must be equal to or more than 150% of listing price (based on the VWAP of the share price over 20 consecutive trading days on which the Company's securities have traded), and the quarterly revenues of the Company must be at least \$1m for two consecutive quarters, within 3 years of IPO. |
| 10,000,000 | 2: The Market Capitalisation of the Company must be equal to or more than \$100 million (calculated as the number of shares on issue multiplied by VWAP over 20 consecutive trading days on which the Company's securities have traded), and the quarterly revenue of the Company must be at least \$2m for two consecutive quarters and the Company must have issued at least 30 product licenses, within 3 years of IPO. |

Indemnification and insurance of directors, officers and auditors

No indemnities have been given or insurance premiums paid during or since the end of the financial year, for any directors, officers or auditors of the Company.

Proceedings on behalf of the company

No person has applied for leave of Court to bring proceedings on behalf of the Company.

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.

Non-audit services

Details of the amounts paid or payable to the auditor (Pitcher Partners) for non-audit services provided during the year are set out below.

Non-audit services are approved by resolution of the audit committee and approval is provided in writing to the board of Director. Non-audit services were provided by the auditors of entities in the consolidated group during the year, namely Pitcher Partners (Melbourne), network firms of Pitcher Partners, and other non-related audit firms, as detailed below. The Director are satisfied that the provision of the non-audit services during the year by the auditor is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001* for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by Titomic Ltd and have been reviewed and approved by the Audit Committee to ensure they do not impact on the integrity and objectivity of the auditor; and
- the non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for Titomic Ltd or any of its related entities, acting as an advocate for PP Focus Ltd or any of its related entities, or jointly sharing risks and rewards in relation to the operations or activities of Titomic Ltd or any of its related entities.

During the period the following fees were paid or payable for non-audit services provided by the auditor of the parent entity, its related practices and non-related audit firms:

| | Consolidated entity | |
|---|----------------------------|-------------|
| | 2017 | 2016 |
| | \$ | \$ |
| Other services | | |
| Pitcher Partners firm: | | |
| Taxation services | 9,500 | - |
| Investigating Accountant Services relating to IPO | 58,300 | - |
| Total remuneration for non-audit services | 67,800 | - |

Rounding of amounts

In accordance with *ASIC Corporations Act 2001 (Regulations in Financial/Directors' Reports) Instrument 2016/191*, the amounts in the Directors' report and the Financial Reports have been rounded to the nearest dollar.

Remuneration report

The Directors present the Titomic Limited 2017 remuneration report, outlining key aspects of our remuneration policy and framework, and remuneration awarded this year.

(a) Key management personnel covered in this report

Mr Phillip Vafiadis, Non-executive Chairman (appointed 27 October 2016)
Mr Jeffrey Lang, Executive Director & Chief Executive Officer
Prof. Richard Fox, Non-Executive Director
Mr Simon Marriott, Executive Director (appointed 26 May 2017)
Mr Richard Willson, Non-Executive Director (appointed 17 May 2017)
Mr Timothy Fox, Non-Executive Director (resigned 27 October 2016)

(b) Remuneration policy

Under its charter, this Committee must have at least three members, a majority of whom (including the chair) must be independent Directors and to the extent possible, non-executive Directors.

Currently, the Committee comprises Richard Willson, Phillip Vafiadis and Richard Fox, and Richard Willson, will act as chair. In accordance with its charter, it is intended that at least one member will have expertise in remuneration.

The main functions of the Remuneration and Nomination Committee are to assist the Board with a view to establishing a Board of effective composition, size, diversity, experience and commitment to adequately discharge its responsibilities and duties, and assist the Board with a view to discharging its responsibilities to Shareholders and other stakeholders to seek to ensure that the Company:

- has coherent remuneration policies and practices which enable the Company to attract and retain executives and Directors who will create value for Shareholders, including succession planning for the Board and executives;
- fairly and responsibly remunerate Directors and executives, having regard to the performance of the Company, the performance of the executives and the general remuneration environment;
- has policies to evaluate the performance of the Board, individual Directors and executives on (at least) an annual basis; and
- has effective policies and procedures to attract, motivate and retain appropriately skilled and diverse persons to meet the Company's needs.

The Remuneration and Nomination Committee will meet as often as is required by its Charter or other policy approved by the Board to govern the operation of the Committee. Following each meeting, the Committee will report to the Board on any matter that should be brought to the Board's attention and on any recommendation of the Committee that requires Board approval.

(c) Elements of remuneration

(i) Short-term incentives

Directors are to receive a total remuneration package of \$60,000 each (inclusive of superannuation if payable), which is also made up of 50% in cash and the remainder as at risk remuneration in the form of options over ordinary shares in the Company exercisable at a 150% premium to the listing price to be exercised within three years of listing.

Remuneration report (continued)

(c) Elements of remuneration (continued)

(ii) Performance based remuneration

The Company has issued 20,000,000 Performance Shares. The purpose of the issue of the Performance Shares is to provide a performance incentive for holders of the Performance Shares and to incentivise the holders to act in accordance with the business objectives and aims of the Company. The terms of the Performance Shares include a condition that if a milestone is not reached within the prescribed period, each Performance Share may be redeemed by the Company for \$0.0000001.

- **Milestone 1:** The Company's Share price must be equal to or more than 150% of listing price (based on the VWAP of the share price over 20 consecutive trading days on which the Company's securities have actually traded), and the quarterly revenues of the Company must be at least \$1m for two consecutive quarters, within 3 years of IPO. After the expiry of the 3 year period following the date of the IPO, the provisions of paragraph (i) applies to these Performance Shares.
- **Milestone 2:** The Market Capitalisation of the Company must be equal to or more than \$100 million (calculated as the number of shares on issue multiplied by VWAP over 20 consecutive trading days on which the Company's securities have actually traded), and the quarterly revenue of the Company must be at least \$2m for two consecutive quarters and the Company must have issued at least 30 product licences, within 3 years of IPO. After the expiry of the 3 year period following the date of the IPO, the provisions of paragraph (i) applies to these Performance Shares.

(d) Link between remuneration and performance

Remuneration not dependent on satisfaction of performance condition:

The non-executive remuneration policy is not directly related to company performance. The board considers a remuneration policy for non-executive directors based on short-term returns may not be beneficial to the long-term governance of the company.

Remuneration dependent on satisfaction of performance condition:

A portion of the Executive Remuneration is based on attainment of performance conditions. Performance-based remuneration includes short-term cash bonuses and a long-term incentive plan (performance shares).

The key terms of Jeffrey Lang's employment with the Company are as follows:

A cash incentive program is available of an additional \$21,500 as follows:

- \$5,750 for the first machine sale above the cost of manufacture within 12 months of the commencement date;
- \$5,750 for the delivery of a research and development or manufacturing agreement with a major international company within the agreed minimum target ranges of \$250,000 to \$500,000 per annum; and
- \$10,000 for completion of the manufacturing facility ready for operation by November 2017.

(e) Remuneration expenses for KMP

The following table shows details of the remuneration expense recognised for the group's key management personnel for the current and previous financial year measured in accordance with the requirements of the accounting standards.

Remuneration report (continued)

(e) *Remuneration expenses for KMP (continued)*

| 2017 | Short-term employee benefits | | Post-employment benefits | Share based payments | Total |
|--------------------------------|------------------------------|--------------------|--------------------------|----------------------|----------------|
| | Cash salary and fees \$ | Annual leave \$ | | | |
| Non-executive Directors | | | | | |
| Mr Phillip Vafiadis* | 122,803 | - | - | 54,318 | 177,121 |
| Prof. Richard Fox | 20,000 | - | - | 41,709 | 61,709 |
| Mr Richard Willson | 2,500 | - | - | 30,037 | 32,537 |
| Mr Timothy Fox | - | - | - | - | - |
| Executive Directors | | | | | |
| Mr Jeffrey Lang | 134,285 | 4,614 | 12,882 | 37,175 | 188,956 |
| Mr Simon Marriott* | 77,961 | - | - | 30,037 | 107,998 |
| Total KMP compensation | 357,549 | 4,614 | 12,882 | 193,276 | 568,321 |

* Includes consulting fees paid to an associated entity of Mr. Philip Vafiadis, and Mr Simon Marriott in the amount of \$96,875 and \$72,960, respectively.

(f) *Contractual arrangements with executive KMPs*

Jeffrey Lang has agreed to serve as Chief Executive Officer (CEO) and Chief Technical Officer of the Company. The key terms of Jeffrey Lang's employment with the Company are as follows:

- Role is both Chief Executive Officer (CEO) and Chief Technical Officer;
- Appointment as CEO will remain until a permanent CEO is appointed;
- Appointment as Chief Technical Officer is for a period of five years;
- Commencement date is 1 June 2017;
- Base salary is \$215,000 per annum plus \$20,425 in superannuation;
- Entitlement to 20 days paid annual leave per annum and Entitled to 10 days paid personal leave per annum.

The Company may terminate the employment on 120 days written notice and Jeffrey Lang may terminate on 90 days written notice and termination without notice can occur if Jeffrey Lang:

- commits a serious or persistent breach of the agreement;
- is guilty of serious misconduct or wilful neglect in performing his duties;
- fails to comply with reasonable direction;
- becomes insolvent;
- becomes of unsound mind;
- is convicted of a criminal offence which in the Company's reasonable opinion affects his position as an employee; or
- commits an act which reflects unreasonably on the Company.

Simon Marriott is fulfilling an Executive role to support the CEO until the Senior Executive team roles are filled. His primary responsibilities are around operations, marketing and business development. He is currently working two days per week and this will scale back as the Titomic team expands.

Remuneration report (continued)

(g) Non-executive director arrangements

Each of the Non-executive Directors has executed an appointment letter with the Company confirming the terms of their appointment, their roles and responsibilities, and Titomic's expectations of them as Directors.

Each non-executive Director has confirmed that he will comply with International Traffic in Arms Regulations (ITAR) and provide full disclosure of all information required by ITAR.

The Board of Directors decides the total amount paid to each Director as remuneration for their services as a Director to the Company.

However, under the ASX Listing Rules, the total amount paid to all non-executive Directors for their services must not exceed in aggregate in any financial year the amount fixed by the Company at a general meeting. This amount has been fixed at \$400,000 per annum and any change to the aggregate sum will need to be approved in a general meeting.

The Chair is to receive a total remuneration package of \$100,000 (inclusive of superannuation if payable), which is made up of 50% in cash and the remainder as at-risk remuneration in the form of options over ordinary shares in the Company exercisable at a 150% premium to the listing price, to be exercised within three years of listing.

Non-Executive Directors and Simon Marriott are to receive a total remuneration package of \$60,000 each (inclusive of superannuation if payable), which is also made up of 50% in cash and the remainder as at risk remuneration in the form of options over ordinary shares in the Company exercisable at a 150% premium to the listing price to be exercised within three years of listing.

The Directors' fees do not include a commission on, or a percentage of, profits or income.

(h) Key management personnel's equity holdings

Number of options held by key management personnel

| 30 June 2017 | Grant date | Date vested and exercisable | Expiry date | Granted as compensation | Exercise price | Value of options at grant date |
|--------------------------------|-------------|-----------------------------|-------------|-------------------------|----------------|--------------------------------|
| Non-Executive Directors | | | | | | |
| Mr Phillip Vafiadis | 30-May-2017 | 21-Sept-2017 | 31-May-2020 | 589,000 | 0.30 | \$49,797 |
| Prof. Richard Fox | 30-May-2017 | 21-Sept-2017 | 31-May-2020 | 354,000 | 0.30 | \$30,037 |
| Mr Richard Willson | 30-May-2017 | 21-Sept-2017 | 31-May-2020 | 354,000 | 0.30 | \$30,037 |
| Mr Timothy Fox | - | - | - | - | - | - |
| Executive Directors | | | | | | |
| Mr Jeffrey Lang | 30-May-2017 | 21-Sept-2017 | 31-May-2020 | 354,000 | 0.30 | \$30,037 |
| Mr Simon Marriott | 30-May-2017 | 21-Sept-2017 | 31-May-2020 | 354,000 | 0.30 | \$30,037 |
| Total | | | | | | 169,944 |

Number of shares held by key management personnel

| 30 June 2017 | Balance at the start of the year | Balance at date of appointment | Granted as compensation | Net change (other) | Balance at the end of the year |
|--------------------------------|----------------------------------|--------------------------------|-------------------------|--------------------|--------------------------------|
| Non-Executive Directors | | | | | |
| Mr Phillip Vafiadis | 5,175,000 | - | - | - | 5,175,000 |
| Prof. Richard Fox | 27,944,012 | - | - | - | 27,944,012 |
| Mr Richard Willson | - | - | - | - | - |
| Mr Timothy Fox | - | - | - | - | - |
| Executive Directors | | | | | |
| Mr Simon Marriott | - | 166,667 | - | - | 166,667 |
| Mr Jeffrey Lang | 10,004,342 | - | - | - | 10,004,342 |
| Total | 43,123,354 | 166,667 | - | - | 43,290,021 |

Remuneration report (continued)

(h) *Key management personnel's equity holdings (continued)*

Performance shares granted to key management personnel

| 30 June 2017 | Grant date | Vested upon | Expiry date | Granted | Exercise price | Value of options at grant date |
|--------------------------------|-------------|-------------|-------------|-------------------|----------------|--------------------------------|
| Non-Executive Directors | | | | | | |
| Mr Phillip Vafiadis | 26-May-2017 | Milestone 1 | 26-May-2020 | 1,875,000 | n/a | \$225,000 |
| | 26-May-2017 | Milestone 2 | 26-May-2020 | 1,875,000 | n/a | \$56,250 |
| Prof. Richard Fox | 26-May-2017 | Milestone 1 | 26-May-2020 | 5,041,746 | n/a | \$605,010 |
| | 26-May-2017 | Milestone 2 | 26-May-2020 | 5,041,746 | n/a | \$151,252 |
| Executive Directors | | | | | | |
| Mr Jeffrey Lang | 26-May-2017 | Milestone 1 | 26-May-2020 | 3,083,254 | n/a | \$369,990 |
| | 26-May-2017 | Milestone 2 | 26-May-2020 | 3,083,254 | n/a | \$92,498 |
| Total | | | | 20,000,000 | | \$1,500,000 |

(i) *Loans to key management personnel*

Aggregate of loans made

Borrowings includes a loan from Mr. Richard Fox, one of the Company's directors and shareholders. The loan of \$2,152 bears no interest and is repayable on demand.

(j) *Other transactions with key management personnel*

Force Industries Pty Ltd

Current Titomic Directors Richard Fox and Jeff Lang, and former Titomic Director Timothy Fox are Directors of Force Industries Pty Ltd (Force) and have been throughout the reporting period.

Titomic's Cold Spray core technology was novated from Force Industries in January 2016 for nil consideration. The value of this technology at the time of this transaction has been externally reviewed to ensure the transaction was undertaken at arms-length at commercial rates.

During the reporting period, Force provided professional consulting services to Titomic totalling \$37,237. The services fees paid to Force Industries for services rendered are charged at arms-length commercial rates.

Innovyz Investments Pty Ltd

Philip Vafiadis is a Director and Chairman of Titomic. Mr Vafiadis is the founding owner, and Director of Innovyz Investments Pty Ltd. Innovyz provided professional management and consulting advisory services to Titomic throughout the reporting period totalling \$94,470.

The service fees paid to Innovyz for services rendered are charged at arms-length commercial rates.

Red Heeler Holdings Pty Ltd

Simon Marriott is a Director and Industry and Technical Adviser of Titomic. Red Heelers Holdings Pty Ltd provided professional consulting advisory services to Titomic throughout the reporting period totalling \$72,961.

(k) *Additional information*

Use of remuneration consultants

The company has not used any remuneration consultants during the year.

This report is made in accordance with a resolution of Directors.



Mr Phillip Vafiadis
Director
Melbourne
29 September 2017

TITOMIC LIMITED (FORMERLY TITOMIC PTY LTD)**ABN 77 602 793 644****AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF TITOMIC LIMITED**

In relation to the independent audit for the year ended 30 June 2017, to the best of my knowledge and belief there have been:

- (i) No contraventions of the auditor independence requirements of the *Corporations Act 2001*; and
- (ii) No contraventions of APES 110 *Code of Ethics for Professional Accountants*.

**B POWERS**

Partner

Date: 29 September 2017

**PITCHER PARTNERS**

Melbourne

Titomic Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2017

| | | Consolidated entity | |
|--|-------|----------------------------|--------------|
| | | 2017 | 2016 |
| | Notes | \$ | \$ |
| Revenue and other income | | | |
| Interest received | | <u>6,790</u> | - |
| | | 6,790 | - |
| Corporate administration expenses | 5 | (482,473) | - |
| Depreciation and amortisation expenses | 5 | (17,507) | - |
| Research and development expenses | | (207,307) | - |
| Consulting, employee and director expenses | 5 | (610,768) | (37,941) |
| Travel and entertainment expenses | | (69,154) | - |
| Marketing and promotion | | (13,000) | - |
| Loss before income tax | | <u>(1,393,419)</u> | (37,941) |
| Income tax expense | | - | - |
| Loss for the period | | <u>(1,393,419)</u> | (37,941) |
| Other comprehensive loss for the period | | <u>-</u> | - |
| Total comprehensive loss for the period | | <u>(1,393,419)</u> | (37,941) |
| | | Cents | Cents |
| Basic loss per share | 7 | (2.18) | (0.07) |
| Diluted loss per share | 7 | (2.18) | (0.07) |

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

Titomic Limited
Statement of financial position
As at 30 June 2017

| | | Consolidated entity | |
|--------------------------------------|-------|----------------------------|-----------------|
| | | 2017 | 2016 |
| | Notes | \$ | \$ |
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | 6 | 357,144 | - |
| Trade and other receivables | 8 | 226,413 | 1,048 |
| Total current assets | | 583,557 | 1,048 |
| Non-current assets | | | |
| Property, plant and equipment | 9 | 1,034,476 | - |
| Intellectual property | 10 | 269,051 | 283,212 |
| Total non-current assets | | 1,303,527 | 283,212 |
| Total assets | | 1,887,084 | 284,260 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Trade and other payables | 11 | 665,014 | 37,941 |
| Provisions | 13 | 4,614 | - |
| Total current liabilities | | 669,628 | 37,941 |
| Non-current liabilities | | | |
| Other payables | 12 | 296,495 | 283,212 |
| Total non-current liabilities | | 296,495 | 283,212 |
| Total liabilities | | 966,123 | 321,153 |
| Net assets | | 920,961 | (36,893) |
| EQUITY | | | |
| Issued capital | 14 | 2,159,045 | 1,048 |
| Reserves | 15 | 193,276 | - |
| Accumulated losses | | (1,431,360) | (37,941) |
| Total equity | | 920,961 | (36,893) |

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

Titomic Limited
Statement of changes in equity
For the year ended 30 June 2017

| | Attributable to owners of Titomic Limited | | | Total \$ |
|--|--|----------------|-----------------------------|--------------------|
| | Issued capital \$ | Reserves \$ | Accumulated losses \$ | |
| Consolidated entity | | | | |
| Balance at 1 July 2015 | 1,048 | - | - | 1,048 |
| Loss of the period | - | - | (37,941) | (37,941) |
| Total comprehensive loss for the period | - | - | (37,941) | (37,941) |
| Balance at 30 June 2016 | 1,048 | - | (37,941) | (36,893) |
| Balance at 1 July 2016 | 1,048 | - | (37,941) | (36,893) |
| Loss for the period | - | - | (1,393,419) | (1,393,419) |
| Total comprehensive loss for the period | - | - | (1,393,419) | (1,393,419) |
| Transactions with owners in their capacity as owners: | | | | |
| Shares issued, net of costs | 2,157,997 | - | - | 2,157,997 |
| Share based payment | - | 193,276 | - | 193,276 |
| | 2,157,997 | 193,276 | - | 2,351,273 |
| Balance at 30 June 2017 | 2,159,045 | 193,276 | (1,431,360) | 920,961 |

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

Titomic Limited
Statement of cash flows
For the year ended 30 June 2017

| | Consolidated entity | |
|--|----------------------------|-------------|
| | 2017 | 2016 |
| Notes | \$ | \$ |
| Cash flows from operating activities | | |
| Payments to suppliers and employees | (699,973) | - |
| Interest received | 6,790 | - |
| Net cash (outflow) from operating activities | 17(a) <u>(693,183)</u> | - |
| Cash flows from investing activities | | |
| Payments for property, plant and equipment | (1,037,822) | - |
| Payment for term deposit/bonds | (72,000) | - |
| Net cash (outflow) from investing activities | <u>(1,109,822)</u> | - |
| Cash flows from financing activities | | |
| Proceeds from issues of shares and other equity securities | 14(a) 2,157,997 | - |
| Proceeds from issues of related party borrowing | 14(b) 2,152 | - |
| Net cash inflow from financing activities | <u>2,160,149</u> | - |
| Net increase in cash and cash equivalents | <u>357,144</u> | - |
| Cash and cash equivalents at end of period | <u>357,144</u> | - |

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

1 Summary of significant accounting policies

The following is a summary of significant accounting policies adopted by the Company in the preparation and presentation of the financial report. This includes current accounting policies and significant accounting policies relevant to the Company for the near future. The accounting policies have been consistently applied, unless otherwise stated.

(a) Basis of preparation

This annual report is a general purpose financial statements that has been prepared in accordance with Australian Accounting Standards, Interpretations and other applicable authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The annual report covers Titomic Limited (Titomic), formerly Titomic Pty Limited, a company limited by shares, incorporated and domiciled in Australia. The address of the Company's registered office is Level 3, 62 Lygon Street, Carlton, Victoria, 3053, Australia and the principal place of business is Level 1, Building 4, 270 Ferntree Gully Road, Notting Hill, Victoria, 3168, 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 on the date of this report.

(i) Compliance with IFRS

The financial statements of the Company also comply with the *International Financial Reporting Standards (IFRS)* issued by the *International Accounting Standards Board (IASB)*.

(ii) Historical cost convention

The financial statements has been prepared under the historical cost convention, as modified by revaluations to fair value for certain classes of assets and liabilities as described in the accounting policies.

(iii) Fair value measurement

For financial reporting purposes, 'fair value' is the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants (under current market conditions) at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique.

When estimating the fair value of an asset or liability, the entity uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Inputs to valuation techniques used to measure fair value are categorised into three levels according to the extent to which the inputs are observable:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

(iv) Significant accounting estimates

The preparation of the financial statements requires the use of certain estimates and judgements in applying the Company's accounting policies. Those estimates and judgements significant to the financial report are disclosed in Note 2.

1 Summary of significant accounting policies (continued)

(b) Going concern

The Directors have prepared the financial statements on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

From 1 July 2016 the Company has commenced start-up operations with loans from related parties and a short-term loan from the Company's broking firm PAC Partners.

Following the receipt of \$2,600,000 (before costs) from the November 2016 seed capital raisings, the Company began operations incurring expenses associated with research and commercialisation programs of the Company's licensed technology.

The Company incurred a loss from ordinary activities of \$1,393,419 during the year ended 30 June 2017 (2016: \$37,941 loss). The Company had a net assets position of \$920,961 (June 2016 deficiency in net assets: \$36,893), and current liabilities exceeded current assets by \$86,071 (June 2016: current liabilities exceeded current assets by \$36,893).

As at 30 June 2017 the Directors identified that additional funding would be required to allow the Company to pursue its plans to commercialise the Cold-Spray technology and execute the planned Initial Public Offering (IPO).

Consequently, on 7 July 2017, the Company raised \$600,000 (before costs) of seed capital raising via the issuance of 3,333,333 new fully paid ordinary shares at \$0.18 per share.

The Company further executed a Mandate and Underwriting Agreement with PAC Partners on 10 August 2017, and subsequently raised \$6,500,000 (before costs) from a fully underwritten IPO in September 2017. The IPO issued 32,500,000 new fully paid ordinary shares at \$0.20 per share.

As a result of these capital raisings the Directors have concluded that the going concern basis is appropriate, based on analysis of the Company's internal cash flow forecasts.

(c) Revenue

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

The Company recognises revenue when the amount of the revenue can be reliably measured, it is probable that the future economic benefits will flow to the Company and specific criteria have been met for each of the activities as described below. The amount of the revenue is not considered to be reliably measured until all contingencies relating to the sale have been resolved.

The following specific revenue criteria must be met before revenue is recognised:

(i) Sale of goods

Significant risks and rewards of ownership of goods has passed to the buyer when an invoice for the goods is issued;

(ii) Interest

Interest revenue is recognised using the effective interest rate method;

All revenue is measured net of the amount of Goods and Services Tax (GST).

(d) Cash and cash equivalents

Cash and cash equivalents include cash on hand and at banks, short-term deposits with an original maturity of three months or less held at call with financial institutions, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

1 Summary of significant accounting policies (continued)

(e) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. See note 8 for further information about the group's accounting for trade receivables.

(f) Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

Finance leases

Leases of fixed assets, where substantially all of the risks and benefits incidental to ownership of the asset, but not the legal ownership, are transferred to the Company are classified as finance leases.

Finance leases are capitalised, recording an asset and liability equal to the fair value or, if lower, the present value of the minimum lease payments, including any guaranteed residual values. The interest expense is calculated using the interest rate implicit in the lease and is included in finance costs in the statement of profit or loss. Leased assets are depreciated on a straight-line basis over their estimated useful lives where it is likely the Company will obtain ownership of the asset, or over the term of the lease. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Operating leases

Lease payments for operating leases are recognised as an expense on a straight-line basis over the term of the lease.

Lease incentives received under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

(g) Property, plant and equipment

All property, plant and equipment, including capital WIP is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. For capital WIP, depreciation commences upon the asset becoming operational. For all other assets, depreciation commences upon the date of purchase.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements and certain leased plant and equipment, the shorter lease term as follows:

- | | |
|-------------------------------------|---------------|
| • Computers | 3 years |
| • Furniture, fittings and equipment | 3 - 5 years |
| • Plant and equipment | 10 - 15 years |

(h) Intangible assets

Titomic's core technology is called Kinetic Fusion and is based on "Cold Spray Robotic Technology". Titanium powder is sprayed at supersonic speed (up to two times the speed of sound) onto a scaffold surface, resulting in the powder particles plastically deforming at the edges, on impact and then bonding at a particle level with the surrounding particles.

1 Summary of significant accounting policies (continued)

(h) Intangible assets (continued)

The Titomic Kinetic Fusion (TKF) process can produce complex shapes such as oval, tear-drop, conical tubes, allowing manufacturers to produce shapes and styles not possible with traditional titanium manufacturing technology.

(i) Licences

Licences are recognised at cost and are amortised over their estimated useful lives, 20 years. Licences are carried at cost less accumulated amortisation and any impairment losses.

(ii) Research and development

Expenditure on research activities is recognised as an expense when incurred.

Development costs are capitalised when the Company can demonstrate all of the following: the technical feasibility of completing the asset so that it will be available for use or sale; the intention to complete the asset and use or sell it; the ability to use or sell the asset; how the asset will generate probable future economic benefits; the availability of adequate technical, financial and other resources to complete the development and to use or sell the asset; and the ability to measure reliably the expenditure attributable to the asset during its development. Capitalised development expenditure is carried at cost less any accumulated amortisation and any accumulated impairment losses. Amortisation is calculated using a straight-line method to allocate the cost of the intangible asset over its estimated useful life, which ranges from 2 to 10 years. Amortisation commences when the intangible asset is available for use.

Other development expenditure is recognised as an expense when incurred.

(i) Impairment of non-financial assets

Intangible assets not yet ready for use and intangible assets with indefinite useful lives are not subject to amortisation and are therefore tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

An impairment loss is recognised when the carrying amount of an asset or cash generating unit exceeds the asset's or cash generating unit's recoverable amount. The recoverable amount of an asset or cash generating unit is defined as the higher of its fair value less costs to sell and value in use.

Impairment losses in respect of individual assets are recognised immediately in profit or loss unless the asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease in accordance with the applicable Standard.

(j) Income tax

Current income tax expense or revenue is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities.

Deferred tax assets and liabilities are recognised for temporary differences at the applicable tax rates when the assets are expected to be recovered or liabilities are settled. Deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

(k) Provisions

Provisions are recognised when the Company has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

1 Summary of significant accounting policies (continued)

(I) Employee benefits

(i) Short-term employee benefit obligations

Liabilities arising in respect of wages and salaries, annual leave, and any other employee benefits (other than termination benefits) expected to be settled wholly before twelve months after the end of the annual reporting period are measured at the (undiscounted) amounts based on remuneration rates which are expected to be paid when the liability is settled. The expected cost of short-term employee benefits in the form of compensated absences such as annual leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables in the statement of financial position.

(ii) Other long-term employee benefit obligations

The provision for other long-term employee benefits, including obligations for long service leave and annual leave, which are not expected to be settled wholly before twelve months after the end of the reporting period, are measured at the present value of the estimated future cash outflow to be made in respect of the services provided by employees up to the reporting date. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee turnover, and are discounted at rates determined by reference to market yields at the end of the reporting period on high quality corporate bonds that have maturity dates that approximate the terms of the obligations. Any remeasurements for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the change occurs.

Other long-term employee benefit obligations are presented as current liabilities in the balance sheet if the Company does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur. All other long-term employee benefit obligations are presented as non-current liabilities in the statement of financial position.

(iii) Retirement benefit obligations

Defined contribution superannuation plan

The consolidated entity makes superannuation contributions (currently 9.50% of the employee's average ordinary salary) to the employee's defined contribution superannuation plan of choice in respect of employee services rendered during the year.

These superannuation contributions are recognised as an expense in the same period when the related employee services are received. The group's obligation with respect to employee's defined contributions entitlements is limited to its obligation for any unpaid superannuation guarantee contributions at the end of the reporting period.

All obligations for unpaid superannuation guarantee contributions are measured at the (undiscounted) amounts expected to be paid when the obligation is settled and are presented as current liabilities in the statement of financial position.

(iv) Share-based payments

Share-based compensation benefits may be provided through the issue of fully paid ordinary shares under the Employee Share and Option Plan. Options are also granted to employees and consultants in accordance with the terms of their respective employment and consultancy agreements. Any options granted are made in accordance with the terms of the Company's Employee Share and Option Plan (ESOP).

The fair value of options granted under employment and consultancy agreements are recognized as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognized over the period during which the employees become unconditionally entitled to the options.

The fair value at grant date is determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

1 Summary of significant accounting policies (continued)

(l) Employee benefits (continued)

The fair value of the options granted excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each reporting date, the entity revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognized each period takes into account the most recent estimate. The impact of the revision to original estimates, if any, is recognized in the statement of profit or loss and other comprehensive income with a corresponding adjustment to equity.

Upon the exercise of options, the balance of the share-based payments reserve relating to those options is transferred to contributed equity.

(m) Financial instruments

(i) Classification

The Company classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the nature of the item and the purpose for which the instruments were acquired. Management determines the classification of its financial instruments at initial recognition.

(i) Initial recognition and measurement

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. For financial assets, this is equivalent to the date that the Company commits itself to either the purchase or sale of the asset (ie trade date accounting is adopted).

Financial instruments are initially measured at fair value adjusted for transaction costs, except where the instrument is classified as fair value through profit or loss, in which case transaction costs are immediately recognised as expenses in profit or loss.

Fair value through profit or loss

Financial assets are classified at fair value through profit or loss when they are held for trading for the purpose of short-term profit taking, are derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation by key management personnel. Investments in listed securities are carried at fair value through profit or loss. They are measured at their fair value at each reporting date and any increment or decrement in fair value from the prior period is recognised in profit or loss of the current period. Fair value of listed investments are based on closing bid prices at the reporting date.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and the group intends to hold the investments to maturity. They are subsequently measured at amortised cost using the effective interest rate method.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are subsequently measured at amortised cost using the effective interest rate method.

Available-for-sale financial assets

Available-for-sale financial assets include any financial assets not included in the above categories or are designated as such on initial recognition. Available-for-sale financial assets are subsequently measured at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity. The cumulative gain or loss is held in equity until the financial asset is de-recognised, at which time the cumulative gain or loss held in equity is recognised in profit or loss.

Non-listed investments for which fair value cannot be reliably measured, are carried at cost and tested for impairment.

1 Summary of significant accounting policies (continued)

(m) Financial instruments (continued)

(ii) Financial liabilities

Financial liabilities include trade payables, other creditors, loans from third parties and loans or other amounts due to director-related entities

Non-derivative financial liabilities are subsequently measured at amortised cost, comprising original debt less principal payments and amortisation.

Financial liabilities are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

(iii) Impairment

Financial assets are tested for impairment at each financial year end to establish whether there is any objective evidence for impairment as a result of one or more events ('loss events') having occurred and which have an impact on the estimated future cash flows of the financial assets.

For loans and receivables and held-to-maturity investments carried at amortised cost, impairment losses are measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The amount of the loss reduces the carrying amount of the asset and is recognised in profit or loss. The impairment loss is reversed through profit or loss if the amount of the impairment loss decreases in a subsequent period and the decrease can be related objectively to an event occurring after the impairment was recognised.

For available-for-sale financial assets carried at cost because a fair value cannot be reliably determined, impairment loss is measured as the difference between the carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss is not reversed.

For available-for-sale financial assets carried at fair value, the impairment loss is measured as the difference between the acquisition cost and current fair value, less any impairment loss previously recognised in profit or loss. If the asset is impaired, the cumulative loss is reclassified from equity to the profit or loss. For equity investments, the impairment loss is not reversed through profit or loss. For debt investments, the impairment loss is reversed through profit or loss if the fair value increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment losses was recognised in profit or loss.

(n) Interests in joint arrangements

Joint arrangements represent the contractual sharing of control between parties in a business venture where unanimous decisions about the relevant activities are required. Joint arrangements are classified as either joint operations or joint ventures based on the rights and obligations of the parties to the arrangement.

Joint ventures

The Company's interest in joint ventures are brought to account using the equity method after initially being recognised at cost. Under the equity method, the profits or losses of the joint venture are recognised in the Company's profit or loss and the its share of the joint ventures other comprehensive income is recognised in the Company's other comprehensive income.

(o) Foreign currency translation

(i) Functional and presentation currency

The financial statements of the Company are measured using the currency of the primary economic environment in which that Company operates (the functional currency). The consolidated financial statements are presented in Australian dollars, which is the Company's functional and presentation currency.

1 Summary of significant accounting policies (continued)

(o) Foreign currency translation (continued)

(ii) Transactions and balances

Transactions in foreign currencies are translated into functional currency at the rate of exchange ruling at the date of the transaction. Foreign currency monetary items that are outstanding at the reporting date (other than monetary items arising under foreign currency contracts where the exchange rate for that monetary item is fixed in the contract) are translated using the spot rate at the end of the financial year.

(p) Goods and Services Tax (GST)

Revenues, expenses and purchased assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(q) Comparatives

Where necessary, the comparative information has been reclassified and repositioned for consistency with current year disclosures.

(r) Accounting standards issued but not yet effective at 30 June 2017

New, revised or amending Accounting Standards and Interpretations adopted

The Company has adopted all the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for the future reporting periods. Some of which are relevant to the entity. The entity has decided not to early adopt any of these new and amended pronouncements.

1 Summary of significant accounting policies (continued)

(r) Accounting standards issued but not yet effective at 30 June 2017 (continued)

The entity's assessment of the new and amended pronouncements that are relevant to the entity but applicable in future reporting periods is set out below:

| Title | Nature of change | Impact | Application date |
|---|---|--|--|
| AASB 15 <i>Revenue from Contracts with Customers</i> | <p>The AASB has issued a new standard for the recognition of revenue. This will replace AASB 118 which covers revenue arising from the sale of goods and the rendering of services and AASB 111 which covers construction contracts.</p> <p>The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.</p> <p>The standard permits either a full retrospective or a modified retrospective approach for the adoption.</p> | The Group is currently not generating revenue from contracts and thus the impact not yet possible to determine as no revenue contracts exist. | <p>Mandatory for financial years commencing on or after 1 January 2018, but available for early adoption.</p> <p>Expected date of adoption by the group: 1 January 2018.</p> |
| AASB 9 <i>Financial Instruments</i> | AASB 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. | The group is still determining if there will be any potential impact. | Must be applied for financial years commencing on or after 1 January 2018. |
| AASB 16 <i>Leases</i> | <p>AASB 16 was issued in February 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short term and low-value leases.</p> <p>The accounting for lessors will not significantly change.</p> | The Company currently has a 5 year lease. Although the Directors anticipate that the adoption of AASB16 may have an impact on the Group's accounting for it's operating leases, it is impossible at this stage to provide a reasonable estimate of such an impact. | Mandatory for financial years commencing on or after 1 January 2019. At this stage, the group does not intend to adopt the standard before its effective date. |

Although the Directors anticipate that the adoption of the aforementioned standards may have an impact on the Group's accounting and disclosures, the potential impact has not currently been considered.

2 Significant accounting estimates and judgements

Certain accounting estimates include assumptions concerning the future, which, by definition, will seldom represent actual results. Estimates and assumptions based on future events have a significant inherent risk, and where future events are not as anticipated there could be a material impact on the carrying amounts of the assets and liabilities discussed below:

Intangible assets

In January 2016, the Company and Force Industries Pty Ltd, a related party of Titomic Directors Richard Fox and Timothy Fox (former) agreed to novate the licence on Kinetic Fusion (based on 'Cold Spray Robotic Technology') to Titomic. As at date of the novation (refer to Note 10 for further details), an external valuation of this technology was obtained. This valuation required a degree of estimation and judgement.

Share based payments

The value attributed to share options and remunerations shares issued is an estimate calculated using an appropriate mathematical formula based on an option pricing model. The choice of models and the resultant option value require assumptions to be made in relation to the likelihood and timing of the conversion of the options to shares and the value of volatility of the price of the underlying shares. Refer to note 15 for more details.

3 Financial risk management

(a) Financial instruments

The Company's financial instruments consist of cash and cash equivalents, trade and other receivables and trade and other payables. Financial instruments as at 30 June 2017 are set out below:

| | Consolidated entity | |
|-----------------------------|----------------------------|-------------|
| | 2017 | 2016 |
| | \$ | \$ |
| Cash and cash equivalents | 357,144 | - |
| Trade and other payables | (665,014) | (37,941) |
| Trade and other receivables | 226,413 | 1,048 |

The fair values of cash and cash equivalents, trade and other receivables and trade and other payables approximate to their carrying amounts largely due to being liquid assets or liabilities that will be settled within 12 months.

(b) Risk management policy

The Board is responsible for overseeing the establishment and implementation of the risk management system, and reviews and assesses the effectiveness of the Company's implementation of that system on a regular basis.

The Board and Senior Management identify the general areas of risk and their impact on the activities of the Company, with Management performing a regular review of:

- the major risks that occur within the business;
- the degree of risk involved;
- the current approach to managing the risk; and
- if appropriate, determine:
 - any inadequacies of the current approach; and
 - possible new approaches that more efficiently and effectively address the risk.

Management report risks identified to the Board through regular reporting.

3 Financial risk management (continued)

(b) Risk management policy (continued)

The Company seeks to ensure that its exposure to undue risk which is likely to impact its financial performance, continued growth and survival is minimised in a cost-effective manner.

(c) Financial risk management

The main risks the Company is exposed to through its operations are interest rate risk, credit risk, currency and liquidity risk.

Interest Rate Risk

The Company is exposed to interest rate risks via the cash and cash equivalents that it will hold. Interest rate risk is the risk that a financial instruments value will fluctuate because of changes in market interest rates. The objective of managing interest rate risk is to minimise the Company's exposure to fluctuations in interest rate that might impact its interest revenue and cash flow.

Interest rate risk is considered when placing funds on term deposits. The Company considers the reduced interest rate received by retaining cash and cash equivalents in the Company's operating account compared to placing funds into a term deposit. This consideration also takes into account the costs associated with breaking a term deposit should early access to cash and cash equivalents be required.

There has been no change to the Company's exposure to interest rate risk or the manner in which it manages and measures its risk in the year ended 30 June 2017.

Credit risk

The Company is exposed to credit risk via its cash and cash equivalents and trade and other receivables. Credit risk is the risk that a counter-party will default on its contractual obligations resulting in a financial loss to the Company. To reduce risk exposure for the Company's cash and cash equivalents, it places them with high credit quality financial institutions.

The Company's key receivables are primarily comprised of GST refunds due to the Company from the Australian Tax Office. The Company correspondingly holds the view it does not have significant credit risk at this time in respect of its receivables.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company from time to time may be exposed to foreign currency fluctuations due to overseas amounts due to suppliers denominated in foreign currencies.

Liquidity risk

The Company is exposed to liquidity risk via trade and other payables.

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet the commitments associated with its financial instruments. Responsibility for liquidity risk rests with the Board who manage liquidity risk by monitoring undiscounted cash flow forecasts and actual cash flows provided to them by the Company's Management to ensure that the Company continues to be able to meet its debts as and when they fall due.

Contracts are not entered into unless the Board believes that there is sufficient cash flow to fund the additional activity. The Board considers when reviewing its undiscounted cash flow forecasts whether the Company needs to raise additional funding from the equity markets.

(i) Maturities of financial liabilities

The tables below analyse the group's financial liabilities into relevant maturity groupings based on their contractual maturities for:

3 Financial risk management (continued)

(c) Financial risk management (continued)

Liquidity risk (continued)

| Contractual maturities of financial liabilities | Less than 6 months | 6 - 12 months | Between 1 and 2 years | Between 2 and 5 years | Over 5 years | Total contractual cash flows | Carrying amount (assets)/ liabilities |
|---|--------------------|---------------|-----------------------|-----------------------|--------------|------------------------------|---------------------------------------|
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| 30 June 2017 | | | | | | | |
| Non-derivatives | | | | | | | |
| Trade payables | 305,822 | - | - | - | - | 305,822 | 305,822 |
| Accrued expenses | 359,192 | - | - | - | - | 359,192 | 359,192 |
| Total non-derivatives | 665,014 | - | - | - | - | 665,014 | 665,014 |
| 30 June 2016 | | | | | | | |
| Non-derivatives | | | | | | | |
| Accrued expenses | 37,941 | - | - | - | - | 37,941 | 37,941 |
| Total non-derivatives | 37,941 | - | - | - | - | 37,941 | 37,941 |

4 Fair value measurements

Fair value hierarchy

The fair value of financial assets and financial liabilities approximates their carrying values as disclosed in the Statement of Financial Position and Notes to the financial statements.

5 Expenses

| | Consolidated entity | |
|---|---------------------|---------------|
| | 2017 | 2016 |
| | \$ | \$ |
| Corporate administration expenses | | |
| Accounting fees | 58,820 | - |
| Legal Fees | 64,566 | - |
| Auditor fees | 119,065 | - |
| Corporate advisory fees | 150,441 | - |
| Other administration expenses | 89,581 | - |
| | 482,473 | - |
| Consulting, employee and director expenses | | |
| Consulting expenses | 178,890 | 37,941 |
| Employee related expenses | 28,393 | - |
| Directors' fees | 194,732 | - |
| Share-based payment expenses | 193,276 | - |
| Superannuation expenses | 15,477 | - |
| | 610,768 | 37,941 |

5 Expenses (continued)

Depreciation and amortisation expenses

| | | |
|-----------------------|---------------|----------|
| Depreciation expenses | 3,346 | - |
| Amortisation expenses | 14,161 | - |
| | <u>17,507</u> | <u>-</u> |

6 Cash and cash equivalents

| | Consolidated entity 2017 | 2016 |
|--------------------------|-----------------------------|----------|
| | \$ | \$ |
| Current assets | | |
| Cash at bank and in hand | <u>357,144</u> | <u>-</u> |

7 Loss per share

(a) Reconciliation of loss used in calculating loss per share

| | Consolidated entity 2017 | 2016 |
|--|-----------------------------|-----------------|
| | \$ | \$ |
| From continuing operations | (1,393,419) | (37,941) |
| Loss used in calculating basic loss per share | <u>(1,393,419)</u> | <u>(37,941)</u> |

(b) Weighted average number of shares used as the denominator

| | Consolidated entity 2017 | 2016 |
|--|-----------------------------|-------------------|
| | Number | Number |
| Weighted average number of ordinary shares used as the denominator in calculating basic loss per share | 63,767,408 | 51,750,000 |
| Effect of dilutive securities: | <u>-</u> | <u>-</u> |
| Adjusted weighted average number of ordinary shares used in calculating diluted loss per share | <u>63,767,408</u> | <u>51,750,000</u> |

8 Trade and other receivables

| | Consolidated entity | |
|-------------------|----------------------------|-------------|
| | 2017 | 2016 |
| | \$ | \$ |
| Trade receivables | 121,723 | - |
| GST receivables | 31,642 | - |
| Deposits paid | 72,000 | - |
| Formation cost* | 1,048 | 1,048 |
| | 226,413 | 1,048 |

* Formation cost are non-interest bearing and represent balance owing upon issuance of shares. These are repayable on demand.

9 Property, plant and equipment

| | Plant and equipment \$ | Furniture, fittings and equipment \$ | Other property, plant and equipment \$ | Total \$ |
|--------------------------------|---------------------------------------|---|---|---------------------|
| Consolidated entity | | | | |
| At 1 July 2016 | | | | |
| Cost or fair value | - | - | - | - |
| Accumulated depreciation | - | - | - | - |
| Net book amount | - | - | - | - |
| Year ended 30 June 2017 | | | | |
| Opening net book amount | - | - | - | - |
| Additions | 19,150 | 26,447 | 992,225 | 1,037,822 |
| Depreciation charge | (705) | (2,641) | - | (3,346) |
| Closing net book amount | 18,445 | 23,806 | 992,225 | 1,034,476 |
| At 30 June 2017 | | | | |
| Cost | 19,150 | 26,447 | 992,225 | 1,037,822 |
| Accumulated depreciation | (705) | (2,641) | - | (3,346) |
| Net book amount | 18,445 | 23,806 | 992,225 | 1,034,476 |

10 Intellectual property

| | Consolidated entity | |
|----------------------------|----------------------------|-------------|
| | 2017 | 2016 |
| | \$ | \$ |
| Licenses | | |
| Opening balance at 1 July | 283,212 | - |
| Additions | - | 283,212 |
| Amortisation expense | (14,161) | - |
| Closing balance at 30 June | 269,051 | 283,212 |

10 Intellectual property (continued)

Titomic's core technology is called Kinetic Fusion and is based on "Cold Spray Robotic Technology". Titanium powder is sprayed at supersonic speed (up to two times the speed of sound) onto a scaffold surface, resulting in the powder particles plastically deforming at the edges, on impact and then bonding at a particle level with the surrounding particles.

In August 2013, Force Industries Pty Ltd (a related party of Jeff Lang, Tim Fox and Richard Fox) ("Force") exercised an option to acquire an exclusive royalty bearing licence to exploit intellectual property owned by the Commonwealth Scientific and Industrial Research Organisation (CSIRO). The licence is in respect of Australian Patent Application No 2012901345 "Manufacturing Process", and any applicable Know-How and relevant subject matter. The term of the licence was to the expiration, lapsing or cessation of all licenced patents, a maximum of 20 years.

Force Industries Pty Ltd and CSIRO agreed in January 2016 to novate the licence to Titomic. All existing and accrued obligations of the Licence Agreement were novated to Titomic effective from this date. The novation was for nil consideration.

The license agreement provides for royalty payments payable to CSIRO on future sales. Under the agreement, Force must pay CSIRO 1.5% of attributable gross sales revenue and 20% of non-sales revenue attributable to products within the licensed field.

To remain exclusive, the license agreement is further subject to the satisfying the following performance criteria:

- Minimum \$350,000 of Research Fees payable by Titomic to CSIRO over a five-year period from license grant date; or
- Minimum royalty payments structured as following:

| Period | Minimum royalty |
|--|-----------------|
| Year 1 | \$- |
| Year 2 | \$25,000 |
| Year 3 | \$50,000 |
| Year 4 and every subsequent agreement year until the end of the license term | \$75,000 |

The value of the novated license agreement acquired from Force has been calculated with reference to the fair value of consideration given to acquire the license at the time of novation. This comprises the present value of contracted future cash outflows to maintain the license, which have been novated to Titomic. The minimum \$350,000 has been spread evenly over a five-year period and discounted using an indicative discount rate of 7.50% pa, to determine the cost of the intangible asset acquired.

11 Trade and other payables

| | Consolidated entity | |
|------------------|---------------------|---------------|
| | 2017 | 2016 |
| | \$ | \$ |
| Trade payables | 305,822 | - |
| Accrued expenses | 359,192 | 37,941 |
| | <u>665,014</u> | <u>37,941</u> |

12 Other payables

| | Consolidated entity | |
|-----------------------|----------------------------|-------------|
| | 2017 | 2016 |
| | \$ | \$ |
| Intellectual property | 296,495 | 283,212 |

This represents the fair value of the minimum \$350,000 of Research Fees payable by Titomic to CSIRO over a five-year period from license grant date under the Company's novated license agreement with CSIRO.

13 Provisions

| | Consolidated entity | |
|----------------------------------|----------------------------|-------------|
| | 2017 | 2016 |
| | \$ | \$ |
| Provisions for employee benefits | 4,614 | - |

14 Equity

(a) Issued capital

| | 30 June 2017 Shares | 30 June 2017 \$ | 30 June 2016 Shares | 30 June 2016 \$ |
|------------------------------|------------------------------------|--------------------------------|------------------------------------|--------------------------------|
| Ordinary shares | | | | |
| Ordinary shares - fully paid | 71,645,833 | 2,159,045 | 10,480 | 1,048 |
| Total share capital | 71,645,833 | 2,159,045 | 10,480 | 1,048 |

(b) Movement in issued capital

| Details | Number of shares | \$ |
|---|-----------------------------|------------------|
| Opening balance 1 July 2016 | 10,480 | 1,048 |
| Share split (4,937.98 : 1) (10 November 2016) | 51,739,520 | - |
| Issue of share capital at \$0.12 each by placement (21 November 2016) | 14,583,333 | 1,750,000 |
| Issue of share capital at \$0.16 each by placement (23 November 2016) | 5,312,500 | 850,000 |
| Less: Transaction costs arising on share issue | - | (442,003) |
| Balance 30 June 2017 | 71,645,833 | 2,159,045 |

(c) Rights of each type of share

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held. At shareholders meetings each ordinary share gives entitlement to one vote when a poll is called.

14 Equity (continued)

(d) Capital risk management

The Director's are satisfied that on completion of the Offer, Titomic will have sufficient working capital to carry out its stated objectives.

The Company's capital management objectives are:

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

The Company monitors capital on the basis of the carrying amount of the equity as presented on the face of the statement of financial position.

Management assesses the Company's capital requirements in order to maintain an efficient overall financing structure and considers adjustments to it in light of changes to economic conditions and the risk characteristics of its economic activities. In order to maintain or adjust the capital structure, the Company may issue new shares.

15 Share-based payments

(a) Employee option plan

Set out below are summaries of new options granted during the year:

| Class | Number of option | Value of options |
|------------------------------|------------------|------------------|
| Options over ordinary shares | 2,005,000 | \$170,124 |

| Grant date | Expiry date | Balance at start of year | Exercise price (\$) | Granted | Exercised | Vested | Balance at end of year |
|-------------|-------------|--------------------------|---------------------|-----------|-----------|-----------|------------------------|
| 30-May-2017 | 31-May-2020 | - | 0.30 | 2,005,000 | - | 2,005,000 | 2,005,000 |

For the options granted during the current financial year, the valuation model inputs used to determine the fair value at the grant date are outlined below.

| Grant date | Expiry date | Share price at grant date (\$) | Exercise price (\$) | Expected volatility | Dividend yield | Risk-free interest rate | Fair value at grant date per option (\$) |
|-------------|-------------|--------------------------------|---------------------|---------------------|----------------|-------------------------|--|
| 30-May-2017 | 31-May-2020 | 0.20 | 0.30 | 80% | \$0.00 | 1.69% | \$0.0848 |

(b) Performance shares

Set out below is a summary of the performance shares issued during the year:

| Description | Number of shares | Value of shares at grant date (\$) |
|-------------|------------------|------------------------------------|
| Milestone 1 | 10,000,000 | 1,150,000 |
| Milestone 2 | 10,000,000 | 300,000 |
| | | 1,450,000 |

| Description | Grant date | Expiry date | Balance at start of year | Exercise price (\$) | Granted | Exercised | Vested | Balance at end of year |
|-------------|-------------|-------------|--------------------------|---------------------|------------|-----------|--------|------------------------|
| Milestone 1 | 26-May-2017 | 26-May-2020 | - | - | 10,000,000 | - | - | 10,000,000 |
| Milestone 2 | 26-May-2017 | 26-May-2020 | - | - | 10,000,000 | - | - | 10,000,000 |

Milestone 1: The Company's share price must be equal to or more than 150% of listing price (based on the VWAP of the share price over 20 consecutive trading days on which the Company's securities have actually traded), and the quarterly revenues of the Company must be at least \$1m for two consecutive quarters, within 3 years of IPO.

15 Share-based payments (continued)

(b) Performance shares (continued)

Milestone 2: The Market Capitalisation of the Company must be equal to or more than \$100 million (calculated as the number of shares on issue multiplied by VWAP over 20 consecutive trading days on which the Company's securities have actually traded), and the quarterly revenue of the Company must be at least \$2m for two consecutive quarters and the Company must have issued at least 30 product licences, within 3 years of IPO.

For the performance shares granted during the current financial year, the valuation model inputs used to determine the fair value at the grant date are outlined below

| Description | Grant date | Expiry date | Share price at grant date (\$) | Exercise price (\$) | Expected volatility | Dividend yield | Risk-free interest rate | Fair value at grant date per option (\$) |
|-------------|-------------|-------------|-----------------------------------|---------------------|---------------------|----------------|-------------------------|--|
| Milestone 1 | 26-May-2017 | 26-May-2020 | - | - | 57% | 0% | 1.75% | 0.12 |
| Milestone 2 | 26-May-2017 | 26-May-2020 | - | - | 57% | 0% | 1.75% | 0.03 |

16 Remuneration of auditors

The Company's auditor, Pitcher Partners Melbourne supplied the below audit and non-audit services during the reporting period.

(a) Pitcher partners

(i) Audit and other assurance services

| | Consolidated entity | |
|---|---------------------|------|
| | 2017 | 2016 |
| | \$ | \$ |
| <i>Audit service</i> | | |
| Audit and review of financial statements | 119,065 | - |
| Total remuneration for audit service | 119,065 | - |
| <i>Non-audit services</i> | | |
| Investigating Accountant Report | 58,300 | - |
| Tax due diligence | 9,500 | - |
| Total remuneration for non-audit services | 67,800 | - |
| Total auditors remuneration | 186,865 | - |

17 Cash flow information

(a) Reconciliation of loss after income tax to net cash inflow from operating activities

| | Consolidated entity | |
|--|----------------------------|-----------------|
| | 2017 | 2016 |
| | \$ | \$ |
| Loss for the period | (1,393,419) | (37,941) |
| Adjustment for | | |
| Depreciation and amortisation | 17,507 | - |
| Share based payment | 193,276 | - |
| Unwinding discount | 13,358 | - |
| Movement in trade receivables | (155,591) | - |
| Movement in trade payables | 305,822 | 37,941 |
| Movement on other current liabilities and provisions | 325,864 | - |
| Net cash (outflow) from operating activities | (693,183) | - |

18 Segment information

The Company operates in one segment, being the development of 3D printing technology. It does not have any reportable business or geographic segments. Segment details therefore are fully reflected in the body of the financial report.

19 Directors' and executives' compensations

The following table shows details of the remuneration expense recognised for the group's executive key management personnel for the current and previous financial year measured in accordance with the requirements of the accounting standards.

| 2017 | Short-term employee benefits | | Post-employment benefits | Share based payments | |
|--------------------------------|-------------------------------------|---------------------|---------------------------------|-----------------------------|----------------|
| | Cash salary and fees | Annual leave | Super-annuation | Options | Total |
| | \$ | \$ | \$ | \$ | \$ |
| Non-executive Directors | | | | | |
| Mr Phillip Vafiadis* | 122,803 | - | - | 54,318 | 177,121 |
| Prof. Richard Fox | 20,000 | - | - | 41,709 | 61,709 |
| Mr Richard Willson | 2,500 | - | - | 30,037 | 32,537 |
| Executive Directors | | | | | |
| Mr Jeffrey Lang | 134,285 | 4,614 | 12,882 | 37,175 | 188,956 |
| Mr Simon Marriott* | 77,961 | - | - | 30,037 | 107,998 |
| Total KMP compensation | 357,549 | 4,614 | 12,882 | 193,276 | 568,321 |

* Includes consulting fees paid to an associated entity of Mr. Philip Vafiadis, and Mr Simon Marriott in the amount of \$94,470 and \$72,961, respectively.

19 Directors' and executives' compensations (continued)

| 2016 | Short-term employee benefits | | Post-employment benefits | Share based payments | | Total |
|--------------------------------|------------------------------|--------------------|--------------------------|----------------------|--------------------------|-------|
| | Cash salary and fees \$ | Annual leave \$ | Super-annuation \$ | Options \$ | Performance rights \$ | |
| Non-executive Directors | | | | | | |
| Mr Phillip Vafiadis* | - | - | - | - | - | - |
| Prof. Richard Fox | - | - | - | - | - | - |
| Mr Richard Willson | - | - | - | - | - | - |
| Mr Timothy Fox | - | - | - | - | - | - |
| Total KMP compensation | - | - | - | - | - | - |

20 Contingent liabilities and contingent assets

The group had no contingent liabilities at 30 June 2017 (2016: nil).

21 Commitments

(a) Capital commitments

Significant capital expenditure contracted for at the end of the reporting period but not recognised as liabilities is as follows:

| | Consolidated entity | |
|-------------------------------|---------------------|------------|
| | 2017 \$ | 2016 \$ |
| Property, plant and equipment | 2,161,613 | - |

The above commitments include capital expenditure commitments of \$1,705,200 to Advanced Robotics Australia and \$456,413 to Plasma Giken Co Ltd.

(b) Non-cancellable operating leases

The company leased a warehouse on 1 April 2017 under a non-cancellable operating lease expiring in 5 years.

| | Consolidated entity | |
|--|---------------------|------------|
| | 2017 \$ | 2016 \$ |
| Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows: | | |
| Within one year | 181,500 | - |
| Later than one year but not later than five years | 778,858 | - |
| | 960,358 | - |

22 Related party disclosures

Force Industries Ltd

Current Titomic Directors Richard Fox and Jeff Lang, and former Titomic Director Timothy Fox are Directors of Force Industries Pty Ltd (Force) and have been throughout the reporting period.

22 Related party disclosures (continued)

Force Industries Ltd (continued)

Titomic's Cold Spray core technology was novated from Force Industries in January 2016 for nil consideration. The value of this technology at the time of this transaction has been externally reviewed to ensure the transaction was undertaken at arms-length at commercial rates.

During the reporting period:

- Force provided professional consulting services to Titomic totalling \$37,237

The service fees paid to Force Industries for services rendered are charged at arms-length commercial rates.

Professor Richard Fox

Prof. Richard Fox is a Director of Titomic. Prior to Titomic's seed capital raising in November 2016, Prof. Fox provided funds to Titomic in the form of unsecured interest-free loans to enable Titomic to commence operations whilst meeting its associated debts as and when they fell due.

During the year Prof. Fox loaned Titomic a total amount of \$34,310. This amount was repaid from funds raised under the seed capital raisings however, an amount of \$2,152 remained outstanding to Prof Fox as at 30 June 2017.

Innovyz Investments Pty Ltd

Philip Vafiadis is a Director and Chairman of Titomic. Mr Vafiadis is the founding owner, and Director of Innovyz Investments Pty Ltd. Innovyz provided professional management and consulting advisory services to Titomic throughout the reporting period totalling \$94,470.

The service fees paid to Innovyz for services rendered are charged at arms-length commercial rates.

Red Heeler Holdings Pty Ltd

Simon Marriott is a Director and Industry and Technical Adviser of Titomic. Red Heelers Holdings Pty Ltd provided professional consulting advisory services to Titomic throughout the reporting period totalling \$72,961.

23 Events occurring after the reporting period

- On 7 July 2017, the Company executed a Mandate with PAC Partners (PAC), being the same brokers who performed the November 2016 seed raisings, to perform a \$600,000 (before costs) seed capital raising via the issuance of 3,333,333 new fully paid ordinary shares at \$0.18 per share. Funds from this seed capital placement were received on 14 July 2017 for which PAC charged a 5% commission.
- On 10 August 2017, the Company executed a Mandate with PAC Partners (PAC). This Mandate commits PAC to perform a \$6,500,000 (before costs) Initial Public Offering (IPO) for Titomic which is proposed to be fully underwritten. The Prospectus was lodged with ASIC on the same day. A copy of the Prospectus is available form: www.titomic.com
- On 17 August 2017, the Company lodged a Supplementary Prospectus with ASIC. A copy of the Supplementary Prospectus is available form: www.titomic.com
- On 21 September 2017, Titomic was admitted to an official quotation with the Australian Securities Exchange (ASX). The Company also completed an initial public offering which raised a total of \$6,500,000 (before cost) via issuing 32,500,000 new fully paid ordinary shares.

In the Directors' opinion:

- (a) the financial statements and notes set out on pages 18 to 42 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2017 and of its performance for the year ended on that date, and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Note 1 confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of Directors.



Mr Phillip Vafiadis
Director
Melbourne
29 September 2017

TITOMIC LIMITED (FORMERLY TITOMIC PTY LTD)
ABN 77 602 793 644
INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF TITOMIC LIMITED

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Titomic Limited “the Company”, which comprises the statement of financial position as at 30 June 2017, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors’ declaration.

In our opinion, the accompanying financial report of Titomic Limited, is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Company’s financial position as at 30 June 2017 and of its financial performance for the year then ended; and
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of a 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* “the Code” that are relevant to our audit of the 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 in the same terms if given to the directors as at the time of this auditor’s report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to Note 1 of the financial report, which describes the basis of accounting for the Company. Our opinion is not modified in respect of this matter.

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Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| Key Audit Matter | How our audit addressed the key audit matter |
|--|---|
| Going Concern Refer to note 1(b) | |
| <p>Titomic is in the early stages of commercialisation of its technology. The Company commenced start-up operations from 1 July 2016, and has generated an operating loss and negative cash flow from operations in its first year.</p> <p>The Directors have prepared the financial report on a going concern basis, noting further seed capital raising and Initial Public Offering "IPO" completed in July and September 2017.</p> <p>The Directors have prepared cash flow forecasts which contemplates continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business, for a period of at least 12 months from the date these Financial Statements were approved.</p> <p>We focused on this area as a key audit matter due to operating loss and negative cash flows from operations generated in the current year, together with the operating and capital commitments entered into by the Company.</p> | <p>Our procedures included amongst others:</p> <ul style="list-style-type: none">• Obtaining post year-end financial information to assess the current cash burn rate and cash position of the Company.• Agreeing the post year-end seed capital raising and IPO completed to confirm the cash was subsequently received.• Assessing the completeness of management's cash flow forecast.• Applying sensitivities to management's cash flow forecast to assess the Company's ability to settle its liabilities as they fall due. |

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Other Information

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2017, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

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As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 11 to 16 of the directors' report for the year ended 30 June 2017. In our opinion, the Remuneration Report of Titomic Limited for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards



B POWERS
Partner



PITCHER PARTNERS
Melbourne

Date: 29 September 2017

The shareholder information set out below was applicable as at 26 September 2017.

A. Distribution of equity securities

Analysis of numbers of equity security holders by size of holding:

| Holding | No. of holders | Total units |
|----------------------|-----------------------|--------------------|
| 1 - 1000 | 24 | 19,607 |
| 1,001 - 5,000 | 122 | 340,934 |
| 5,001 - 10,000 | 133 | 1,236,628 |
| 10,001 - 100,000 | 369 | 15,909,232 |
| 100,001 and over | 118 | 95,791,816 |
| Total | 766 | 113,298,217 |
| Unmarketable parcels | 27 | 22,866 |

113,298,217 fully paid ordinary shares are held by 766 individual holders.

All ordinary shares carry one vote per share.

B. Equity security holders

20 largest quoted equity security holders

The names of the 20 largest holders of quoted equity securities are listed below:

| Name | Ordinary shares Number held | Percentage of issued shares |
|---|--|--|
| PRESKO 2 PTY LTD <RICHARD FOX FAMILY A/C> | 27,944,012 | 24.66 |
| JEFFREY DAVID LANG <AKASHA FAMILY A/C> | 10,004,342 | 8.83 |
| PRESKO 3 PTY LTD <TIMOTHY FOX FAMILY A/C> | 8,626,646 | 7.61 |
| PAC PARTNERS PTY LTD | 5,819,050 | 5.14 |
| SBPM PTY LTD <INNOVYZ INVEST NO2 UNIT A/C> | 5,175,000 | 4.57 |
| MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED | 2,268,113 | 2.00 |
| SWHL INVESTMENTS PTY LTD <SWHL FAMILY A/C> | 2,187,500 | 1.93 |
| HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2 | 2,011,111 | 1.78 |
| RAVEN INVESTMENT HOLDINGS PTY LTD <RAVEN INVESTMENT A/C> | 1,291,667 | 1.14 |
| COMSEC NOMINEES PTY LIMITED | 1,287,704 | 1.14 |
| AUST EXECUTOR TRUSTEES LTD <CYAN C3G FUND> | 1,200,000 | 1.06 |
| J P MORGAN NOMINEES AUSTRALIA LIMITED | 1,027,779 | 0.91 |
| PERSHING AUSTRALIA NOMINEES PT Y LTD <ACCUM A/C> | 989,180 | 0.87 |
| MR JOHN COLIN LOOSEMORE + MRS SUSAN MARJORY LOOSEMORE <LOOSEMORE SUPER FUND A/C> | 916,667 | 0.81 |
| SOLAR MATE PTY LTD <SFN FAMILY A/C> | 833,334 | 0.74 |
| NATIONAL NOMINEES LIMITED | 797,243 | 0.70 |
| MR PHILIP JOHN CAWOOD | 675,000 | 0.60 |
| MR ERROL BOME + MRS MELANIE BOME <BOME SUPERANNUATION FUND A/C> | 625,000 | 0.55 |
| SCHAMMER PTY LTD <SCHAMMER FAMILY A/C> | 583,334 | 0.51 |
| LUKE MARRIOTT ENTERPRISES PTY LTD | 575,000 | 0.51 |
| Total | 74,837,682 | 66.06 |
| Total balance of remaining holders | 38,460,535 | 33.94 |
| Total on issue | 113,298,217 | 100.00 |

B. Equity security holders (continued)

Unquoted securities

| | Number on issue | Number of holders |
|--|----------------------------|------------------------------|
| Unquoted options - exercisable at \$0.30 and expiring on 31 May 2020 | 2,005,000 | 5 |
| Unquoted performance shares | 20,000,000 | 3 |

The above securities are escrowed until 21 September 2019. Below are the remaining restricted securities:

- 58,409,882 fully paid ordinary shares held by 13 holders are escrowed until 21 September 2019
- 5,080,004 fully paid ordinary shares held by 86 holders are escrowed for a period of 12 months from the date of issue

C. Substantial holders

Substantial holders in the company are set out below:

| | Number held | Percentage |
|---|------------------------|-------------------|
| PRESKO 2 PTY LTD <RICHARD FOX FAMILY A/C> | 27,944,012 | 24.66% |
| JEFFREY DAVID LANG <AKASHA FAMILY A/C> | 10,004,342 | 8.83% |
| PRESKO 3 PTY LTD <TIMOTHY FOX FAMILY A/C> | 8,626,646 | 7.61% |
| PAC PARTNERS PTY LTD | 5,819,050 | 5.14% |
| | 52,394,050 | 46.24% |

D. Shareholder enquiries

Shareholders with enquiries about their shareholdings should contact the share register:

Computershare
GPO Box 2975
Melbourne VIC

E. Change of address, change of name, consolidation of shareholding

Shareholders should contact the Share Registry to obtain details of the procedure required for any of these changes.

F. Removal from the annual report mailing list

Shareholders who wish to receive the Annual Report should advise the Share Registry in writing. These shareholders will continue to receive all other shareholder information.

G. Tax file numbers

It is important that Australian resident shareholders, including children, have their tax file number or exemption details noted by the Share Registry.

H. CHESS (Clearing House Electronic Sub-Register System)

Shareholders wishing to move to uncertified holdings under the Australian Stock Exchange (CHESS) system should contact their stockbroker.

I. Uncertified share register

Shareholding statement are issued at the end of each month that there is a transaction that alters the balance of your holding.

J. Listing rule 4.10.19 disclosure

For the purpose of ASX Listing Rule 4.10.19, the Board confirms that during the period from official quotation on 21 September 2017 to 29 September 2017, the Company has used its cash and assets readily convertible to cash in a manner consistent with its stated business objectives.