

K-TIG Limited and Its Controlled Entities
Appendix 4E

1. Company details

Name of entity:	K-TIG Limited
ABN:	28 158 307 549
Reporting period:	For the year ended 30 June 2021
Previous period:	For the year ended 30 June 2020

2. Results for announcement to the market

			\$
Revenues from ordinary activities	Up	368% to	1,561,556
Loss from ordinary activities after tax attributable to the owners of K-TIG Limited	Down	47% to	(4,482,667)
Loss for the year attributable to the owners of K-TIG Limited	Down	47% to	(4,482,667)

Dividends

No dividend has been declared or paid for the year ended 30 June 2021 (30 June 2020: \$nil).

Brief explanation of any of the figures reported above

The Group recorded \$1,561,556 of revenue for the current year (2020: \$333,366). The loss from ordinary activities for the Group after providing for income tax amounted to \$4,482,667 (30 June 2020: \$8,411,825). Loss from ordinary activities decreased mainly due to acquisition costs related to the acquisition of Keyhole TIG Limited incurred in the prior year.

The Group continued to grow its international operations during the year with continued expansion in the USA with appointment of key executives, signing of key distribution agreement and establishment of K-TIG demonstration and support facility. Given the success of the US expansion, K-TIG also announced its UK and Europe market expansion through the appointment of key management. K-TIG as continued to work with Defence Primes to demonstrate the advantages of keyhole TIG welding to their applications. K-TIG continues to invest in R&D to expand the range of metals that have independently verified welding protocols.

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets / (liabilities) per ordinary security	3.43	2.50

Right-of-use assets recognized under AASB 16 Leases are classified as intangible assets for the purpose of determining the net tangible assets

K-TIG Limited and Its Controlled Entities
Appendix 4E

4. Control gained over entities

<i>Name of entities (or group of entities)</i>	<i>Date control gained</i>
Keyhole TIG (USA) Inc.	11 August 2020

During the financial year, K-TIG Limited incorporated a subsidiary entity in the USA to support the growth of K-TIG's business in this key international market.

\$

Contribution of such entities to the reporting entity's loss from ordinary activities before income tax during for the period 1 July 2020 to 30 June 2021	(621,291)
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Loss from ordinary activities before income tax of the controlled entity for the whole of the previous period	-
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5. Loss of control over entities

<i>Name of entities (or group of entities)</i>	<i>Date control lost</i>
Vesseltech Pty Ltd	28 October 2020

During the financial year, Vesseltech Pty Ltd, a wholly owned subsidiary of K-TIG Limited, was deregistered. The company had been dormant for the period up to date of deregistration in the current financial year.

6. Details of associates and joint venture entities

There are no associates or joint ventures during the period or previous reporting period.

7. Audit qualification or review

The financial statements have been audited.

Details of audit/review dispute or qualification (if any):

Not applicable.

8. Attachments

Details of attachments (if any):

The audited consolidated annual report of K-TIG Limited for the year ended 30 June 2021 is attached.

Signature:



Stuart Carmichael
Chairman

31 August 2021

K-TIG Limited and Its Controlled Entities

ABN 28 158 307 549

Consolidated Annual Report - 30 June 2021

K-TIG Limited and Its Controlled Entities
Corporate Directory
For the year ended 30 June 2021

Directorships as at the date of this report	Stuart Carmichael, Chairman Syed Basar Shueb, Non-executive Director Adrian Smith, Managing Director Mark Twycross, Non-executive Director Anthony McIntosh, Non-executive Director
Company secretaries	Brett Tucker Deborah Ho
Registered office	Ground Floor 16 Ord Street West Perth WA 6005
Principal place of business	Building 5 9 William Street Mile End SA 5031 Phone: (08) 7324 6800
Share registry	Automic Group Level 2, 267 St Georges Terrace Perth WA 6000
Auditor	BDO Audit (SA) Pty Ltd BDO Centre Level 7, 420 King William Street Adelaide SA 5000
Solicitors	HWL Ebsworth Lawyers Level 20, 240 St Georges Terrace Perth WA 6000
Principal Bankers	Westpac Banking Corporation 275 Kent Street Sydney NSW 2000
Stock exchange listing	K-TIG Limited shares are listed on the Australian Securities Exchange (ASX code: KTG)
Website	www.k-tig.com

K-TIG Limited and Its Controlled Entities
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K-TIG Limited and Its Controlled Entities
Review of Operations
For the year ended 30 June 2021

Overview

K-TIG is a transformative, industry disrupting welding technology that seeks to change the economics of fabrication. K-TIG's high speed precision welding technology welds up to 100 times faster than traditional TIG welding, achieving full penetration in a single pass in materials up to 16mm in thickness and typically operates at twice the speed of plasma welding.

K-TIG works across a wide range of applications and is particularly well suited to corrosion resistant materials such as stainless steel, nickel alloys, titanium alloys as well as carbon steels and most exotic materials. It easily handles longitudinal and circumferential welds on pipes, spooling, vessels, tanks and other materials in a single pass.

Originally developed by the CSIRO, K-TIG owns all rights, title and interest in and to the proprietary and patented technology and has been awarded Australian Industrial Product of the Year and the DTC Defence Industry Award.

2021 Highlights

During the year, K-TIG has made substantial progress and delivered on key business milestones.

Revenue Growth

- Revenue increased by 368% to \$1,56m (2020: \$0.3m)
- Operating cash receipts increased by 92% to \$1m (2020: \$0.5m)
- Continued sales momentum and increase in sales pipeline as potential customers responded to the increased capabilities of the USA subsidiary and UK and Europe market expansion

Strong Balance Sheet

- Cash of \$5.1m
- Net assets of \$5.9m

Business Development and Operations

Despite a challenging macroeconomic environment in view of the global Covid-19 pandemic, K-TIG achieved a number of key milestones during the year including:

- Successfully raised \$5.6m (before costs) via a private placement with strong support from existing major shareholders, new institutions & family offices, a sophisticated investors
- Established USA operations and appointed two senior business development executives to drive the USA market expansion
- Signed USA distribution agreement with Key Plant including the establishment of a demonstration facility in Houston to showcase the technology to new clients across aerospace, defence and oil and gas industries providing a platform for sales acceleration
- Successfully demonstrated the weldability of High Hardness Armour, HHA, which advance K-TIG's eligibility for upcoming Defence procurements, both nationally and internationally
- Achieved first sales into the USA nuclear waste container industry
- Successfully developed welding procedures for A516 Grade 70 Carbon Steel – a high strength, low alloy steel plate used globally to make critical components for heavy industries
- K-TIG partner Axiom Precision Manufacturing secured \$1m in funding from the Australian government to fast track the deployment of advanced welding technology to the Australian multi-billion dollar defence industry
- Signed of an MOU to develop advanced keyhole welding procedures for Hanwha Defense Australia and Hanwha Defense Corporation (collectively referred to as "Hanwha") where K-TIG will work with Hanwha to develop automated welding procedures for the manufacture of components of the Land 8116 and Land 400 Phase 3 vehicles
- Signed of distribution agreement with UK based WB Alloy
- Development of welding protocols for A106B and A333 carbon steels
- Signed a contract with USA based integrated logistics supplier DT Gruelle Group to manage K-TIG's USA supply chain
- Strengthened the executive management team to support continued international growth and allow the business to execute on a number of strategic fronts

K-TIG remains focused on accelerating its strategic pillars including enhancing its presence in the USA, UK and European markets, advancing K-TIG's technology in the multi-billion dollar defence industry and undertaking R&D, in house and in conjunction with innovative customers, to develop welding solutions for other metals such as aluminum, other exotics and for other highly specialised industries.

K-TIG Limited and Its Controlled Entities
Directors' report
For the year ended 30 June 2021

The Directors present their report, together with the financial statements, on K-TIG Limited ("K-TIG" or "Company") and its controlled entities ("consolidated group") for the for the year ended 30 June 2021.

Directors

The following persons were directors of K-TIG Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

Stuart Carmichael
Syed Basar Shueb
Mark Twycross
Adrian Smith
Anthony McIntosh

Principal activities

K-TIG is a transformative, industry disrupting welding technology that is changing the economics of fabrication with its proprietary high-speed precision welding technology.

Dividends

No dividends were declared or paid out during the financial year (30 June 2020: Nil).

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the consolidated group during the financial year.

Review of operations

Refer to the Review of Operations in the preceding section.

Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 30 June 2021 that has significantly affected, or may significantly affect the consolidated group's operations, the results of those operations, or the consolidated group's state of affairs in future financial years.

Likely developments and expected results of operations

The Company continues to build an extensive sales pipeline in key growth markets, including the United States, United Kingdom and Europe.

Environmental regulation

The consolidated group is not subject to any significant environmental regulation under Australian Commonwealth or State law.

K-TIG Limited and Its Controlled Entities
Directors' report
For the year ended 30 June 2021

Information on directors

Name:	Stuart Carmichael
Title:	Non-executive Chairman (Appointed 30 June 2017)
Qualifications:	B Com, C.A (Aust)
Experience and expertise:	Mr Carmichael has extensive international corporate advisory, mergers and acquisitions, and operational experience. Mr Carmichael held various senior executive leadership positions with UGL, DTZ, AJG and KPMG Corporate Finance. Mr Carmichael has extensive corporate and operational experience across multiple geographies having lived and worked in the US, UK, Europe, the Middle East and Australia.
	Mr Carmichael's sector experience includes the construction, transportation and logistics, facilities management, corporate real estate and professional services sectors. Mr Carmichael graduated from the University of Western Australia with a Bachelor of Commerce degree, majoring in Accounting and Finance and is a qualified Chartered Accountant.
Other current directorships:	Non-Executive Chairman of Schrole Limited (ASX:SCL) Non-Executive Director of De.mem Limited (ASX:DEM) Non-Executive Director of ClearVue Technologies Limited (ASX:CPV) Non-Executive Director of Swick Mining Services Limited (ASX:SWK) Non-Executive Director of Osteopore Limited (ASX:OSX) Non-Executive Director of Harvest Technology Group Limited (ASX:HTG)
Former directorships (last 3 years):	-
Interests in shares:	175,438 fully paid ordinary shares
Interests in options:	370,000 unlisted options exercisable at \$0.30 per option, expiring 30 Sep 2023
Interests in performance rights:	500,000 Class A Performance Rights 500,000 Class B Performance Rights 500,000 Class C Performance Rights

K-TIG Limited and Its Controlled Entities
Directors' report
For the year ended 30 June 2021

Name: Syed Basar Shueb
Title: Non-executive Director (Appointed 30 September 2019)
Qualifications: Bachelor of Science in Computer Engineering
Experience and expertise: Mr Shueb is the General Manager of the Pal Group of Companies, a subsidiary of the Abu Dhabi-based Royal Group, chaired by His Highness Sheikh Tahnoon Bin Zayed Al Nahyan, and is the Chairman of Royal Falcon Mining LLC. Mr Shueb has extensive experience in the process, manufacturing, fabrication, construction and service industries.

Other current directorships: -
Former directorships (last 3 years): -
Interests in shares: 2,528,155 fully paid ordinary shares
Interests in options: 180,000 unlisted options exercisable at \$0.30 per option, expiring 30 Sep 2023
Interests in performance rights: 500,000 Class A Performance Rights
500,000 Class B Performance Rights
500,000 Class C Performance Rights

Name: Mark Twycross
Title: Non-executive Director (Appointed 20 February 2020 – 16 March 2020, from 28 July 2020)
Executive Director (Appointed 16 March 2020 – 28 July 2020)
Qualifications: BSc civil engineering, Grad diploma business, FAICD
Experience and expertise: Mr Twycross has over 40 years in the energy, oil and gas, water and infrastructure industries in Australasia (Australia, New Zealand and Papua New Guinea) Southeast Asia, Middle East, Africa, Caspian and United Kingdom. Mr Twycross brings a track record of securing major contracts and contract execution to clients in the oil and gas, and water infrastructure sectors.

Mr Twycross has previously held senior executive leadership positions with Quanta Services and McConnell Dowell.

Other current directorships: -
Former directorships (last 3 years): -
Interests in shares: 40,000 fully paid ordinary shares
Interests in options: 180,000 unlisted options exercisable at \$0.30 per option, expiring 30 Sep 2023
Interests in performance rights: 500,000 Class A Performance Rights
500,000 Class B Performance Rights
500,000 Class C Performance Rights

K-TIG Limited and Its Controlled Entities
Directors' report
For the year ended 30 June 2021

Name: Adrian Smith
Title: Managing Director (Appointed 1 November 2020)
Executive Director (Appointed 28 July 2020 – 1 November 2020)
Non-executive Director (Appointed 20 February 2020 - 28 July 2020)
Qualifications: B.E. (Hons), B.SC. MBA, FAICD
Experience and expertise: Mr Smith has both large public company and private SME board experience who has demonstrated history of growing innovative, business to business companies in both Managing Director and Chief Executive Officer roles.

Skilled at working with technology and business entrepreneurs to transition companies from small start-ups into sustainable enterprises, Mr Smith brings a strong focus on managing people and relationships to deliver exceptional performance.

Mr Smith is currently Non-executive Director of Universal Motion Simulation, UniSA Ventures, and an Advisory Board Member of elmTEK. Mr Smith has previously had the role of Managing Director of Rheinmetall Defence Australia Pty Ltd. Previously, Mr Smith was the founder and Chief Executive Officer of Sydac, a simulation and training business. Sydac was founded in 1988 and culminated in becoming the world's #2 supplier of railway training systems with a staff of 135 and offices in Australia, Europe and India before negotiating an exit with German multi-national Knorr-Bremse GmbH.

Other current directorships: -
Former directorships (last 3 years): -
Interests in shares: 100,000 fully paid ordinary shares
4,500,000 vesting long-term incentive shares
Interests in options: 180,000 unlisted options exercisable at \$0.30 per option, expiring 30 Sep 2023

Name: Anthony McIntosh
Title: Non-executive Director (Appointed 23 June 2020)
Qualifications: B Com, GAICD
Experience and expertise: Mr McIntosh has extensive experience in investment marketing, investor relations and strategic planning, with a focus on small caps, as well as a strong and well-established network of stockbroking and investment fund manager.

Mr McIntosh is a graduate of the Australian Institute Company Director course and Bond University with a Bachelor of Commerce degree majoring in marketing.

Other current directorships: Non-executive Director of Alice Queen Limited (ASX:AQX)
Non-executive Director of Strategic Energy Resources Limited (ASX:SER)
Non-Executive Director of Copper Strike Resources Limited (ASX:CSE)
Former directorships (last 3 years): Non-executive Director of Echo Resources Limited (ASX: EAR) – November 2019
Non-executive Director of Symbol Mining Limited (ASX:SL1) – June 2019
Interests in shares: 975,000 fully paid ordinary shares
Interests in options: 180,000 unlisted options exercisable at \$0.30 per option, expiring 30 Sep 2023
Interests in performance rights: 500,000 Class A Performance Rights
500,000 Class B Performance Rights
500,000 Class C Performance Rights

Other current directorships quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated. Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

K-TIG Limited and Its Controlled Entities
Directors' report
For the year ended 30 June 2021

Joint company secretary

Brett Tucker (Appointed 5 January 2017)

Mr. Tucker has acted as Company Secretary to a number of ASX listed and private companies and has been involved in numerous public corporate acquisitions and transactions. Mr. Tucker is a Chartered Accountant with a strong corporate and compliance background gained from experience in an international accounting practice, working in both audit and taxation across a wide range of industries.

Deborah Ho (Appointed 31 January 2019)

Ms. Ho has over seven years of experience in company secretarial, corporate compliance and financial accounting matters. She has acted as Company Secretary and financial accountant for a number of Australian publicly listed companies and has also gained audit experience from her time with international accounting practices. She holds a Bachelor of Commerce from Curtin University and is an Associate Member of the Governance Institute of Australia.

Meetings of directors

The number of meetings of the Company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2021, and the number of meetings attended by each director were:

	Board Meeting		Audit and Risk Committee*	
	Eligible to Attend	Attended	Eligible to Attend	Attended
Stuart Carmichael	13	13	-	-
Syed Basar Shueb	13	-	-	-
Mark Twycross	13	13	-	-
Adrian Smith	13	12	-	-
Anthony McIntosh	13	13	-	-

* These are conducted by the Board as a whole, as part of board meetings.

Remuneration report (audited)

The remuneration report details the key management personnel remuneration arrangements for the consolidated group, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

The remuneration report is set out under the following main headings:

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional information
- Additional disclosures relating to key management personnel

Principles used to determine the nature and amount of remuneration

The Board is responsible for determining and reviewing compensation arrangements for Directors and Senior Executives. The Board assesses the appropriateness of the nature and amount of emoluments of such officers on a yearly basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high-quality board and executive team. The expected outcome of this remuneration structure is to retain and motivate the Directors and Senior Executives.

As part of its Corporate Governance Policies and Procedures, the board has adopted a formal Remuneration Committee Charter and Remuneration Policy. Currently, the full Board performs the function of the Remuneration Committee. Given that the consolidated group remains at an early stage of development, the Board's overall approach to compensation remains subject to change and will continue to evolve as the consolidated group grows and develops its business.

In accordance with best practice corporate governance, the structure of non-executive director and executive director / managing director remuneration is separate.

K-TIG Limited and Its Controlled Entities
Directors' report
For the year ended 30 June 2021

Non-executive directors' remuneration

The Constitution provides that the remuneration of non-executive Directors will not be more than the aggregate fixed sum determined by a general meeting of shareholders. The remuneration of executive Directors will be fixed by the Directors and may be paid by way of fixed salary or consultancy fee.

Fees and payments to non-executive Directors reflect the demands which are made on, and the responsibilities of, the Directors. Non-executive Directors' fees and payments are reviewed annually by the Board. Non-executive Directors do not receive performance-based pay.

All non-executive Directors are currently paid an annual stipend of A\$15,000 to A\$50,000. There are currently no separate attendance fees or fees payable for chairing any committee. The maximum aggregate amount which has been approved to be paid to non-executive Directors is currently set at A\$200,000 per annum.

Executive directors

Executive Directors are not entitled to receive any additional compensation, including employee options, in their capacity as Directors.

Chairman's fees

The chairman's fees are determined independently to the fees of non-executive Directors based on comparative roles in the external market.

Additional Fees

A Director may also be paid fees or other amounts as the Directors determine if a Director performs special duties or otherwise performs services outside the scope of the ordinary duties of a Director. A Director may also be reimbursed for out-of-pocket expenses incurred as a result of their directorship or any special duties.

Retirement Allowances for Directors

Superannuation contributions required under the Australian Superannuation Guarantee Legislation continue to be made and are deducted from the Directors' overall fee entitlements where applicable.

Executive remuneration

Compensation Objectives

Pursuant to the Remuneration Policy, the consolidated group's compensation policies and practices are designed to:

- (a) align executive remuneration with shareholder interests;
- (b) retain, motivate and reward appropriately qualified executive talent for the benefit of the consolidated group;
- (c) to achieve a level of remuneration that reflects the competitive market in which the consolidated group operates;
- (d) to ensure that individual remuneration is linked to performance criteria if appropriate; and
- (e) to ensure that executives are rewarded for both financial and non-financial performance.

The Board aims to satisfy these objectives through the adoption of a compensation program for executive officers that combines base remuneration, which is market related, with performance-based remuneration which is determined on an annual basis. All market comparisons reflect an informal assessment and are based on the Board's knowledge and experience in executive compensation matters. No remuneration consultant was retained by the Company in determining the remuneration of any of the KMP.

Overall remuneration decisions are subject to the discretion of the Board and can be changed to reflect competitive and business conditions where it is in the interests of the consolidated group and shareholders to do so. Executive remuneration and other terms of employment are reviewed annually by the Board having regard to the performance and relevant comparative information.

Compensation Components

In accordance with the remuneration policy, the compensation currently consists primarily of three elements: base salary, cash bonus and long-term equity incentives. Each element of compensation is described in more detail below.

K-TIG Limited and Its Controlled Entities
Directors' report
For the year ended 30 June 2021

Base Salary

A primary element of the Company's compensation program is base salary. The Company's view is that a competitive base salary is a necessary element for attracting and retaining qualified executive officers. The amount payable to an executive officer is determined based on the scope of his or her responsibilities and prior experience, while taking into account an informal evaluation of competitive market compensation for similar positions and overall market demand for such executives at the time of hire.

Base salaries are reviewed annually and increased for merit reasons, based on the executive officer's success in meeting or exceeding Company and individual objectives. Additionally, base salaries can be adjusted as warranted throughout the year to reflect promotions or other changes in the scope or breadth of the executive officer's role or responsibilities, as well as for market competitiveness.

Cash Bonus Plan

Remuneration for certain individuals is directly linked to the performance of the consolidated group. A portion of cash bonus and incentive payments are dependent on defined milestones being met. *Ad hoc* cash bonuses may be paid from time to time if deemed appropriate by the Board, based on the attainment of particular objectives.

Long-Term Equity Incentives

Equity-based awards are a variable element of compensation that allow executive officers to be rewarded for their sustained contributions to the consolidated group. Equity awards reward continued employment by an executive officer, with an associated benefit to K-TIG of attraction of employees, continuity and retention. Executives may participate in share, performance rights and option schemes generally made in accordance with thresholds set in plans approved by shareholders if deemed appropriate. However, the Board considers it appropriate to retain flexibility to issue shares, performance rights and options to executives outside of approved schemes in exceptional circumstances.

Voting and comments made at the Company's 2020 Annual General Meeting ('AGM')

At the 2020 AGM, 99.71% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2020. The Company did not receive any specific feedback at the AGM regarding its remuneration practices.

Details of remuneration

Amounts of remuneration

Details of the remuneration of key management personnel of the consolidated group are set out in the following tables.

The key management personnel of the consolidated group consisted of the following directors of K-TIG Limited:

- Stuart Carmichael
- Syed Shueb
- Mark Twycross
- Adrian Smith
- Anthony McIntosh

K-TIG Limited and Its Controlled Entities
Directors' report
For the year ended 30 June 2021

The value of remuneration received, or receivable by key management personnel for the consolidated group for the financial year is as follows:

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments		
	Salary & fees	Cash bonus	Other fees	Super-annuation	Long service leave	Equity-settled shares	Equity-settled options	Total
2021	\$	\$	\$	\$	\$	\$	\$	\$
<i>Directors</i>								
Stuart Carmichael	60,000	-	10,820	5,700	-	-	118,594	195,114
Syed Shueb	32,375	-	-	3,076	-	-	118,594	154,045
Mark Twycross	40,000	-	5,000	-	-	-	118,594	163,594
Adrian Smith	273,249	175,000	9,375	22,167	-	-	403,530	883,321
Anthony McIntosh	35,680	-	-	3,390	-	-	118,594	157,664
	441,304	175,000	25,195	34,333	-	-	877,906	1,553,738

¹ Cash bonus related to mutually agreed revenue and operational KPI's being met at maximum of 75% of base salary per Executive Services Agreement

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments		
	Salary & fees	Cash bonus	Other fees	Super-annuation	Long service leave	Equity-settled shares	Equity-settled options	Total
2020	\$	\$	\$	\$	\$	\$	\$	\$
<i>Directors</i>								
Stuart Carmichael	45,000	-	8,500	4,275	-	-	45,924	103,699
Syed Shueb ²	25,375	-	-	2,411	-	-	22,341	50,127
Mark Twycross ³	37,926	-	5,000	1,121	-	-	30,838	74,885
Adrian Smith ³	11,797	-	15,000	1,121	-	-	30,838	58,756
Anthony McIntosh ⁴	-	-	-	-	-	-	28,163	28,163
Colm O'Brien ⁵	25,375	-	976	2,411	-	-	36,615	65,377
Michael Edwards ⁶	-	-	-	-	-	-	-	-
Kieran Purcell ⁷	24,063	-	-	1,854	-	-	22,341	48,258
Neil Le Quesne ⁸	5,475	-	-	-	-	-	29,126	34,601
William Wilson ⁶	-	-	-	-	-	-	-	-
<i>Other Key Management Personnel</i>								
Neil Le Quesne ⁸	290,009	171,275 ¹⁰	-	25,001	(9,992)	-	-	476,293
David Williams ⁹	233,904	-	-	17,905	-	-	85,660	337,469
	698,924	171,275	29,476	56,099	(9,992)	-	331,846	1,277,628

K-TIG Limited and Its Controlled Entities
Directors' report
For the year ended 30 June 2021

- 2 Appointed 30 September 2019
3 Appointed 20 February 2020
4 Appointed 23 June 2020
5 Resigned 23 June 2020
6 Resigned 30 September 2019
7 Appointed 30 September 2019, resigned 20 February 2020
8 Resigned as a Director in Keyhole on 30 September 2019, and appointed as President Market Development on 30 September 2019. This role is not considered to be a Key Management Personnel role in the financial year ended 30 June 2021.
9 Appointed as Chief Executive Officer from 30 September 2019 to 16 March 2020
10 Cash bonus related to specific milestone being met (3 commercial pilot agreement executed), as well as variable compensation of up to 8% commission on sales achieved by the Executive, or by teams managed by the Executive

The proportion of remuneration linked to performance and the fixed proportion are as follows:

Name	Fixed remuneration		At risk - STI		At risk - LTI	
	2021	2020	2021	2020	2021	2020
<i>Directors</i>						
Stuart Carmichael	39%	100%	-	-	61%	-
Syed Shueb	23%	100%	-	-	77%	-
Mark Twycross	28%	100%	-	-	72%	-
Adrian Smith	80%	100%	20%	-	-	-
Anthony McIntosh	25%	100%	-	-	75%	-
Colm O'Brien	-	100%	-	-	-	-
Michael Edwards	-	100%	-	-	-	-
Kieran Purcell	-	100%	-	-	-	-
<i>Other Key Management Personnel</i>						
Neil Le Quesne	-	66%	-	34%	-	-
David Williams	-	100%	-	-	-	-

Cash bonuses are dependent on meeting defined performance measures. Adrian Smith is entitled to an STI cash bonus of up to 75% of base salary (excluding super) payable each year subject to the satisfaction of mutually agreed revenue and operational KPI's. The Board has approved the maximum 75% of base salary payable and the bonus is accrued evenly up to 30 June 2021 on this basis. The bonus is payable on the anniversary of commencement of employment as Managing Director.

Service agreements

Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements are as follows:

Name:	Mark Twycross
Title:	Executive Director (resigned 28 July 2020)
Agreement commenced:	16 March 2020
Term of agreement:	Indefinite term until terminated (1 month written notice)
Resigned:	Resigned as Executive Director and appointed as Non-executive Director on 28 July 2020
Details:	Base salary of \$7,500 per month plus superannuation Agreed day rate of \$1,000 for any international / interstate attendance Review of the terms will be conducted by the Board annually

K-TIG Limited and Its Controlled Entities
Directors' report
For the year ended 30 June 2021

Name: Adrian Smith
Title: Executive Director (to 1 November 2020)
Agreement commenced: 28 July 2020 (amended effective 1 November 2020 as below)
Term of agreement: 12 months or until terminated (1 month written notice)
Details: Base salary of \$7,500 per month plus superannuation
Agreed day rate of \$1,000 for any international / interstate attendance
Review of the terms will be conducted by the Board annually

Name: Adrian Smith
Title: Managing Director (from 1 November 2020)
Agreement commenced: 1 November 2020 (as an amendment to existing Executive Services Agreement)
Term of agreement: Until 1 November 2023 (1 month written notice)
Details: Base salary of \$29,166.67 per month plus superannuation
Cash bonus of up to 75% of base salary (excluding superannuation) subject to satisfaction of mutually agreed KPI's
Grant of 4,500,000 long-term incentive shares to be issued at subsequent anniversary dates of commencement of employment in new role
Review of the terms will be conducted by the Board annually

Key management personnel have no entitlement to termination payments in the event of removal for misconduct.

K-TIG Limited and Its Controlled Entities
Directors' report
For the year ended 30 June 2021

Share-based compensation

Issue of shares

No ordinary shares were issued to directors and other key management personnel as part of compensation during the year ended 30 June 2021.

Performance Rights

The terms and conditions of each grant of performance rights over ordinary shares affecting remuneration of directors and other key management personnel in this financial year or future reporting years are as follows:

Name	Number of performance rights granted	Grant date	Milestone date	Expiry date	Exercise price	Fair value per performance right at grant date
Stuart Carmichael		27/11/2020		22/12/2025		
- Class A	500,000		Before 1 Apr 2021		\$-	\$0.0995
- Class B	500,000		Before 1 Oct 2021		\$-	\$0.1252
- Class C	500,000		Before 1 Oct 2022		\$-	\$0.1563
Syed Shueb		27/11/2020		22/12/2025		
- Class A	500,000		Before 1 Apr 2021		\$-	\$0.0995
- Class B	500,000		Before 1 Oct 2021		\$-	\$0.1252
- Class C	500,000		Before 1 Oct 2022		\$-	\$0.1563
Mark Twycross		27/11/2020		22/12/2025		
- Class A	500,000		Before 1 Apr 2021		\$-	\$0.0995
- Class B	500,000		Before 1 Oct 2021		\$-	\$0.1252
- Class C	500,000		Before 1 Oct 2022		\$-	\$0.1563
Anthony McIntosh		27/11/2020		22/12/2025		
- Class A	500,000		Before 1 Apr 2021		\$-	\$0.0995
- Class B	500,000		Before 1 Oct 2021		\$-	\$0.1252
- Class C	500,000		Before 1 Oct 2022		\$-	\$0.1563

The Performance Rights have the following milestones attached to them and are subject to the milestone dates set out below:

- Tranche 1 (Class A): 2,000,000 performance rights will vest when the Company achieves a volume weighted average price ("VWAP") of at least \$0.35 over any twenty consecutive trading day period before 1 April 2021;
- Tranche 2 (Class B): 2,000,000 performance rights will vest when the Company achieves a VWAP of at least \$0.50 over any twenty consecutive trading day period before 1 October 2021; and
- Tranche 3 (Class C): 2,000,000 performance rights will vest when the Company achieves a VWAP of at least \$0.75 over any twenty consecutive trading day period before 1 October 2022.

Performance rights granted carry no dividend or voting rights. All performance rights were granted over unissued fully paid ordinary shares in the Company. Performance rights vest based on the vesting period whereby the executive becomes beneficially entitled to the performance rights on vesting date. Performance rights are exercisable by the holder as from the vesting date. There has not been any alteration to the terms or conditions of the grant since the grant date. There are no amounts paid or payable by the recipient in relation to the granting of such performance rights.

Tranche 1 had already vested before the relevant milestone date of 1 April 2021 and Tranche 2 has already vested before the relevant milestone date of 1 October 2021. None of the vested performance rights had been exercised by the holders as at 30 June 2021.

K-TIG Limited and Its Controlled Entities
Directors' report
For the year ended 30 June 2021

The share-based payment expense recognised in relation to performance rights over ordinary shares granted, and the value of performance rights exercised and lapsed for directors and other key management personnel as part of compensation during the year ended 30 June 2021 are set out below:

	Share-based payment expense of performance rights granted during the year \$	Value of performance rights exercised during the year \$	Value of performance rights lapsed during the year \$	Remuneration consisting of performance rights for the year %
Stuart Carmichael	118,594	-	-	61%
Syed Shueb	118,594	-	-	77%
Mark Twycross	118,594	-	-	72%
Anthony McIntosh	118,594	-	-	75%

Options

No options were granted to directors and other key management personnel as part of compensation during the year ended 30 June 2021.

Long-term incentive shares

The terms and conditions of each grant of long-term incentive shares affecting remuneration of directors and other key management personnel in this financial year or future reporting years are as follows:

Name	Number of long-term incentive shares granted	Grant date	Vesting date	Fair value per share at grant date
Adrian Smith				
- Tranche 1	1,000,000	27/11/2020	1 Nov 2021	\$0.27
- Tranche 2	1,500,000	27/11/2020	1 Nov 2022	\$0.27
- Tranche 3	2,000,000	27/11/2020	1 Nov 2023	\$0.27

On 1 November 2020, Mr Smith was appointed as Managing Director of the Company. Shares will be issued at each anniversary of employment, with 50% of shares issued subject to a voluntary escrow period of 12 months.

The share-based payment expense recognised in relation to long-term incentive shares granted and the value of long-term incentive shares lapsed for directors and other key management personnel as part of compensation during the year ended 30 June 2021 are set out below:

	Share-based payment expense of long-term incentive shares granted during the year \$	Value of long-term incentive shares lapsed during the year \$	Remuneration consisting of long-term incentive shares for the year %
Adrian Smith	403,530	-	20%

K-TIG Limited and Its Controlled Entities
Directors' report
For the year ended 30 June 2021

Additional information

The earnings of the consolidated group for the five years to 30 June 2021 are summarised below.

	2021	2020	2019	2018	2017
	\$	\$	\$	\$	\$
Sales revenue	1,561,556	333,366	1,069,198	2,236,196	1,239,710
EBITDA	(4,233,702)	(8,245,702)	(1,641,599)	(33,018)	(1,166,257)
EBIT	(4,473,399)	(8,407,290)	(1,686,617)	(101,189)	(1,199,963)
Loss after income tax	(4,482,667)	(8,411,825)	(1,690,187)	(105,787)	(1,199,963)

The factors that are considered to affect total shareholders return ('TSR') are summarised below:

	2021	2020	2019	2018	2017
Share price at financial year end (\$) *	0.44	0.185	-	-	-
Total dividends declared (cents per share) *	-	-	-	-	-
Basic loss per share (cents per share) *	(2.76)	(6.97)	-	-	-

* Despite the consolidated group applying the continuation method of accounting for the acquisition of Keyhole TIG Ltd in the financial year ended 30 June 2020, the factors affecting the TSR have not been presented for financial years before 30 June 2020 due to incomparable operations and capital structures.

Additional disclosures relating to key management personnel

Shareholding

The number of shares in the Company held during the financial year by each director and other members of key management personnel of the consolidated group, including their personally related parties, is set out below:

	Balance at the start of the year	Balance at appointment	Received as part of remuneration	Additions/ other	Disposals/ other	Balance at the end of the year
<i>Ordinary shares</i>						
Stuart Carmichael	175,438	-	-	-	-	175,438
Syed Shueb	2,528,155	-	-	-	-	2,528,155
Mark Twycross	-	-	-	40,000 ¹	-	40,000
Adrian Smith	-	-	-	100,000 ¹	-	100,000
Anthony McIntosh	375,000	-	-	600,000 ¹	-	975,000
	3,078,593			740,000		3,818,593

¹ Participation in Company share placement and shares issued following approval by shareholders at the Company's Annual General Meeting on 27 November 2020

K-TIG Limited and Its Controlled Entities
Directors' report
For the year ended 30 June 2021

Performance rights holding

The number of performance rights over ordinary shares in the Company held during the financial year by each director and other members of key management personnel of the consolidated group, including their personally related parties, is set out below:

	Balance at the start of the year	Granted upon appointment	Additions/ other	Exercised	Lapsed	Balance at the end of the year ⁴
<i>Performance rights over ordinary shares</i>						
Stuart Carmichael	-	-	1,500,000 ³	-	-	1,500,000
Syed Shueb	-	-	1,500,000 ³	-	-	1,500,000
Mark Twycross	-	-	1,500,000 ³	-	-	1,500,000
Adrian Smith	-	-	-	-	-	-
Anthony McIntosh	-	-	1,500,000 ³	-	-	1,500,000
	-	-	6,000,000	-	-	6,000,000

³ Granted following approval by shareholders at the Company's Annual General Meeting on 27 November 2020

⁴ 4,000,000 performance rights (1,000,000 per each key management personnel holding these rights) had vested and were exercisable at 30 June 2021

Option holding

The number of options over ordinary shares in the Company held during the financial year by each director and other members of key management personnel of the consolidated group, including their personally related parties, is set out below:

	Balance at the start of the year	Granted upon appointment	Additions/ other	Exercised	Lapsed	Balance at the end of the year ⁵
<i>Options over ordinary shares</i>						
Stuart Carmichael	440,174	-	-	-	(70,174) ⁶	370,000
Syed Shueb	180,000	-	-	-	-	180,000
Mark Twycross	180,000	-	-	-	-	180,000
Adrian Smith	180,000	-	-	-	-	180,000
Anthony McIntosh	180,000	-	-	-	-	180,000
	1,160,174	-	-	-	(70,174)	1,090,000

⁵ All options are exercisable at 30 June 2021

⁶ Lapsed on 30 April 2021 but exercise underwritten in accordance with an underwriting agreement

Long-term incentive shares holding

Following approval by shareholders at the Company's Annual General Meeting on 27 November 2020, Mr Smith is earning up to 4,500,000 ordinary shares in the Company. No long-term incentive shares had converted into ordinary shares at 30 June 2021.

Other transactions with key management personnel and their related parties

During the financial year, payments for company secretarial, accounting and corporate advisory fees, totalling \$96,531 (30 June 2020: \$138,797) were made to Ventnor Capital Pty Ltd (director-related entity of Mr Carmichael). The current trade and other payable balance as at 30 June 2021 was \$12,320 (30 June 2020: \$11,132). All transactions were made on normal commercial terms and conditions and at market rates.

No related party loans were held or provided by the Company at any time during the financial year. During the previous financial year, related party loans of \$359,740 were settled in full through the issue of 5,667,946 ordinary shares of Keyhole on 1 July 2019. Shares were valued at 6.3 cents per share upon conversion.

This concludes the remuneration report, which has been audited.

K-TIG Limited and Its Controlled Entities
Directors' report
For the year ended 30 June 2021

Shares under option

Unissued ordinary shares of K-TIG Limited under option at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number under option
30/09/2019	30/09/2023	\$0.30	5,472,152
21/02/2020	30/09/2023	\$0.30	960,000
26/06/2020	30/09/2023	\$0.30	180,000

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the Company or of any other body corporate.

Shares issued on the exercise of options

The following ordinary shares of K-TIG Limited were issued during the year ended 30 June 2021 and up to the date of this report on the exercise of options granted:

Date options granted	Exercise price	Number of shares issued
29/01/2018	\$0.23	2,101,428

Indemnity and insurance of officers

The Company has indemnified the directors and executives of the Company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the Company paid a premium in respect of a contract to insure the directors and executives of the Company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Indemnity and insurance of auditor

The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

Non-audit services

There were a total of \$6,332 non-audit services provided during the financial year by the auditor (30 June 2020: \$43,136).

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in Note 24 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 – Part 4A of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

Officers of the Company who are former partners of BDO Audit (SA) Pty Ltd

There are no officers of the Company who are former partners of BDO Audit (SA) Pty Ltd.

K-TIG Limited and Its Controlled Entities
Directors' report
For the year ended 30 June 2021

Auditor's independence declaration


A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

Auditor

BDO Audit (SA) Pty Ltd continues in office in accordance with section 327 of the Corporations Act 2001.

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

On behalf of the directors

A handwritten signature in blue ink, appearing to read 'Stuart Carmichael', is written over a horizontal line.

Stuart Carmichael
Chairman

31 August 2021
Perth

**DECLARATION OF INDEPENDENCE
BY GEOFF EDWARDS
TO THE DIRECTORS OF K-TIG LIMITED**

As lead auditor of K-TIG Limited for the year ended 30 June 2021, I declare that, to the best of my knowledge and belief, there have been:

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

This declaration is in respect of K-TIG Limited and the entities it controlled during the period.



Geoff Edwards
Director

BDO Audit (SA) Pty Ltd

Adelaide, 31 August 2021

K-TIG Limited and Its Controlled Entities
Consolidated statement of profit or loss and other comprehensive income
For the year ended 30 June 2021

	Note	Consolidated 2021 \$	2020 \$
Sales revenue	4	1,561,556	333,366
Cost of sales		<u>(780,887)</u>	<u>(335,073)</u>
Gross profit/(loss)		780,669	(1,707)
Other income	5	86,300	147,933
Expenses			
Marketing expenses		(216,762)	(180,669)
Corporate expense		(1,066,798)	(689,618)
Service expense		(316,139)	(239,646)
Employee benefits expense		(3,386,383)	(2,228,853)
Office / workshop expense		(203,436)	(154,598)
Travel expense		(27,514)	(114,839)
R&D expense		(102,028)	(59,314)
Reverse acquisition cost	6	-	(1,853,772)
Excess consideration arising on reverse acquisition	3	-	(3,000,777)
Other expenses		(30,576)	(35,965)
(Loss) before income tax expense		<u>(4,482,667)</u>	<u>(8,411,825)</u>
Income tax expense	7	-	-
(Loss) for the year		(4,482,667)	(8,411,825)
Other comprehensive income		<u>(13,141)</u>	<u>-</u>
Total comprehensive loss for the year		<u>(4,495,808)</u>	<u>(8,411,825)</u>
		Cents	Cents
Loss per share to the owners of K-TIG Limited			
Basic loss per share	34	(2.76)	(6.97)
Diluted loss per share	34	(2.76)	(6.97)

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

K-TIG Limited and Its Controlled Entities
Consolidated statement of financial position
As at 30 June 2021

	Notes	Consolidated 2021 \$	2020 \$
Assets			
Current assets			
Cash and cash equivalents	8	5,064,345	3,493,579
Trade and other receivables	9	884,728	111,670
Inventories	10	573,144	368,008
Financial assets		40,000	-
Total current assets		<u>6,562,217</u>	<u>3,973,257</u>
Non-current assets			
Other receivables	9	14,150	-
Property, plant and equipment	11	547,699	479,242
Right-of-use assets	12	80,458	168,228
Intangibles	13	41,933	52,989
Total non-current assets		<u>684,240</u>	<u>700,459</u>
		<u>7,246,457</u>	<u>4,673,716</u>
Liabilities			
Current liabilities			
Trade and other payables	14	871,584	420,235
Amounts received in advance	15	170,945	114,862
Borrowings	16	-	-
Lease liabilities	17	85,209	87,888
Employee benefits	18	190,299	126,665
Total current liabilities		<u>1,318,037</u>	<u>749,650</u>
Non-current liabilities			
Lease liabilities	17	-	85,209
Employee benefits	18	13,107	6,242
Total non-current liabilities		<u>13,107</u>	<u>91,451</u>
Total liabilities		<u>1,331,144</u>	<u>841,001</u>
Net assets		<u>5,915,313</u>	<u>3,832,615</u>
Equity			
Issued capital	19	23,443,733	17,732,901
Share based payment reserve	20	1,739,664	871,990
Foreign currency translation reserve		(13,141)	-
Accumulated losses		<u>(19,254,943)</u>	<u>(14,772,276)</u>
Total equity		<u>5,915,313</u>	<u>3,832,615</u>

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

K-TIG Limited and Its Controlled Entities
Consolidated statement of changes in equity
For the year ended 30 June 2021

Consolidated	Issued capital \$	Non- Redeemable Series A Preference Shares \$	Share based payments reserve \$	Foreign currency translation reserve \$	Accumulated losses \$	Total \$
Balance at 1 July 2019	2,348,884	2,978,935	603,925	-	(6,360,451)	(428,707)
Loss for the year	-	-	-	-	(8,411,825)	(8,411,825)
Other comprehensive income for the year	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	(8,411,825)	(8,411,825)
<i>Transactions with owners in their capacity as owners:</i>						
Issue of share options	-	-	29,126	-	-	29,126
Exercise of share options	633,051	-	(633,051)	-	-	-
Conversion to ordinary shares on reverse acquisition	2,978,935	(2,978,935)	-	-	-	-
Issue of shares, net of transaction costs	6,528,788	-	-	-	-	6,528,788
Issue of shares to advisor	1,095,000	-	-	-	-	1,095,000
Conversion of borrowings to equity	1,610,780	-	-	-	-	1,610,780
Issue of options	-	-	871,990	-	-	871,990
Options exercised	3,792	-	-	-	-	3,792
Reverse acquisition deemed consideration	2,533,671	-	-	-	-	2,533,671
Balance at 30 June 2020	17,732,901	-	871,990	-	(14,772,276)	3,832,615

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

K-TIG Limited and Its Controlled Entities
Consolidated statement of changes in equity
For the year ended 30 June 2021

Consolidated	Issued capital	Non- Redeemable Series A Preference Shares	Share based payments reserve	Foreign currency translation reserve	Accumulated losses	Total
	\$	\$	\$	\$	\$	\$
Balance at 1 July 2020	17,732,901		871,990	-	(14,772,276)	3,832,615
Loss for the year	-	-	-	-	(4,482,667)	(4,482,667)
Other comprehensive income for the year	-	-	-	(13,141)	-	(13,141)
Total comprehensive income for the year	-	-	-	(13,141)	(4,482,667)	(4,495,808)
<i>Transactions with owners in their capacity as owners:</i>						
Issue of shares, net of transaction costs	5,042,503	-	-	-	-	5,042,503
Issue of shares to directors, net of transaction costs	185,000	-	-	-	-	185,000
Share-based payments - performance rights, net of transactions costs	-	-	464,144	-	-	464,144
Share-based payments - long-term incentive shares	-	-	403,530	-	-	403,530
Exercise of share options	483,329	-	-	-	-	483,329
Balance at 30 June 2021	23,443,733	-	1,739,664	(13,141)	(19,254,943)	5,915,313

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

K-TIG Limited and Its Controlled Entities
Consolidated statement of cash flows
For the year ended 30 June 2021

	Notes	Consolidated 2021 \$	Consolidated 2020 \$
Cash flows from operating activities			
Receipts from customers		946,274	442,201
Payments to suppliers and employees		(4,793,079)	(4,317,879)
		(3,846,805)	(3,875,678)
Interest received		1,824	3,638
Other income		84,476	93,080
Interest and other finance costs paid		(9,268)	(8,173)
Net cash used in operating activities	31	(3,769,773)	(3,787,133)
Cash flows from investing activities			
Payments for financial assets		(40,000)	-
Payments for property, plant and equipment		(232,173)	(143,192)
Cash acquired on acquisition	3	-	30,670
Net cash used in investing activities		(272,173)	(112,522)
Cash flows from financing activities			
Proceeds from issue of shares		5,710,832	6,532,315
Payments for rights issue cost		(10,232)	-
Repayment of lease liabilities	33	(87,888)	(82,901)
Net cash from financing activities		5,612,712	6,449,414
Net increase in cash and cash equivalents		1,570,766	2,549,759
Cash and cash equivalents at the beginning of the financial year		3,493,579	943,820
Cash and cash equivalents at the end of the financial year	8	<u>5,064,345</u>	<u>3,493,579</u>

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

K-TIG Limited and Its Controlled Entities
Notes to the financial statements
For the year ended 30 June 2021

Note 1. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

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

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

Adoption of the new and amended accounting standards had no material financial impact on the consolidated group.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 2.

K-TIG Limited and Its Controlled Entities
Notes to the financial statements
For the year ended 30 June 2021

Note 1. Significant accounting policies (continued)

Reverse Acquisition

On 30 September 2019, K-TIG Limited (previously known as Serpentine Technologies Limited) ('KTG') completed the 100% acquisition of Keyhole TIG Limited ('Keyhole'). The acquisition of Keyhole resulted in the shareholders of Keyhole obtaining control of the merged entity. Under Australian Accounting Standard ('AASB') 3 'Business Combinations', the acquisition is to be accounted for as a reverse acquisition whereby Keyhole is deemed to be the accounting acquirer in this transaction, and KTG is deemed to be the accounting acquiree. The acquisition has been accounted for as a share-based payment using the principles set out in AASB 2 'Share-Based Payments', by which Keyhole is deemed to have issued shares in exchange for the net assets and listing status of KTG. The difference between the fair value of the deemed consideration paid by Keyhole and the fair value of the identifiable assets of KTG, is required to be recognised as an expense.

Accordingly, the consolidated financial statements of KTG have been prepared as a continuation of the business and operations of Keyhole, with the exception of the capital structure. Keyhole has accounted for the acquisition of KTG from 30 September 2019. The implications of the acquisition by Keyhole on the financial statements are as follows:

Consolidated Statement of Profit or Loss and Other Comprehensive Income

- The statement of profit or loss and other comprehensive income comprises the total comprehensive income for the year ended 30 June 2020 for Keyhole as the accounting parent and KTG from 30 September 2019 as the accounting subsidiary.

Consolidated Statement of Financial Position

- The statement of financial position as at 30 June 2020 represents the K-TIG Limited consolidated group.

Consolidated Statement of Changes in Equity

- The equity balance of Keyhole as at the beginning of the comparative year (1 July 2019).
- The total comprehensive income for the year and transactions with equity holders, being 12 months from Keyhole as the accounting parent and KTG from 30 September 2019 as the accounting subsidiary.
- The equity balance of the K-TIG Limited consolidated group as at 30 June 2020.

Consolidated Statement of Cash Flows

- The cash balance of Keyhole at the beginning of the comparative year (1 July 2019).
- The cash balance as at 30 June 2020 reflects the K-TIG Limited consolidated group.
- The transactions for the year ended 30 June 2020 for Keyhole as the accounting parent and KTG from 30 September 2019 as the accounting subsidiary.

Equity Structure

The equity structure (the number and type of equity instruments issued) in the financial statements reflects the equity structure of KTG.

Earnings per Share

The weighted average number of shares outstanding for the year ended 30 June 2020 is based on the combined weighted average number of shares of the K-TIG Limited consolidated group outstanding in the year.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated group only. Supplementary information about the legal parent entity is disclosed in Note 28.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of K-TIG Limited ('company' or 'parent entity') as at 30 June 2021 and the results of for the year then ended (in the comparatives, the result of KTG from 30 September 2019 as the accounting subsidiary). K-TIG Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated group'.

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

K-TIG Limited and Its Controlled Entities
Notes to the financial statements
For the year ended 30 June 2021

Note 1. Significant accounting policies (continued)

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

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

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

Operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

Foreign currency translation

The financial statements are presented in Australian dollars, which is K-TIG Limited's functional and presentation currency.

Foreign currency transactions

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Revenue recognition

The consolidated group recognises revenue as follows:

Revenue from contracts with customers

Revenue is recognised at an amount that reflects the consideration to which the consolidated group is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the consolidated group: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Sale of goods

Revenue from the sale of goods is recognised at the point in time when the customer obtains control of the goods, which is generally at the time of delivery.

Rendering of services

Revenue from a contract to provide services is recognised over time as the services are rendered.

Revenue from government grants

Grant income is recognised in line with AASB 120, this being when there is reasonable assurance the consolidated group has complied with the conditions attached to the grant.

K-TIG Limited and Its Controlled Entities
Notes to the financial statements
For the year ended 30 June 2021

Note 1. Significant accounting policies (continued)

WaaS

Welding as a Service (WaaS) revenue is recognised at an amount which reflects the greater of the monthly minimum charge or the usage rate stipulated in the contract which the consolidated group is expected to be entitled to under an operating lease in accordance with AASB 16. The minimum term of the license or lease period is generally three years. The license or lease equipment is capitalised as an asset and depreciated over the expected useful life being five years. Upon signing of the license or lease contract the customer is generally required to make a prepayment which is recorded on the statement of financial position as "Amounts received in advance". After delivery and commissioning of the WaaS asset, the prepayment is applied against the monthly fee until it is exhausted.

Interest

Interest income is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Prior to the acquisition of Keyhole TIG Limited in September 2019, K-TIG Limited (the 'legal parent') and its wholly-owned Australian subsidiaries had formed an income tax consolidated group under the tax consolidation regime. K-TIG Limited is in the process of adding Keyhole TIG Limited to that group. The legal parent and each subsidiary in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the 'separate taxpayer within group' approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, the legal parent also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from each subsidiary in the tax consolidated group.

K-TIG Limited and Its Controlled Entities
Notes to the financial statements
For the year ended 30 June 2021

Note 1. Significant accounting policies (continued)

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the tax consolidated group. The tax funding arrangement ensures that the intercompany charge equals the current tax liability or benefit of each tax consolidated group member, resulting in neither a contribution by the legal parent to the subsidiaries nor a distribution by the subsidiaries to the legal parent.

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the consolidated group's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the consolidated group's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the statement of cash flows presentation purposes, cash and cash equivalents also includes bank overdrafts, which are shown within borrowings in current liabilities on the statement of financial position.

Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The consolidated group has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

Inventories

Materials and components and finished goods are stated at the lower of cost and net realisable value on a 'first in first out' basis. Cost comprises of direct materials. Costs of purchased inventory are determined after deducting rebates and discounts received or receivable.

Stock in transit is stated at the lower of cost and net realisable value. Cost comprises of purchase and costs, net of rebates and discounts received or receivable.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Financial assets

Financial assets are measured at amortised cost if they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows, and the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding. After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The consolidated group's cash and cash equivalents, trade and other receivables fall into this category of financial instruments.

K-TIG Limited and Its Controlled Entities
Notes to the financial statements
For the year ended 30 June 2021

Note 1. Significant accounting policies (continued)

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the consolidated group has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, its carrying value is written off.

Impairment of financial assets

The consolidated group recognises a loss allowance for expected credit losses on financial assets which are measured at amortised cost. The measurement of the loss allowance depends upon the consolidated group's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

Property, plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment over their expected useful lives as follows:

Leasehold improvements	2 years
WaaS assets	5 years
Plant and equipment	2.5 -20 years
Computer Equipment	3 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated group. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the consolidated group expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The consolidated group has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

Note 1. Significant accounting policies (continued)

Intangible assets

Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Patents and trademarks

Significant costs associated with patents and trademarks are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 10 years. Amortisation expense is recognised as R&D expense in the profit or Loss.

Impairment of non-financial assets

Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Trade and other payables

These amounts represent liabilities for goods and services provided to the consolidated group prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

The component of the convertible notes that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs.

On the issue of the convertible notes the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond and this amount is carried as a non-current liability on the amortised cost basis until extinguished on conversion or redemption. The increase in the liability due to the passage of time is recognised as a finance cost. The remainder of the proceeds are allocated to the conversion option that is recognised and included in shareholders equity as a convertible note reserve, net of transaction costs. The carrying amount of the conversion option is not remeasured in the subsequent years. The corresponding interest on convertible notes is expensed to profit or loss.

K-TIG Limited and Its Controlled Entities
Notes to the financial statements
For the year ended 30 June 2021

Note 1. Significant accounting policies (continued)

Leases

As a lessee

For any new contracts entered on or after 1 July 2019, the consolidated group considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition the consolidated group assesses whether the contract meet three key evaluations which are whether:

- The contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the consolidated group;
- The consolidated group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract;
- The consolidated group has the right to direct the use of the identified asset throughout the period of use. The consolidated group assesses whether it has the right to direct 'how and for what purposes' the asset is used throughout the period of use.

As a lessor

The consolidated group's accounting policy under AASB 16 has not changed from the comparative period. As a lessor, the consolidated group classified its leases as either operating or finance leases. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset and classified as an operating lease if it does not.

Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated group's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of-use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Finance costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

Provisions

Provisions are recognised when the consolidated group has a present (legal or constructive) obligation as a result of a past event, it is probable the consolidated group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

Employee benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

K-TIG Limited and Its Controlled Entities
Notes to the financial statements
For the year ended 30 June 2021

Note 1. Significant accounting policies (continued)

Other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Defined contribution superannuation expense

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

Share-based payments

Equity-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Black-Scholes option pricing model or a Monte Carlo simulation that takes into account the exercise price, the term of the option, the impact of dilution, 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, together with non-vesting conditions that do not determine whether the consolidated group receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

Market conditions are taken into consideration in determining fair value. Therefore, any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the consolidated group or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated group or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

K-TIG Limited and Its Controlled Entities
Notes to the financial statements
For the year ended 30 June 2021

Note 1. Significant accounting policies (continued)

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

Issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Dividends

Dividends are recognised when declared during the financial year and no longer at the discretion of the company.

Business combinations

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the consolidated group assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the consolidated group's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of K-TIG Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

K-TIG Limited and Its Controlled Entities
Notes to the financial statements
For the year ended 30 June 2021

Note 1. Significant accounting policies (continued)

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated group for the annual reporting period ended 30 June 2021. The consolidated group has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

Note 2. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Share-based payment transactions

The consolidated group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Allowance for expected credit losses

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience and historical collection rates.

Estimation of useful lives of assets

The consolidated group determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Note 2. Critical accounting judgements, estimates and assumptions (continued)

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets

The consolidated group assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the consolidated group and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

Lease term

The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease or purchase the underlying asset will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the consolidated group's operations; comparison of terms and conditions to prevailing market rates; incurrence of significant penalties; existence of significant leasehold improvements; and the costs and disruption to replace the asset. The consolidated group reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

Incremental borrowing rate

Where the interest rate implicit in a lease cannot be readily determined, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. Such a rate is based on what the consolidated group estimates it would have to pay a third party to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset, with similar terms, security and economic environment.

Employee benefits provision

As discussed in Note 1, the liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

Note 3. Acquisition of Keyhole TIG Limited

On 30 September 2019, K-TIG Limited (previously known as Serpentine Technologies Limited) ('KTG') completed the 100% acquisition of Keyhole TIG Limited ('Keyhole'). The acquisition of Keyhole resulted in the shareholders of Keyhole obtaining control of the merged entity. Under Australian Accounting Standard ('AASB') 3 'Business Combinations', the acquisition is to be accounted for as a reverse acquisition whereby Keyhole is deemed to be the accounting acquirer in the transaction, and KTG is deemed to be the accounting acquiree. The acquisition has been accounted for as a share-based payment using the principles set out in AASB 2 'Share-Based Payments', by which Keyhole is deemed to have issued shares in exchange for the net assets and listing status of KTG. The difference between the fair value of the deemed consideration paid by Keyhole and the fair value of the identifiable assets of KTG, is required to be recognised as an expense.

Acquisition Consideration

As consideration for the acquisition of 100% of the issued Keyhole securities, KTG issued 80,200,501 consideration shares and up to 30,075,135 deferred consideration shares. Refer to Note 19 for terms of the deferred consideration shares.

Deemed Purchase Consideration

The deemed acquisition costs for obtaining control over KTG is calculated at fair value in accordance with AASB 13 'Fair Value Measurement' hierarchy. The agreed acquisition price per share of KTG is more reliable. The deemed acquisition cost is therefore \$2,533,671 (26,608,857 of KTG shares at \$0.0952 per share).

K-TIG Limited and Its Controlled Entities
Notes to the financial statements
For the year ended 30 June 2021

Note 3. Acquisition of Keyhole TIG Limited (continued)

	Fair Value 30 Sep 2019 \$
Fair value of securities transferred	2,533,671
Fair value of net identifiable assets held at acquisition date	
- Cash and cash equivalents	30,670
- Trade and other receivables	61,981
- Trade and other payables	(582,459)
- Pre-paid share issue costs	22,702
Total fair value of identifiable net liabilities	<u>(467,106)</u>
Excess consideration arising on reverse acquisition	3,000,777

Note 4. Revenue

	Consolidated	
	2021	2020
	\$	\$
<i>Revenue from contracts with customers</i>		
Sale of goods	1,163,208	283,580
Rendering of services	184,973	31,202
Other trading revenue	51,363	1,942
	<u>1,399,544</u>	<u>316,724</u>
Revenue from WaaS lessor arrangements	<u>162,012</u>	<u>16,642</u>
	<u>1,561,556</u>	<u>333,366</u>

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Note 4. Revenue (continued)

Disaggregation of revenue

The disaggregation of revenue from contracts with customers is as follows:

	Consolidated	
	2021	2020
	\$	\$
<i>Geographical regions</i>		
Australia	322,443	175,062
United Kingdom	224,573	65,399
United States	716,733	67,125
South-East Asia (Singapore and Malaysia)	181,715	-
Rest of the World	116,092	9,138
	<u>1,561,556</u>	<u>316,724</u>
<i>Timing of revenue recognition</i>		
Revenue recognised at a point in time	1,399,544	316,724
Revenue recognised over time	<u>162,012</u>	<u>16,642</u>
	<u>1,561,556</u>	<u>333,366</u>

Note 5. Other income

	Consolidated	
	2021	2020
	\$	\$
Interest received	1,824	3,638
Government grants	78,246	143,080
Other income	<u>6,230</u>	<u>1,215</u>
	<u>86,300</u>	<u>147,933</u>

As part of its response to COVID-19, the Australian Government, in March 2020, announced various stimulus measures to ease the burden experienced by businesses as a result of the economic fallout from the coronavirus lockdown and social distancing measures. The 'Boosting Cash Flow for Employers' provides a tax-free 'payment' to eligible SMEs with aggregated annual turnover of less than \$50 million if they employ people between 1 January 2020 and 30 June 2020.

As both the 'initial cash flow boost' and 'additional cash flow boost' are effectively a waiver of the whole, or part, of the PAYG liability, the amount of the 'payment' is recognised as a reduction in the PAYG liability and grant income under AASB 120 *Accounting for Government Grants and Disclosure of Government Assistance* because these cash flow boosts are being provided by the Government in return for compliance with conditions relating to the operating activities of the entity. That is, the receipt of the cash flow boosts is conditional upon the employer incurring salary expense, and therefore incurring a withholding tax liability for PAYG.

K-TIG Limited and Its Controlled Entities
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Note 6. Expenses

	Consolidated	
	2021	2020
	\$	\$
Loss before income tax from continuing operations includes the following specific expenses:		
<i>Depreciation Expense</i>		
Leasehold improvements	53,014	33,368
Plant and equipment	40,204	17,887
Computer equipment	11,891	8,106
WaaS assets	35,762	3,401
Right-of-use assets	87,770	87,770
	<u>228,641</u>	<u>150,532</u>
<i>Amortisation</i>		
Amortisation of trademarks	<u>11,056</u>	<u>11,056</u>
<i>Impairment expense</i>		
Property, plant and equipment written off	<u>29,959</u>	<u>-</u>
<i>Finance Costs</i>		
Interest and finance charges on credit card and premium financing	4,321	-
Interest and finance charges on lease liabilities	<u>4,947</u>	<u>8,114</u>
	<u>9,268</u>	<u>8,114</u>
<i>Reverse Acquisition Costs</i>		
Shares issued to advisor	-	1,095,000
Options issued to advisor	-	537,654
Legal expenses	-	180,380
Other expenses	-	40,738
	<u>-</u>	<u>1,853,772</u>
<i>Net foreign exchange (gain) / loss</i>		
Net foreign exchange (gain) / loss	<u>(1,531)</u>	<u>5,543</u>
<i>Rent</i>		
Rental expenses relating to operating leases not recognised due to being short-term or low value	<u>7,332</u>	<u>9,756</u>
<i>Superannuation Expense</i>		
Defined contribution superannuation expense	<u>138,354</u>	<u>131,667</u>
<i>Professional Services</i>		
General legal fees	<u>37,483</u>	<u>37,315</u>
<i>Share Based Payment Expense</i>		
Options issued to executive	-	85,660
Options issued to directors	-	260,503
Options issued to employees	-	17,131
Options issued to advisors	-	537,654
Performance rights issued to directors	474,376	-
Long-term incentive shares granted to director	<u>403,530</u>	<u>-</u>
	<u>877,906</u>	<u>900,948</u>

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Note 7. Income tax expense

The prima facie tax on loss from ordinary activities before income tax is reconciled to the income tax expense as follows:

	Consolidated	
	2021	2020
	\$	\$
Loss before income tax expense	(4,482,667)	(8,411,825)
Prima facie tax payable from ordinary activities at 26% (2020: 27.5%)	(1,165,493)	(2,313,252)
Non-deductible expenses	82,745	834,816
Non-assessable income	(5,200)	(27,500)
Share based payments	228,256	99,833
Costs relating to acquisition	-	460,183
Deferred tax asset not recognised	859,692	945,920
Income tax expense	-	-
<i>Deductible temporary differences, unused tax losses and unused tax credits for which no deferred tax assets have been recognised are attributable to the following:</i>		
Unused tax losses – revenue	8,912,558	5,646,017
Unused tax losses – capital	2,181,919	2,181,919
Deductible temporary differences	1,050,717	976,645
	12,145,194	8,804,581
Potential benefit at 26% (2020: 26%)	3,157,751	2,289,191

Prior to the acquisition of Keyhole TIG Limited in September 2019, K-TIG Limited (the 'legal parent') and its wholly-owned Australian subsidiaries had formed an income tax consolidated group under the tax consolidation regime. K-TIG Limited is in the process of adding Keyhole TIG Limited to that group. Unused tax losses for Keyhole TIG Limited for the period prior to 1 July 2019 have not been included in the unrecognized deferred tax amounts disclosed above as they are being reviewed to determine if eligible to be transferred to the income tax consolidated group.

Note 8. Cash and cash equivalents

	Consolidated	
	2021	2020
	\$	\$
Cash at bank	5,064,345	3,493,579

The carrying amounts of cash and cash equivalents approximate their fair value and are denominated in the following currencies:

	Consolidated	
	2021	2020
	\$	\$
Australian dollar	4,490,530	3,416,643
United states dollar	426,303	54,593
Euro	147,512	22,343
	5,064,345	3,493,579

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Note 9. Trade and other receivables

	Consolidated	
	2021	2020
	\$	\$
<i>Current</i>		
<i>Trade receivables</i>		
Trade receivables	685,117	13,752
Provision for expected credit losses	-	-
	<u>685,117</u>	<u>13,752</u>
<i>Other receivables</i>		
GST receivable	54,972	7,922
Prepayments	144,298	60,024
VAT receivable (Ireland)	-	29,565
Other receivables	341	407
	<u>199,611</u>	<u>97,918</u>
Trade and other receivables -	<u>884,728</u>	<u>111,670</u>
<i>Non-current</i>		
Prepayments	<u>14,150</u>	<u>-</u>

Allowance for expected credit losses

The consolidated group has recognised \$0 (30 June 2020: Nil) in profit or loss in respect of the expected credit losses for the year ended 30 June 2021 due to the upfront nature of equipment sales and the requirement for WaaS license customers to make an advance payment prior to shipment of the WaaS license system.

The ageing of the receivables and allowance for expected credit losses provided for above are as follows:

	Expected credit loss rate		Carrying amount		Allowance for expected credit losses	
	2021	2020	2021	2020	2021	2020
Consolidated	%	%	\$	\$	\$	\$
Not overdue	0%	0%	613,119	8,445	-	-
0 to 3 months overdue	0%	0%	63,352	2,218	-	-
3 to 6 months overdue	0%	0%	8,383	1,849	-	-
Over 6 months overdue	0%	0%	263	1,240	-	-
			<u>685,117</u>	<u>13,752</u>	<u>-</u>	<u>-</u>

Note 10. Inventories

	Consolidated	
	2021	2020
	\$	\$
Materials and components	243,500	194,348
Finished goods	59,133	173,660
Goods in transit	270,511	-
	<u>573,144</u>	<u>368,008</u>

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Note 11. Property, plant and equipment

	Consolidated	
	2021	2020
	\$	\$
Leasehold improvements - at cost	183,307	178,620
Less: Accumulated depreciation	(137,208)	(84,194)
	<u>46,099</u>	<u>94,426</u>
Plant and equipment - at cost	374,133	253,669
Less: Accumulated depreciation	(97,766)	(144,939)
	<u>276,367</u>	<u>108,730</u>
Computer equipment - at cost	53,196	37,535
Less: Accumulated depreciation	(30,087)	(27,810)
	<u>23,109</u>	<u>9,725</u>
WaaS assets - at cost	241,287	269,762
Less: Accumulated depreciation	(39,163)	(3,401)
	<u>202,124</u>	<u>266,361</u>
	<u><u>547,699</u></u>	<u><u>479,242</u></u>

Reconciliations

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

Consolidated	Leasehold improvements \$	Plant and equipment \$	Computer equipment \$	WaaS assets \$	Total \$
Balance at 30 June 2019	38,869	86,839	3,342	-	129,050
Additions	88,925	39,778	14,489	-	143,192
Transfers from inventory	-	-	-	269,762	269,762
Depreciation expense	(33,368)	(17,887)	(8,106)	(3,401)	(62,762)
Balance at 30 June 2020	94,426	108,730	9,725	266,361	479,242
Additions	4,687	202,211	25,275	-	232,173
Disposals	-	(29,959)	-	-	(29,959)
Transfers from / (to) inventory	-	35,589	-	(28,475)	7,114
Depreciation expense	(53,014)	(40,204)	(11,891)	(35,762)	(140,871)
Balance at 30 June 2021	<u>46,099</u>	<u>276,367</u>	<u>23,109</u>	<u>202,124</u>	<u>547,699</u>

K-TIG Limited and Its Controlled Entities
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Note 12. Right-of-use assets

	Consolidated	
	2021	2020
	\$	\$
Land and buildings	255,998	255,998
Less: Accumulated depreciation	(175,540)	(87,770)
	<u>80,458</u>	<u>168,228</u>

Adoption of AASB 16 '*Leases*' resulted in right-of-use assets of \$255,998 recognised in the previous year. This was a non-cash transaction. The consolidated group leases land and buildings for its Adelaide office and warehouse under an agreement. Effective 6 June 2020, the final extension on the current lease was exercised for a further two years with the lease expiring on 5 June 2022. The consolidated group leases office and warehouse equipment under agreements that are either short-term or low value, so have been expensed as incurred and not capitalised as right-of-use assets (Note 6).

Note 13. Intangibles

	Consolidated	
	2021	2020
	\$	\$
Trademarks - at cost	110,569	110,569
Less: Accumulated amortisation	(68,636)	(57,580)
	<u>41,933</u>	<u>52,989</u>

Reconciliations

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

	Consolidated	
	2021	2020
	\$	\$
Balance at 1 July	52,989	64,045
Additions	-	-
Amortisation expense	(11,056)	(11,056)
Balance at 30 June	<u>41,933</u>	<u>52,989</u>

Note 14. Trade and other payables

	Consolidated	
	2021	2020
	\$	\$
Trade payables	154,887	120,652
Other payables	240,066	149,174
Credit cards	(3,293)	806
Accrued expenses	479,924	149,603
	<u>871,584</u>	<u>420,235</u>

Refer to Note 22 for further information on financial instruments.

K-TIG Limited and Its Controlled Entities
Notes to the financial statements
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Note 15. Amounts received in advance

	Consolidated	
	2021	2020
	\$	\$
Sales and service	154,611	15,800
WaaS advance payment	<u>16,334</u>	<u>98,982</u>
	<u><u>170,945</u></u>	<u><u>114,782</u></u>

Reconciliation

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

Balance at 1 July	114,782	7,300
Sales and service	154,611	15,800
WaaS advance payment	-	98,982
Transfer to revenue	<u>(98,448)</u>	<u>(7,300)</u>
Balance at 30 June	<u><u>170,945</u></u>	<u><u>114,782</u></u>

Unsatisfied performance obligations - Sales and service

The aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied at the end of the reporting period was \$154,611 as at 30 June 2021 (30 June 2020: \$15,800) and is expected to be recognised as revenue in future periods as follows:

	Consolidated	
	2021	2021
	\$	\$
Within 6 months	89,208	15,800
6 to 12 months	20,512	-
1-2 years	6,000	-
2-3 years	6,510	-
3-4 years	19,445	-
4-5 years	<u>12,936</u>	<u>-</u>
	<u>154,611</u>	<u>15,800</u>

WaaS advance payment

The aggregate amount of WaaS amounts received as a prepayment at the end of the reporting period was \$16,334 as at 30 June 2021 (30 June 2020: \$98,982) and is expected to be recognised as revenue in future periods as follows:

	Consolidated	
	2021	2020
	\$	\$
Within 6 months	1,334	53,367
6 to 12 months	<u>15,000</u>	<u>45,615</u>
	<u>16,334</u>	<u>98,982</u>

K-TIG Limited and Its Controlled Entities
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Note 16. Borrowings

Loans with related parties (Note 27) were settled in full through the issue of ordinary shares of Keyhole TIG on 1 July 2019. Shares were fair valued at 6.3 cents per share upon conversion. In total, 5,677,946 ordinary shares were issued to repay loans to related parties.

The convertible notes were converted upon successful acquisition of Keyhole TIG Limited on 30 September 2019. The convertible notes converted to 11,250,000 ordinary shares in K-TIG.

Note 17. Lease liabilities

	Consolidated	
	2021	2020
	\$	\$
Current	85,209	87,888
Non-Current	-	85,209
	<u>85,209</u>	<u>173,097</u>
<i>Reconciliation</i>		
Balance at 1 July	173,097	-
Adoption of AASB 16	-	255,998
Interest expense	4,947	8,114
Repayments	<u>(92,835)</u>	<u>(91,015)</u>
Balance at 30 June	<u>85,209</u>	<u>173,097</u>

Note 18. Employee benefits

	Consolidated	
	2021	2020
	\$	\$
Current	190,299	126,665
Non-Current	<u>13,107</u>	<u>6,242</u>
	<u>203,406</u>	<u>132,907</u>

Amounts not expected to be settled within the next 12 months

The current provision for employee benefits includes all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The non-current amount represents the unvested long service leave accrual.

K-TIG Limited and Its Controlled Entities
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Note 19. Issued capital

	2021 Shares	Consolidated 2020 Shares	2021 \$	2020 \$
Ordinary shares - fully paid	169,111,261	144,609,833	23,443,733	17,732,901
Series A preference shares	-	-	-	-
	<u>169,111,261</u>	<u>144,609,833</u>	<u>23,443,733</u>	<u>17,732,901</u>

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital. On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Series A Preference Shares

The holders of Series A preference shares were entitled to vote at all meetings of the company. Each Series A preference share entitled the holder upon a poll to that number of votes equal to the number of ordinary shares into which the Series A preference shares would be converted if the conversion occurred at the time of that vote. Series A Preference Shares were converted to ordinary shares during the previous financial year.

Capital risk management

The consolidated group's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital. Capital is regarded as total equity, as recognised in the consolidated statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the consolidated group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

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Note 19. Issued capital (continued)

Movements in ordinary shares for the financial year

Date	Details	Number of Shares	\$
1 Jul 2019	Balance	96,395,839	2,348,884
1 Jul 2019	Issue of Keyhole shares to repay related party loans	5,677,946	359,740
30 Sep 2019	Conversion of share options	25,058,608	633,051
30 Sep 2019	Conversion of preference shares	41,322,314	2,978,935
30 Sep 2019	Elimination of Keyhole shares	(168,454,707)	-
30 Sep 2019	KTG shares on acquisition	722,096,113	-
30 Sep 2019	KTG shares on acquisition	(709,428,270)	-
30 Sep 2019	Issue of KTG shares on acquisition of Keyhole	80,200,501	-
30 Sep 2019	Deemed consideration on acquisition of Keyhole	-	2,533,671
30 Sep 2019	Issue of shares under public offer	35,000,000	7,000,000
30 Sep 2019	Conversion of convertible note	11,250,000	1,251,040
30 Sep 2019	Issue of shares to advisor	5,475,000	1,095,000
30 Sep 2019	Share issue costs	-	(471,212)
13 Nov 2019	Exercise of options	16,489	3,792
30 Jun 2020	Balance	144,609,833	17,732,901
16 Sep 2020	Issue of shares under Placement	21,660,000	5,415,000
22 Dec 2020	Issue of shares to Directors	740,000	185,000
18 Feb 2021	Exercise of options	5,229	1,203
9 Mar 2021	Exercise of options	17,000	3,910
24 Mar 2021	Exercise of options	43,999	10,120
16 Apr 2021	Exercise of options	96,036	22,088
23 Apr 2021	Exercise of options	153,503	35,306
30 Apr 2021	Exercise of options	1,463,576	336,622
13 May 2021	Exercise of options	322,085	74,080
30 Jun 2021	Share issue costs	-	(372,497)
30 Jun 2021	Balance	169,111,261	23,443,733

As at 30 June 2021, up to 30,075,135 deferred consideration shares to be issued in 3 tranches based on the cumulative revenue over 48 months from 1 January 2020.

- Tranche 1: up to 10,025,045 deferred consideration shares to be issued if K-TIG achieves \$30,000,000 of cumulative revenue within 36 months from 1 January 2020;
- Tranche 2: up to 10,025,045 deferred consideration shares to be issued if K-TIG achieves \$60,000,000 of cumulative revenue within 48 months from 1 January 2020; and
- Tranche 3: up to 10,025,045 deferred consideration shares to be issued if K-TIG achieves \$15,000,000 of cumulative EBITDA within 48 months from 1 January 2020.

Movements in series A preference shares for the financial year

Date	Details	Number of Shares	\$
1 Jul 2019	Balance	41,322,314	2,978,935
30 Sep 2019	Conversion of preference shares	(41,322,314)	(2,978,935)
30 Jun 2020	Balance	-	-
30 Jun 2021	Balance	-	-

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Note 20. Reserves

	2021	2020
	\$	\$
Options reserve	871,990	871,990
Performance rights reserve	867,674	-
	<u>1,739,664</u>	<u>871,990</u>

The reserves are used to recognise share-based payment transactions. Amounts will be transferred to issued share capital upon share options or performance rights being exercised or long-term incentive shares being converted.

Movements in options reserve for the year

Date	Details	Number of Options	\$
1 Jul 2019	Balance	23,297,800	603,925
1 Jul 2019	Issue of executive options	1,867,058	29,126
1 Jul 2019	Cancellation of consultant options	(106,250)	-
30 Sep 2019	Conversion of share options	(25,058,608)	(633,051)
30 Sep 2019	KTG shares on acquisition	2,119,233	-
30 Sep 2019	Expiry of options	(1,316)	-
30 Sep 2019	Issue of options	5,472,152	679,360
13 Nov 2019	Exercise of options	(16,489)	-
21 Feb 2020	Issue of options	960,000	164,467
26 Jun 2020	Issue of options	180,000	28,163
30 Jun 2020	Balance	<u>8,713,580</u>	<u>871,990</u>
18 Feb 2021	Exercise of options	(5,229)	-
9 Mar 2021	Exercise of options	(17,000)	-
24 Mar 2021	Exercise of options	(43,999)	-
16 Apr 2021	Exercise of options	(96,036)	-
23 Apr 2021	Exercise of options	(153,503)	-
30 Apr 2021	Exercise of options	(1,463,576)	-
13 May 2021	Exercise of options	(322,085)	-
30 Jun 2021	Balance	<u>6,612,152</u>	<u>871,990</u>

On 21 June 2019, 7,248,165 options were issued to employees under Keyhole's employee share scheme. 4,337,610 options were issued to an executive in lieu of services provided. These options were converted into shares on 30 September 2019.

On 1 July 2019, 1,867,058 options were issued to an executive in lieu of services provided. These options were converted into shares on 30 September 2019.

On 30 September 2019, a total of 5,472,152 unlisted options exercisable at \$0.30 each with an expiry date of 30 September 2023, and a subscription price of \$0.0001 each, were issued as advisor and director options. 4,331,801 options were issued under the Lead Manager Mandate for advisory services, totaling \$537,654. The related expense was recognised in the year ended 30 June 2020 as reverse acquisition costs. 1,140,351 options were issued to Directors for a total consideration of \$141,652. The related expense was recognised in the year ended 30 June 2020 as a share-based payment expense in the consolidated statement of profit and loss and other comprehensive income.

On 21 February 2020, 960,000 unlisted options exercisable at \$0.30 each with an expiry date of 30 September 2023 were issued to directors and other key management personnel. The related expense of \$164,467 was recognised in the year ended 30 June 2020 as a share-based payment expense in the consolidated statement of profit and loss and other comprehensive income.

On 26 June 2020, 180,000 unlisted options exercisable at \$0.30 each with an expiry date of 30 September 2023 were issued to Directors. The related expense of \$28,163 was recognised in the year ended 30 June 2020 as a share-based payment expense in the consolidated statement of profit and loss and other comprehensive income.

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Note 20. Reserves (continued)

Movements in performance rights reserve for the year

Date	Details	Number of Performance Rights	\$
1 Jul 2020	Balance	-	-
27 Nov 2020	Issue of performance rights to Directors	6,000,000	474,376
31 Dec 2020	Rights issue cost	-	(10,232)
30 Jun 2021	Vesting of long-term incentive shares to Director	-	403,530
30 Jun 2021	Balance	6,000,000	867,674

On 27 November 2020, a total of 6,000,000 performance rights to be issued to Directors were approved at the Company's Annual General Meeting. The rights were subsequently issued in 3 Tranches on the 22 December 2020 with the following terms:

- Tranche 1: 2,000,000 performance rights will vest when the Company achieves a volume weighted average price ("VWAP") of at least \$0.35 over any twenty consecutive trading day period before 1 April 2021;
- Tranche 2: 2,000,000 performance rights will vest when the Company achieves a VWAP of at least \$0.50 over any twenty consecutive trading day period before 1 October 2021; and
- Tranche 3: 2,000,000 performance rights will vest when the Company achieves a VWAP of at least \$0.75 over any twenty consecutive trading day period before 1 October 2022.

Refer to Note 35 for more details on the calculation of the fair value of the performance rights issued and the related share-based payment expense for the year.

On 1 November 2020, Mr Smith was appointed as Managing Director of the Company. Shares will be issued to Mr Smith at each anniversary of employment as follows, with 50% of shares issued subject to a voluntary escrow period of 12 months as follows:

- 1,000,000 shares to be issued on 1 November 2021;
- 1,500,000 shares to be issued on 1 November 2022; and
- 2,000,000 shares to be issued on 1 November 2023.

Refer to Note 35 for more details on the calculation of the fair value of the long-term incentive shares granted and the related share-based payment expense for the year.

Note 21. Dividends

There were no dividends paid during the financial year ended 30 June 2021 (2020: Nil). Franking credits available for subsequent periods based on a 26% tax rate is Nil (30 June 2020: Nil).

Note 22. Financial instruments

Financial risk management objectives

The consolidated group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The consolidated group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated group.

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For the year ended 30 June 2021

Note 22. Financial instruments (continued)

Risk management is carried out by senior finance executives ('finance') in consultation with the Board of Directors ('the Board'). Finance identifies and evaluates financial risks within the consolidated group's operating units. Finance reports to the Board on a monthly basis.

Market risk

Foreign currency risk

The consolidated group undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations. These transactions include customer sales agreements and supplier agreements.

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

In order to protect against exchange rate movements, the consolidated group monitors its cash balances in the foreign currencies and utilises accumulated foreign currencies to purchase supplies to mitigate the exposure to currency changes.

The carrying amount of the consolidated group's foreign currency denominated financial assets and financial liabilities at the reporting date were as follows:

	Assets		Liabilities	
	2021 \$	2020 \$	2021 \$	2020 \$
Consolidated				
US dollars	828,218	54,593	33,937	60,961
Euros	148,908	22,343	-	14,706
British pound	262	-	-	-
	<u>977,388</u>	<u>76,936</u>	<u>33,937</u>	<u>75,667</u>

The consolidated group had net financial assets denominated in foreign currencies of \$943,451 as at 30 June 2021 (30 June 2020: net assets \$1,269). Based on this exposure, had the Australian dollar weakened by 10% against these foreign currencies with all other variables held constant, the consolidated group's loss before tax for the year would have been \$94,345 lower (30 June 2020: \$127 lower) and equity would have been \$94,345 lower (30 June 2020: \$127 lower). The percentage change is the expected overall volatility of the significant currencies, which is based on management's assessment of reasonable possible fluctuations taking into consideration movements over the last 6 months each year and the spot rate at each reporting date. The actual foreign exchange gain for the year ended 30 June 2021 was \$1,531 (30 June 2020: \$6,472 loss).

Price risk

The consolidated group is not exposed to any significant price risk.

Interest rate risk

The consolidated group had converted all loans as at 30 September 2019 to equity as part of the reverse takeover. There are no loans or borrowings subject to interest rate risk as at 30 June 2021 or 30 June 2020.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated group. The consolidated group has a strict process of obtaining advance payment for all equipment sales prior to shipment. The consolidated group is exposed to customer credit for its WaaS licence customers in relation to the ongoing monthly payments after the initial Advance Payment has been consumed. Furthermore, K-TIG retains full title of the products provided under a WaaS operating licence agreement. This exposure is managed carefully with close interaction with the customer. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the consolidated statement of financial position and notes to the financial statements. The consolidated group does not hold any collateral.

Generally, trade receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of a debtor to engage in a repayment plan, no active enforcement activity and a failure to make contractual payments for a period greater than 1 year.

K-TIG Limited and Its Controlled Entities
Notes to the financial statements
For the year ended 30 June 2021

Note 22. Financial instruments (continued)

Liquidity risk

Vigilant liquidity risk management requires the consolidated group to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The consolidated group manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Remaining contractual maturities

The following tables detail the consolidated group's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

	Weighted average interest rate	1 year or less	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Remaining contractual maturities
Consolidated – 2021	%	\$	\$	\$	\$	\$
Non-derivatives						
<i>Non-interest bearing</i>						
Trade payables	-	154,887	-	-	-	154,887
Other Payables	-	240,066	-	-	-	240,066
<i>Interest bearing</i>						
Lease liabilities	3.72	85,209	-	-	-	85,209
		480,162	-	-	-	480,162
Consolidated – 2020	%	\$	\$	\$	\$	\$
Non-derivatives						
<i>Non-interest bearing</i>						
Trade payables	-	120,652	-	-	-	120,652
Other Payables	-	149,174	-	-	-	149,174
<i>Interest bearing</i>						
Lease liabilities	3.72	92,835	86,801	-	-	179,636
		362,661	86,801	-	-	449,462

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

Note 23. Key management personnel disclosures

Compensation

The aggregate compensation made to directors and other members of key management personnel of the consolidated group is set out below:

	Consolidated 2021 \$	Consolidated 2020 \$
Short-term employee benefits	641,499	899,675
Post-employment benefits	34,333	56,099
Long-term benefits	-	(9,992)
Share-based payments	877,906	331,846
	<u>1,553,738</u>	<u>1,277,628</u>

K-TIG Limited and Its Controlled Entities
Notes to the financial statements
For the year ended 30 June 2021

Note 24. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by BDO, the auditor of the company, its network firms and unrelated firms:

	Consolidated	
	2021	2020
	\$	\$
<i>Audit services – BDO Audit (SA) Pty Ltd</i>		
Audit of the financial statements	49,970	30,500
Review of half year financial statements	15,000	24,500
Total audit and review of financial statements	<u>64,970</u>	<u>55,000</u>
<i>Non-audit services – BDO Advisory (SA) Pty Ltd</i>		
Tax compliance*	-	846
Business advice and consulting*	6,332	42,290
Total non-audit fees	<u>6,332</u>	<u>43,136</u>
Total services provided by BDO	<u>71,302</u>	<u>98,136</u>

* The material portion of the non-audit fees were earned prior to the consolidated group undertaking the reverse acquisition and becoming listed.

Note 25. Contingent assets and liabilities

Contingent assets

No contingent assets noted as at 30 June 2021 (30 June 2020: Nil).

Contingent liabilities

In the opinion of the Directors, the consolidated group has contingencies in relation to deferred consideration shares as at 30 June 2021 (30 June 2020: deferred consideration shares and consultancy services agreement).

Deferred Consideration Shares

During the financial year ended 30 June 2020, K-TIG Limited completed the 100% acquisition of Keyhole TIG Limited. Part of the acquisition consideration includes up to 30,075,135 deferred consideration shares. Refer to Note 19 for terms of consideration shares.

K-TIG Limited and Its Controlled Entities
Notes to the financial statements
For the year ended 30 June 2021

Note 26. Commitments

There are no lessee commitments as at 30 June 2021 related to equipment operating lease commitments (30 June 2020: \$9,756). From 1 July 2019, the consolidated group has recognized the facility lease commitments at its primary place of business as right-of-use assets. Refer to Note 12 for right-of-use assets.

Lessor commitments receivable

Lessor commitments relate to operating lease payments to be received from WaaS license agreements. Licenses have a minimum term of 0-3 years (generally 3-year minimum terms). As at 30 June 2021, all operating lease payments to be received are payable in US dollars or Euros, and for the purposes of the maturity analysis have been translated at the spot rate at reporting date. Maturity analysis of undiscounted operating lease payments to be received is set out below. The lessor commitments receivable includes one license with a customer with no minimum term with a maximum term of 10 years, where it is likely the maximum term could be 5 years.

	Consolidated	
	2021	2020
	\$	\$
Within 1 year	283,600	139,362
1-2 years	283,600	336,437
2-3 years	102,586	323,199
3-4 years	11,984	135,044
4-5 years	-	30,000
After 5 years	-	107,500
	<u>681,770</u>	<u>1,071,542</u>

Note 27. Related party transactions

Parent entity

K-TIG Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in Note 29.

Key management personnel

Disclosures relating to key management personnel are set out in Note 23 and the remuneration report included in the directors' report.

Transactions with related parties

The following transactions occurred with related parties:

	Consolidated	
	2021	2020
	\$	\$
Ventnor Capital Pty Ltd provided company secretarial, accounting and corporate advisory services (director-related entity of Mr Carmichael)	96,531	138,797

Receivable from and payable to related parties

There are no receivables balances outstanding at the reporting date in relation to transactions with related parties.

Payables balances outstanding at the reporting date in relation to transactions with related parties:

K-TIG Limited and Its Controlled Entities
Notes to the financial statements
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Note 27. Related party transactions (continued)

	Consolidated	
	2021	2020
	\$	\$
Trade payable to Ventnor Capital Pty Ltd (director-related entity of Mr Carmichael)	12,320	11,132
<i>Loans to/from related parties</i>		
There were no loans to/from related parties outstanding as at 30 June 2021 or 30 June 2020.		

During the previous financial year, all related party loans were settled in full through the issue of 5,677,946 ordinary shares of Keyhole on 1 July 2019 (Note 19). Shares were valued at 6.3 cents per share upon conversion.

Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates.

Note 28. Parent entity information

Set out below is the supplementary information about the legal parent entity (K-TIG Limited) for the full year ended 30 June.

	Parent	
	2021	2020
	\$	\$
<i>Statement of profit or loss and other comprehensive income</i>		
Loss after income tax	(5,474,415)	(7,566,267)
Total comprehensive loss	(5,474,415)	(7,566,267)
<i>Statement of financial position</i>		
Total current assets	4,481,709	3,110,217
Total non-current assets	-	-
Total assets	4,481,709	3,110,217
Total current liabilities	375,514	213,957
Total non-current liabilities	105,846	-
Total liabilities	481,360	213,957
Net assets / (liabilities)	4,000,349	2,896,260
<i>Equity</i>		
Issued capital	42,815,683	37,104,852
Reserves*	4,883,165	4,015,492
Accumulated losses	(43,698,499)	(38,224,084)
Total equity	4,000,349	2,896,260

* Relates to option reserve and performance right / performance share reserve

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

The parent entity has not entered into any guarantees and in relation to the debts of its subsidiaries.

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2021 and 30 June 2020.

K-TIG Limited and Its Controlled Entities
Notes to the financial statements
For the year ended 30 June 2021

Note 28. Parent entity information (Continued)

Capital commitments – Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2021 and 30 June 2020.

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the consolidated group, as disclosed in Note 1.

Note 29. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following wholly-owned subsidiaries in accordance with the accounting policy described in Note 1. Details of the legal parent's subsidiary at the end of the reporting period are as follows:

Name	Principal place of business / Country of incorporation	Ownership interest	
		2021 %	2020 %
Kabuni USA, Inc.	USA	100%	100%
Stirling Minerals Pty Limited	Australia	100%	100%
Keyhole TIG Pty Limited*	Australia	100%	100%
Vessel Tech Pty Ltd**	Australia	-	100%
Keyhole TIG (USA) Inc***	USA	100%	-

*Keyhole TIG Pty Limited was acquired on 30 September 2019 as Keyhole TIG Limited. In June 2020, Keyhole TIG Limited was changed to a proprietary limited company.

**Vessel Tech Pty Ltd was deregistered on 28 October 2020

*** Keyhole TIG (USA) Inc was incorporated on 11 August 2020

Note 30. Events after the reporting period

No matter or circumstance has arisen since 30 June 2021 that has significantly affected, or may significantly affect the consolidated group's operations, the results of those operations, or the consolidated group's state of affairs in future financial years.

K-TIG Limited and Its Controlled Entities
Notes to the financial statements
For the year ended 30 June 2021

Note 31. Reconciliation of profit after income tax to net cash from operating activities

	Consolidated	
	2021	2020
	\$	\$
Loss after income tax for the year	(4,482,667)	(8,411,825)
Adjustments for:		
Depreciation	228,641	150,532
Amortisation of trademarks	11,056	11,056
Advisor shares issued	-	1,095,000
Reverse acquisition deemed consideration	-	2,533,671
Share-based payments	877,906	900,948
Property, plant and equipment written-off	29,959	-
Change in operating assets and liabilities:		
(Increase) / Decrease in trade receivables	(698,655)	1,273
(Increase) in other receivables and prepayments	(101,693)	(40,163)
(Increase) in inventories	(212,251)	(264,653)
Increase in trade and other payables	451,349	187,326
Increase in income in advance	56,083	107,562
Increase / (Decrease) in employee benefits	70,499	(58,040)
Net cash (used in) operating activities	<u>(3,769,773)</u>	<u>(3,787,313)</u>

Note 32. Non-cash investing and financing activities

	Consolidated	
	2021	2020
	\$	\$
Share based payments expense	<u>877,906</u>	<u>900,948</u>

Note 33. Changes in liabilities arising from financing activities

Consolidated	Convertible notes	Lease liability	Total
	\$	\$	\$
Balance at 1 July 2019	1,610,780	-	1,610,780
Cash (used in) financing activities	-	(82,901)	(82,901)
Adoption of leases under AASB 16	-	255,998	255,998
Other changes (Note 16)	(1,610,780)	-	(1,610,780)
Balance at 30 June 2020	-	173,097	173,097
Cash (used in) financing activities	-	(87,888)	(87,888)
Balance at 30 June 2021	<u>-</u>	<u>85,209</u>	<u>85,209</u>

K-TIG Limited and Its Controlled Entities
Notes to the financial statements
For the year ended 30 June 2021

Note 34. Loss per share

	Consolidated	
	2021	2020
	\$	\$
Loss after income tax attributable to the owners of K-TIG Limited	(4,482,667)	(8,411,825)
	Cents	Cents
Basic loss per share	(2.76)	(6.97)
Diluted loss per share	(2.76)	(6.97)
	Number	Number
<i>Weighted average number of ordinary shares</i>		
Weighted average number of ordinary shares used in calculating basic loss per share	162,380,579	120,670,363

In the previous financial year, retrospectively adjustments were made to the weighted average number of ordinary shares due to the share consolidation (57:1) and reverse acquisition that occurred in September 2019. These capital events are effectively a re-denomination of shares, that changes the number of the Company's ordinary shares outstanding without a corresponding change in the Company's resources.

Note 35. Share-based payments

Options

30 June 2020

On 21 June 2019, 7,248,165 options were issued to employees under Keyhole's employee share scheme. 4,337,610 options were issued to an executive in lieu of services provided. These options were valued at an independently assessed current value per share.

On 1 July 2019, 1,867,058 options were issued to an executive in lieu of services provided. These options were valued at an independently assessed current value per share.

On 30 September 2019, a total of 5,472,152 unlisted options exercisable at \$0.30 each with an expiry date of 30 September 2023, and a subscription price of \$0.0001 each, were issued as advisor and director options. 4,331,801 options related to were issued under the Lead Manager Mandate for advisory services, totaling \$537,654. The related expense was recognised in the year end 30 June 2020 as reverse acquisition costs. 1,140,351 options were issued to Directors for a total consideration of \$141,652. The related expense was recognised in the year ended 30 June 2020 as a share-based payment expense in the consolidated statement of profit and loss and other comprehensive income.

On 21 February 2020, 960,000 unlisted options exercisable at \$0.30 each with an expiry date of 30 September 2023 were issued to directors, other key management personnel and employees. The related expense of \$164,467 was recognised in the year ended 30 June 2020 as a share-based payment expense in the consolidated statement of profit and loss and other comprehensive income.

On 26 June 2020, 180,000 unlisted options exercisable at \$0.30 each with an expiry date of 30 September 2023 were issued to Directors. The related expense of \$28,163 was recognised in the year ended 30 June 2020 as a share-based payment expense in the consolidated statement of profit and loss and other comprehensive income.

For the options granted during the financial year ended 30 June 2020, the valuation model inputs used to determine the fair value at the grant date, are as follows. Volatility of the options issued on 30 September 2019 used was 100% as best estimate as using historical movements was not appropriate due to the reverse acquisition (Note 3). For options issued after 30 September 2019, volatility was calculated based on historical movements from acquisition date (30 September 2019).

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
30/09/2019	30/09/2023	\$0.20	\$0.30	100%	0%	0.78%	\$0.124
21/02/2020	30/09/2023	\$0.185	\$0.30	199%	0%	0.64%	\$0.171
26/06/2020	30/09/2023	\$0.180	\$0.30	181%	0%	0.26%	\$0.156

K-TIG Limited and Its Controlled Entities
Notes to the financial statements
For the year ended 30 June 2021

Note 35. Share-based payments (Continued)

30 June 2021

No options were granted during the financial year.

Set out below are the options exercisable at the end of the financial year:

Grant date	Expiry date	Exercise Price	2021 Number	2020 Number
29/01/2018	30/04/2021	\$0.23	-	2,101,428
30/09/2019	30/09/2023	\$0.30	5,472,152	5,472,152
21/02/2020	30/09/2023	\$0.30	960,000	960,000
26/06/2020	30/09/2023	\$0.30	180,000	180,000
			<u>6,612,152</u>	<u>8,713,580</u>

2021

Grant Date	Expiry Date	Exercise Price	Balance at start of the year	Granted	Exercised	Expired / Cancelled	Balance at the end of the year
29/01/2018	30/04/2021	\$0.23	2,101,428	-	(2,101,428) *	-	-
30/09/2019	30/09/2023	\$0.30	5,472,152	-	-	-	5,472,152
21/02/2020	30/09/2023	\$0.30	960,000	-	-	-	960,000
26/06/2020	30/09/2023	\$0.30	180,000	-	-	-	180,000
			<u>8,713,580</u>	-	<u>(2,101,428)</u>	-	<u>6,612,152</u>

* Of these options, 233,697 were exercised in accordance with an underwriting agreement.

2020

Grant Date	Expiry Date	Exercise Price	Balance at start of the year	Granted	Exercised	Expired	Balance at the end of the year
31/10/2016	30/09/2019	\$0.23	-	1,316**	-	(1,316)	-
29/01/2018	30/04/2021	\$0.23	-	2,117,917**	(16,489)	-	2,101,428
30/09/2019	30/09/2023	\$0.30	-	5,472,152	-	-	5,472,152
21/02/2020	30/09/2023	\$0.30	-	960,000	-	-	960,000
26/06/2020	30/09/2023	\$0.30	-	180,000	-	-	180,000
01/07/2017	30/09/2019	-	11,712,025	-	(11,605,775)	(106,250)	-
21/06/2019	30/09/2019	-	11,585,775	-	(11,585,775)	-	-
01/07/2019	30/09/2019	-	-	1,867,058	(1,867,058)	-	-
			<u>23,297,800</u>	<u>10,598,443</u>	<u>(25,075,097)</u>	<u>(107,566)</u>	<u>8,713,580</u>

** Relates to options existing in KTG at date of reverse acquisition, 30 September 2019

The weighted average remaining contractual life of options outstanding at the end of the financial year was 2.25 years (2019: 2.67 years).

Performance Rights

On 27 November 2020, a total of 6,000,000 performance rights to be issued to Directors were approved at the Company's Annual General Meeting. The rights were subsequently issued in 3 Tranches on the 22 December 2020 with the following terms:

- Tranche 1: 2,000,000 performance rights will vest when the Company achieves a volume weighted average price ("VWAP") of at least \$0.35 over any twenty consecutive trading day period before 1 April 2021;
- Tranche 2: 2,000,000 performance rights will vest when the Company achieves a VWAP of at least \$0.50 over any twenty consecutive trading day period before 1 October 2021; and
- Tranche 3: 2,000,000 performance rights will vest when the Company achieves a VWAP of at least \$0.75 over any twenty consecutive trading day period before 1 October 2022.

K-TIG Limited and Its Controlled Entities
Notes to the financial statements
For the year ended 30 June 2021

Note 35. Share-based payments (Continued)

The performance rights granted during the financial year were valued using the monte carlo model. The valuation model inputs used to determine the fair value at the grant date, are as follows.

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant value
27/11/2020	22/12/2025	\$0.27	-	90%	-	0.034%	\$0.0995
27/11/2020	22/12/2025	\$0.27	-	100%	-	0.05%	\$0.1252
27/11/2020	22/12/2025	\$0.27	-	100%	-	0.034%	\$0.1563

The performance rights are subject to the satisfaction of certain milestones and the Board's discretion as follows

Class	No. of performance rights	Milestone	Milestone Date
A	2,000,000	The Company achieving a VWAP of at least \$0.35 over any twenty consecutive trading day period before the Milestone Date.	1 April 2021
B	2,000,000	The Company achieving a VWAP of at least \$0.50 over any twenty consecutive trading day period before the Milestone Date	1 October 2021
C	2,000,000	The Company achieving a VWAP of at least \$0.75 over any twenty consecutive trading day period before the Milestone Date.	1 October 2022

Set out below are the performance rights exercisable at the end of the financial year:

Grant date	Expiry date	Exercise Price	2021 Number	2020 Number
27/11/2020	22/12/2025	\$-	2,000,000	-
27/11/2020	22/12/2025	\$-	2,000,000	-
			<u>4,000,000</u>	<u>-</u>

2021

Grant Date	Expiry Date	Exercise Price	Balance at start of the year	Granted	Exercised / Expired / Cancelled	Balance at the end of the year	Vested at the end of the year
27/11/2020	22/12/2025	-	-	2,000,000	-	2,000,000	2,000,000
27/11/2020	22/12/2025	-	-	2,000,000	-	2,000,000	2,000,000
27/11/2020	22/12/2025	-	-	2,000,000	-	2,000,000	-
			-	6,000,000	-	6,000,000	4,000,000

Long-term incentive shares

On 1 November 2020, Mr Smith was appointed as Managing Director of the Company. Shares will be issued to Mr Smith at each anniversary of employment as follows, with 50% of shares issued subject to a voluntary escrow period of 12 months as follows:

- 1,000,000 shares to be issued on 1 November 2021;
- 1,500,000 shares to be issued on 1 November 2022; and
- 2,000,000 shares to be issued on 1 November 2023.

The long-term incentive shares granted during the financial year were valued at fair value at \$0.27 per share.

None of the long-term incentive shares had vested and been converted to ordinary shares at 30 June 2021.

K-TIG Limited and Its Controlled Entities
Notes to the financial statements
For the year ended 30 June 2021

Note 36. Operating Segment

The consolidated group is considered to be one operating segment based on products delivered. This operating segment is based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources. The information presented in the financial statements approximates the information of the operating segment.

K-TIG Limited and Its Controlled Entities
Directors' Declaration
For the year ended 30 June 2021

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in Note 1 to the financial statements;
- the attached financial statements and notes give a true and fair view of the consolidated group's financial position as at 30 June 2021 and of its performance for the financial year ended on that date;
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

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

On behalf of the directors



Stuart Carmichael
Chairman

31 August 2021
Perth

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF K-TIG LIMITED

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of K-TIG Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

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

- (i) Giving a true and fair view of the Group's financial position as at 30 June 2021 and of its financial performance for the year ended on that date; and
- (ii) 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 the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to 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.

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.

Share Based Payments

KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN OUR AUDIT
<p>During the year ended 30 June 2021, the Company issued performance rights over ordinary shares ('performance rights') and long term incentive shares ('incentive shares') to key management personnel, which were accounted for as share based payments under AASB 2: Share Based Payments. Share-based payments are a complex accounting area including assumptions utilised in the fair value calculations and judgments regarding the performance rights and incentive shares issued during the year. There is a risk in the financial report that amounts are incorrectly recognised and/or inappropriately disclosed. Refer to Note 1 of the financial report for a description of the accounting policy and significant estimates and judgements applied to these transactions.</p>	<p>Our audit procedures included but were not limited to:</p> <ul style="list-style-type: none"> • Evaluating management's assessment of the valuation and recognition of the performance rights and incentive shares. • Obtaining an understanding of the key terms and conditions of the performance rights and incentive shares by inspecting relevant agreements. • Holding discussions with management to understand the share based payment arrangements in place and evaluating management's assessment of the likelihood of meeting any condition attached to the performance rights and incentive shares. • Assessing the fair value of performance rights determined by an expert management engaged. This included assessing the reasonableness of the key inputs used in the valuation model and valuation methodology. • Reviewing the adequacy of the Company's disclosures in respect of the accounting treatment of share-based payments in the financial statements, including the significant judgments involved, and the accounting policy adopted.

Other information

The directors are responsible for the other information. The other information comprises the information contained in Director's Report for the year ended 30 June 2021, but does not include the financial report and our auditor's report thereon, which we obtained prior to the date of this auditor's report, and the Group's annual report, which is expected to be made available to us after that date.

Our opinion on the financial report does not cover the other information and 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 identified above 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 on the other information that we obtained prior to the date of this auditor's report, 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.

When we read the group's annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and will request that it is corrected. If it is not corrected, we will seek to have the matter appropriately brought to the attention of users for whom our report is prepared.



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 ability of the group 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 Group or to cease operations, or has 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.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (<http://www.auasb.gov.au/Home.aspx>) at: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 7 to 16 of the directors' report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of K-TIG Limited, for the year ended 30 June 2021, 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.

BDO Audit (SA) Pty Ltd

Geoff Edwards
Director

Adelaide, 31 August 2021

K-TIG Limited and Its Controlled Entities
ASX Additional Information

Additional information required by the Australian Stock Exchange Ltd and not shown elsewhere in this report is as follows.
The information is current at 27 August 2021.

Ordinary Fully Paid Shares
Distribution of Share Holders

	Number of Holders	Number of Shares
1 - 1,000	200	100,164
1,001 - 5,000	703	1,870,951
5,001 - 10,000	308	2,483,968
10,001 - 100,000	646	22,184,083
100,001 - and over	174	142,472,095
	2,031	169,111,261

There were 287 holders holding a total of 199,550 ordinary shares holding less than a marketable parcel.

Top Twenty Share Holders

The names of the twenty largest holders of quoted shares are listed below:

Name	Number of shares	%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	16,825,421	13.15%
ADVANCED SCIENCE & INNOVATION COMPANY (ASIC) LLC	15,000,000	11.73%
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	5,767,676	4.51%
MR RICHARD SMITH	2,650,000	2.07%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	2,365,621	1.85%
GREAT PLAINS HOLDING COMPANY PTY LTD	2,123,299	1.66%
<GREAT PLAINS INVESTMENT A/C>		
SWHL INVESTMENTS PTY LTD	1,983,333	1.55%
<SWHL FAMILY A/C>		
CITICORP NOMINEES PTY LIMITED	1,913,689	1.50%
MRS LYNETTE ANNE SHARMAN & MR MICHAEL DAVID SHARMAN	1,908,613	1.49%
<M & L SHARMAN FAMILY A/C>		
WIGTOWN PTY LIMITED	1,250,000	0.98%
SYED BASAR SHUEB	1,250,000	0.98%
OVERSEAS PENSIONS AND BENEFITS LIMITED	1,192,883	0.93%
<INTERRETIRE INT PEN PLAN>		
MARTINI 29 PTY LTD	1,160,000	0.91%
GARDEN ENTERPRISES PTY LTD	1,129,867	0.88%
<THE SPECIALTY METALS SU A/C>		
MAINSTAY HOLDINGS PTY LTD	1,083,334	0.85%
<WATERSIDE A/C>		
SHOREBROOK PTY LTD	1,059,790	0.83%
RAC & JD BRICE SUPERANNUATION P/L	1,038,258	0.81%
<BRICE SUPER FUND A/C>		
SUSTAINABLE WEALTH PTY LTD	1,008,595	0.79%
<ROSSANNE SETTLEMENT A/C>		
PANCHEK PTY LTD	1,000,000	0.78%
<OLDFIELD FAMILY A/C>		
WIGTOWN PTY LTD	1,000,000	0.78%
MS BELINDA HELGA STEWART & MR ALEXANDER CHRISTOPHER STEWART	979,985	0.77%
<BLEX FAMILY A/C>		
INTERDALE PTY LTD	975,000	0.76%
<MAPLE SUPER A/C>		
	64,665,364	50.56%

K-TIG Limited and Its Controlled Entities
ASX Additional Information

Substantial Share Holders of Issued Capital

Name	Number of shares	%
ADVANCED SCIENCE & INNOVATION COMPANY (ASIC) LLC	19,717,068	11.66%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	16,825,421	9.95%
NEIL GARRY LE QUESNE	11,962,407	7.07%
<STIRLING GROUP A/C>		
	48,504,896	28.68%

Unlisted Options – exercisable at \$0.30 per option expiring 30 September 2023

Distribution of Option Holders

	Number of Holders	Number of Options
1 - 1,000	-	-
1,001 - 5,000	-	-
5,001 - 10,000	-	-
10,001 - 100,000	11	762,904
100,001 - and over	19	5,849,248
	30	6,612,152

Substantial Option Holders

Name	Number of Options	%
DIVERSE CAPITAL PTE LTD	649,770	9.83%
LONHRO (WA) PTY LTD <LONHRO A/C>	541,510	8.19%
LDHW PTY LTD <LDH & JL WILLIAMS FAM A/C>	500,000	7.56%
CRB INVESTMENTS (WA) PTY LTD	433,492	6.56%
SOLAR MATE PTY LTD <SFN FAMILY TRUST A/L>	425,000	6.43%
SRG PARTNERS PTY LTD	399,770	6.05%
SBV CAPITAL PTY LTD	370,000	5.60%
ACNS CAPITAL MARKETS PTY LTD	353,213	5.34%
TR NOMINEES PTY LTD	350,000	5.29%
	4,022,755	60.84%

Performance Rights

Distribution of Performance Rights Holders – Class A

	Number of Holders	Number of Performance Rights
1 - 1,000	-	-
1,001 - 5,000	-	-
5,001 - 10,000	-	-
10,001 - 100,000	-	-
100,001 - and over	4	2,000,000
	4	2,000,000

Substantial Performance Rights Holders – Class A

Name of KMP	Name of Registered Holder	Number of Performance Rights	%
STUART CARMICHAEL	SBV CAPITAL PTY LTD	500,000	25.00%
MARK TWYECROSS	MR MARK TWYECROSS	500,000	25.00%
SYED BASAR SHUEB	SYED BASAR SHUEB	500,000	25.00%
ANTHONY MCINTOSH	MUTUAL TRUST PTY LTD	500,000	25.00%
		2,000,000	100.00%

K-TIG Limited and Its Controlled Entities
ASX Additional Information

Performance Rights

Distribution of Performance Rights Holders – Class B

	Number of Holders	Number of Performance Rights
1 - 1,000	-	-
1,001 - 5,000	-	-
5,001 - 10,000	-	-
10,001 - 100,000	-	-
100,001 - and over	4	2,000,000
	4	2,000,000

Substantial Performance Rights Holders – Class B

Name of KMP	Name of Registered Holder	Number of Performance Rights	%
STUART CARMICHAEL	SBV CAPITAL PTY LTD	500,000	25.00%
MARK TWYCROSS	MR MARK TWYCROSS	500,000	25.00%
SYED BASAR SHUEB	SYED BASAR SHUEB	500,000	25.00%
ANTHONY MCINTOSH	MUTUAL TRUST PTY LTD	500,000	25.00%
		2,000,000	100.00%

Performance Rights

Distribution of Performance Rights Holders – Class C

	Number of Holders	Number of Performance Rights
1 - 1,000	-	-
1,001 - 5,000	-	-
5,001 - 10,000	-	-
10,001 - 100,000	-	-
100,001 - and over	4	2,000,000
	4	2,000,000

Substantial Performance Rights Holders – Class C

Name of KMP	Name of Registered Holder	Number of Performance Rights	%
STUART CARMICHAEL	SBV CAPITAL PTY LTD	500,000	25.00%
MARK TWYCROSS	MR MARK TWYCROSS	500,000	25.00%
SYED BASAR SHUEB	SYED BASAR SHUEB	500,000	25.00%
ANTHONY MCINTOSH	MUTUAL TRUST PTY LTD	500,000	25.00%
		2,000,000	100.00%

Restricted Securities

Restricted Class	Number of Securities	Restriction Period
Fully paid ordinary shares	41,204,799	24 months from date of quotation
Unlisted options	5,472,152	24 months from date of quotation

On-Market Buy Back

There is no current on-market buy back.

K-TIG Limited and Its Controlled Entities

ASX Additional Information

Voting Rights

All ordinary shares carry one vote per share without restriction. Options have no voting rights.

Use of Proceeds

In accordance with listing rule 4.10.19, the Company confirms that it has not used its cash and assets in a form readily convertible to cash in a way consistent with its business objectives at the time of admission.

Since listing the Company has received total cash receipts of approx. \$1.5m and grant funding receipts of approx. \$0.2m. Additionally, the Company undertook a secondary capital raising of \$5.6m and received process of options conversion of approx. \$0.5m.

Since listing, the Company has provided regular updates to the market regarding its growth strategy and use of funds including deferral of long-lead items due to COVID-19 (refer to ASX release dated 8 April 2020).

Corporate Governance

The Company's corporate governance statement is found on the Company's website at www.k-tig.com/corporate-governance.