

K-TIG Limited and Its Controlled Entities
Appendix 4D

1. Name of Entity

K-TIG Limited (ABN 28 158 307 549)

Reporting Period	Half-year ended 31 December 2021
Previous Corresponding Reporting Period	Half-year ended 31 December 2020

2. Results for Announcement to Market

Financial results	Up / Down	Change %	2021 \$	2020 \$
Revenue from ordinary activities	Up	234%	1,782,103	533,615
(Loss) after tax from ordinary activities attributable to members	Up	78%	(3,170,438)	(1,779,987)
(Loss) attributable to members	Up	78%	(3,170,438)	(1,779,987)

Dividends

It is not proposed that either a final or interim dividend be paid; no dividends have been declared or paid for the period ended 31 December 2021.

A brief explanation of any of the figures reported above

The Group recorded \$1,782,103 of revenue for the current period (31 December 2020: \$535,615). After providing for income tax, the loss from ordinary activities for the Group amounted to \$3,170,438 (31 December 2020: \$1,779,987). The increase in loss is mainly attributable to the significant investment of a number of strategic areas focused on defence, USA, UK and customer acceleration pillars and increase in employee benefit expenses due to appointments of key management and share based payments.

3. Net Tangible Asset Backing per Ordinary Share

	Cents
Net tangible asset backing per ordinary share – current reporting period	1.91
Net tangible asset backing per ordinary share – previous reporting period	4.34

* Right-of-use assets are classified as intangible assets to determine net tangible assets.

4. Control Gained Over Entities

Details of entities over which control has been gained or lost

- | | |
|--|--------------------------|
| • Entity | Keyhole TIG (UK) Pty Ltd |
| • Date control gained | 12 July 2021 |
| • Contribution of such entities to the reporting entity's (loss) from ordinary activities before income tax during the period 01 July 2021 to 31 December 2021 | (170,312) |

5. Dividends Paid and Payable

Details of dividends or distribution payments	No dividends or distributions are payable.
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6. Dividend Reinvestment Plans

Details of dividend or distribution reinvestments plans	N/A
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7. Details of Associates

Details of associates and joint venture entities	N/A
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8. Foreign Entities

Foreign entities to disclose which accounting standards are used in compiling the report	All entities within the consolidated Group comply with International Financial Reporting Standards.
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9. Review Opinion

Details of any audit dispute or qualification	There are no audit disputes or qualifications to the review opinion.
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Stuart Carmichael
Non-Executive Chairman
25 February 2022

K-TIG Limited and Its Controlled Entities

ABN 28 158 307 549

Consolidated Interim Financial Report

For the half-year ended 31 December 2021

**K-TIG Limited and Its Controlled Entities
Corporate Directory
For the half-year ended 31 December 2021**

Directorships as at the date of this report	Stuart Carmichael, Non-executive Chairman Adrian Smith, Managing Director Syed Basar Shueb, Non-executive Director Anthony McIntosh, Non-executive Director Patricia White, Non-executive Director David Acton, 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 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
Directors' Report
For the half-year ended 31 December 2021

Overview

K-TIG is a transformative, industry-disrupting welding technology that seeks to change fabrication economies. 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, 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 proprietary and patented technology and has been awarded the Australian Industrial Product of the Year and the DTC Defence Industry Award.

31 December 2021 Half Year Highlights

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

Revenue Growth

- Revenue increased by 234% to \$1.78m (31 December 2020: \$0.53m)
- Cash receipts increased by 405% \$2.31m (31 December 2020: \$0.36m)
- Continued sales momentum and increase in sales pipeline as potential customers responded to the increased capabilities of the USA subsidiary and Australia, UK and Europe market expansion
- The net loss for the consolidated group for the half-year ended 31 December 2021, after providing for income tax, amounted to \$3,170,438 (31 December 2020: \$1,779,987). The increase in loss is mainly attributable to the significant investment of a number of strategic areas focused on defence, USA, UK and customer acceleration pillars and increase in employee benefit expenses due to appointments of key management and share-based payments

Strong Balance Sheet

- Cash of \$2.98m
- Amounts received in advance \$0.74m
- Net assets \$3.37m

Business Development 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

- Incorporating a subsidiary entity in the UK to support the growth of K-TIG business in this key international market
- Appointment of four new distributors across the USA, Middle East, Europe and South-East Asia
- The company has successfully welded armoured steel provided by and in the joint geometries specified by Hanwha Defense Australia and Hanwha Defense Corporation
- Entered into a Memorandum of Understanding with the UK's Sheffield University-based Nuclear Advanced Manufacturing Research Centre; under the MOU K-TIG will develop robotic welding cells to fabricate the nuclear waste containers to be utilised in the upcoming UK nuclear power plant decommissioning
- K-TIG stepped up its engagement with GBP 1.5bn UK nuclear decommission waste containers sector and is actively targeting the current phase of 3m³ waste boxes
- Significant interest in the Maritime sector, focusing on lightweight/low distortion structures
- Appointment of non-executive directors Ms Trish White AM and Mr David Acton

K-TIG remains focused on accelerating its strategic pillars, including enhancing its presence in the USA, UK and European markets, advanced 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 aluminium, other exotics and for other highly specialised industries

The Directors present their report, together with the financial statements, on K-TIG Limited ("K-TIG" or "Company") and its controlled entities ("consolidated group" or "group") for the half-year ended 31 December 2021.

Directors

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

**K-TIG Limited and Its Controlled Entities
Directors' Report
For the half-year ended 31 December 2021**

Stuart Carmichael
Adrian Smith
Mark Twycross – resigned 1 December 2021
Syed Basar Shueb
Anthony McIntosh
Patricia White – appointed 1 December 2021
David Acton – appointed 1 December 2021

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 period (2020: nil).

Significant changes in the state of affairs

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

Review of operations

Refer to the Review of operations in the preceding section

Matters subsequent to the end of the financial period

In February 2022, the Company received binding commitments to raise \$4m (before costs) at \$0.35 per shares via a private placement to institutional and sophisticated investors. On 18 February 2022 the Company issued a total of 11,000,000 fully paid ordinary shares with a further total of 428,571 ordinary shares to be issued to Directors Ms White and Mr McIntosh (and/or their nominees), subject to shareholder approval to be sought at the earlier of an extraordinary general meeting of the Company or an Annual General Meeting anticipated to be held in November 2022.

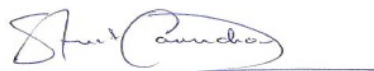
No other matter or circumstance has arisen since 31 December 2021 that has significantly affected, or may significantly affect the consolidated group's operations, the results of those operations, or the consolidated group's state of affairs in future financial years.

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.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the Directors



Stuart Carmichael
Non-Executive Chairman
25 February 2022
Perth

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

As lead auditor for the review of K-TIG Limited for the half-year ended 31 December 2021, I declare that, to the best of my knowledge and belief, there have been:

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

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



G K Edwards
Director

BDO Audit Pty Ltd

Adelaide, 25 February 2022

K-TIG Limited and Its Controlled Entities
Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the half-year ended 31 December 2021

		Consolidated	
	Note	31 Dec 2021	31 Dec 2020
		\$	\$
Sales revenue	2	1,782,103	533,615
Cost of sales		(698,062)	(272,704)
Gross profit / (loss)		1,084,041	260,911
Other income	3	143	83,590
<i>Expenses</i>			
Marketing expenses		(213,369)	(174,500)
Corporate expense		(721,351)	(518,929)
Service expense		(219,270)	(95,970)
Employee benefits expense		(2,784,087)	(1,108,262)
Office / workshop expense		(159,449)	(136,041)
Travel expense		(47,931)	(11,029)
R&D expense		(31,256)	(40,244)
Other expenses		(77,909)	(39,513)
Loss before income tax expense		(3,170,438)	(1,779,987)
Income tax expense		-	-
Loss for the half-year		(3,170,438)	(1,779,987)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit and loss</i>			
Foreign currency translation expense		(4,437)	(14,773)
Total comprehensive income for the period		(3,174,875)	(1,794,760)
Loss per share to the owners of K-TIG Limited		Cents	Cents
Basic and diluted loss per share		(1.87)	(1.13)

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 31 December 2021

		Consolidated	
		31 Dec 2021	30 Jun 2021
	Note	\$	\$
Current assets			
Cash and cash equivalents		2,943,077	5,064,345
Trade and other receivables	4	968,239	884,728
Inventories		1,116,943	573,144
Financial assets		40,000	40,000
Total current assets		5,068,259	6,562,217
Non-current assets			
Other receivables	4	14,150	14,150
Property, plant and equipment	5	436,751	547,699
Right-of-use assets		39,898	80,458
Intangibles		36,359	41,933
Total non-current assets		527,158	684,240
Total assets		5,595,417	7,246,457
Current liabilities			
Trade and other payables	6	1,155,925	871,584
Amounts received in advance	7	742,993	170,945
Lease liabilities		39,091	85,209
Employee benefits		270,367	190,299
Total current liabilities		2,208,376	1,318,037
Non-current liabilities			
Employee benefits		16,141	13,107
Total non-current liabilities		16,141	13,107
Total liabilities		2,224,517	1,331,144
Net assets		3,370,900	5,915,313
Equity			
Issued capital	8	23,713,733	23,443,733
Share based payment reserve	9	2,100,126	1,739,664
Foreign currency translation reserve		(17,578)	(13,141)
Accumulated losses		(22,425,381)	(19,254,943)
Total equity		3,370,900	5,915,313

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 half-year ended 31 December 2021

	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 half-year	-	-	-	-	(1,779,987)	(1,779,987)
Other comprehensive income	-	-	-	(14,773)	-	(14,773)
Total comprehensive income	-	-	-	(14,773)	(1,779,987)	(1,794,760)
<i>Transactions with owners in their capacity as owners</i>						
Issue of shares, net of transaction costs	5,227,503	-	-	-	-	5,227,503
Issue of performance rights, net of transaction costs	-	-	87,879	-	-	87,879
Vesting of long-term incentive rights	-	-	63,814	-	-	63,814
Balance at 31 December 2020	22,960,404	-	1,023,683	(14,773)	(16,552,263)	7,417,051
Balance at 1 July 2021	23,443,733	-	1,739,664	(13,141)	(19,254,943)	5,915,313
Loss for the half-year	-	-	-	-	(3,170,438)	(3,170,438)
Other comprehensive income	-	-	-	(4,437)	-	(4,437)
Total comprehensive income	-	-	-	(4,437)	(3,170,438)	(3,174,875)
<i>Transactions with owners in their capacity as owners</i>						
Conversion of long-term incentive shares to director	270,000	-	(270,000)	-	-	-
Share-based payments – performance rights	-	-	630,462	-	-	630,462
Balance at 31 December 2021	23,713,733	-	2,100,126	(17,578)	(22,425,381)	3,370,900

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 half-year ended 31 December 2021

	Note	Consolidated	
		31 Dec 2021	31 Dec 2020
		\$	\$
Cash flows from operating activities			
Receipts from customers		2,304,530	356,017
Payments to suppliers and employees		(4,301,477)	(2,180,998)
		(1,996,947)	(1,824,981)
Interest received		143	1,363
Other income		-	70,000
Interest and other finance costs paid		(3,280)	(373)
Net cash used in operating activities	11	(2,000,084)	(1,753,991)
Cash flows from investing activities			
Payments for property, plant and equipment		(74,113)	(126,804)
Payments for financial assets		-	(40,000)
Net cash used in investing activities		(74,113)	(166,804)
Cash flows from financing activities			
Proceeds from issue of shares		-	5,227,503
Payments for rights issue cost		-	(10,233)
Repayment of lease liabilities		(46,118)	(46,417)
Net cash (used in) / from financing activities		(46,118)	5,170,853
Net (decrease) / increase in cash and cash equivalents		(2,120,315)	3,250,058
Cash and cash equivalents at the beginning of the period		5,063,392	3,493,579
Cash and cash equivalents at the end of the period		2,943,077	6,743,637

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

K-TIG Limited and Its Controlled Entities
Notes to the Consolidated Financial Statements
For the half-year ended 31 December 2021

Note 1. Significant accounting policies

The financial statements cover K-TIG Limited ("K-TIG" or "Company"), and its controlled entities ("consolidated group" or "Group") for the half-year ended 31 December 2021. The financial statements are presented in Australian dollars, which is the Group's presentation currency. The financial statements were authorised for issue in accordance with a resolution of Directors on 25 February 2022.

These general purpose financial statements for the half-year ended 31 December 2021 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting and the Corporations Act 2001. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2021 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted in the preparation of the financial statements are consistent with those of the previous financial year and the corresponding interim reporting period, 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.

Note 2. Revenue

	Consolidated	
	31 Dec 2021	31 Dec 2020
	\$	\$
<i>Revenue from contracts with customers</i>		
Sale of goods	1,542,491	427,346
Rendering of services	117,157	16,746
Other trading revenue	35,771	17,648
	<hr/>	<hr/>
	1,695,419	461,740
Revenue from WaaS lessor arrangements	86,684	71,875
	<hr/>	<hr/>
	1,782,103	533,615
 <i>Disaggregation of revenue</i>		
The disaggregation of revenue from contracts with customers is as follows:		
 <i>Geographical regions</i>		
Australia	462,119	133,870
New Zealand	233,962	-
South-East Asia	132,033	-
Rest of the World	28,373	14,899
United Kingdom	224,352	-
United States	701,264	384,846
	<hr/>	<hr/>
	1,782,103	533,615
 <i>Timing of revenue recognition</i>		
Revenue transferred at a point in time	1,578,262	444,994
Revenue transferred over time	203,841	88,621
	<hr/>	<hr/>
	1,782,103	533,615

K-TIG Limited and Its Controlled Entities
Notes to the Consolidated Financial Statements
For the half-year ended 31 December 2021

Note 3. Other income

	Consolidated	
	31 Dec 2021	31 Dec 2020
	\$	\$
Interest received	143	1,363
Government grants	-	78,246
Other income	-	3,981
	<u>143</u>	<u>83,590</u>

Note 4. Trade and other receivables

	Consolidated	
	31 Dec 2021	30 Jun 2021
	\$	\$
Current		
<i>Trade receivables</i>		
Trade receivables	586,305	685,117
Provision for expected credit losses	-	-
	<u>586,305</u>	<u>685,117</u>
<i>Other receivables</i>		
GST receivable	95,281	54,972
Prepayments	250,546	144,298
Other receivables	36,107	341
	<u>381,934</u>	<u>199,611</u>
Trade and other receivables	<u>968,239</u>	<u>884,728</u>
Non-Current		
<i>Other receivables</i>		
Prepayments	14,150	14,150

Allowance for expected credit losses

The consolidated group has recognised \$0 (31 December 2020: \$0) in profit or loss in respect of the expected credit losses for the period ended 31 December 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.

K-TIG Limited and Its Controlled Entities
Notes to the Consolidated Financial Statements
For the half-year ended 31 December 2021

Note 5. Property, plant and equipment

	Consolidated	
	31 Dec 2021	30 Jun 2021
	\$	\$
Leasehold improvements - at cost	183,307	183,307
Less: Accumulated depreciation	(160,490)	(137,208)
	<u>22,817</u>	<u>46,099</u>
Plant and equipment - at cost	389,317	374,133
Less: Accumulated depreciation	(134,176)	(97,766)
	<u>255,141</u>	<u>276,367</u>
Computer equipment - at cost	112,124	53,196
Less: Accumulated depreciation	(41,162)	(30,087)
	<u>70,962</u>	<u>23,109</u>
WaaS assets – at cost	121,266	241,287
Less: Accumulated depreciation	(33,435)	(39,163)
	<u>87,831</u>	<u>202,124</u>
	<u>436,751</u>	<u>547,699</u>

Reconciliation

Reconciliation of the written down values at the beginning and end of the current financial period is set out below:

Consolidated	Leasehold improvements	Plant and equipment	Computer equipment	WaaS assets	Total
	\$	\$	\$	\$	\$
Balance at 1 July 2021	46,099	276,367	23,109	202,124	547,699
Additions	-	15,185	58,928	-	74,113
Disposals	-	-	-	-	-
Transfers from / (to) inventory	-	-	-	(99,962)	(99,962)
Depreciation expense	(23,282)	(36,411)	(11,075)	(14,331)	(85,099)
Balance at 31 December 2021	<u>22,817</u>	<u>255,141</u>	<u>70,962</u>	<u>87,831</u>	<u>436,751</u>

Note 6. Trade and other payables

	Consolidated	
	31 Dec 2021	30 Jun 2021
	\$	\$
Trade payables	320,466	154,887
Other payables	507,349	240,066
Credit cards	(5,202)	(3,293)
Accrued expenses	333,312	479,924
	<u>1,155,925</u>	<u>871,584</u>

Note 7. Amounts received in advance

	Consolidated	
	31 Dec 2021	30 Jun 2021
	\$	\$
Sales and service	742,993	154,611
WaaS advance payment	-	16,334
	<u>742,993</u>	<u>170,945</u>

K-TIG Limited and Its Controlled Entities
Notes to the Consolidated Financial Statements
For the half-year ended 31 December 2021

Note 8. Issued capital

	31 Dec 2021	30 Jun 2021	Consolidated	30 Jun 2021
	Shares	Shares	31 Dec 2021	30 Jun 2021
			\$	\$
Ordinary shares - fully paid	170,111,261	169,111,261	23,713,733	23,443,733

Movements in ordinary shares for the financial period

Date	Description	Number of	\$
		Shares	
30 Jun 2021	Balance	169,111,261	23,443,733
01 Nov 2021	Conversion of long-term incentive shares to director	1,000,000	270,000
31 Dec 2021	Balance	170,111,261	23,713,733

As at 31 December 2021, up to 30,075,135 deferred consideration shares to be issued in 3 tranches, depending on the group meeting cumulative revenue targets over 48 months from 1 January 2020 as follows:

- 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.

Note 9. Share based payment reserve

	Consolidated	30 Jun 2021
	31 Dec 2021	
	\$	\$
Options reserve	871,990	871,990
Performance rights reserve	1,228,136	867,674
	2,100,126	1,739,664

The reserves are used to recognise share based payment transactions. Amounts will be transferred into share capital upon share options and rights being exercised.

Movements in performance rights reserve for the financial period

Date	Description	Number of	\$
		Performance	
		Rights	
1 Jul 2021	Balance	6,000,000	867,674
01 Nov 2021	Conversion of long-term incentive shares to director	(1,000,000)	(270,000)
31 Dec 2021	Issue of performance rights to employees	1,330,000	172,271
31 Dec 2021	Share based payments - performance rights to Directors	-	160,631
31 Dec 2021	Share based payments - long-term incentive shares to Director	-	297,560
2021	Balance	6,330,000	1,228,136

K-TIG Limited and Its Controlled Entities
Notes to the Consolidated Financial Statements
For the half-year ended 31 December 2021

Employee Performance Rights

The performance rights issued during the current financial period listed below were valued using the Monte Carlo model. The valuation model inputs used to determine the fair value at the grant date are 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
30/04/2021	30/04/2026	\$0.425	-	100%	-	0.070%	\$0.3089
25/06/2021	25/06/2026	\$0.440	-	100%	-	0.070%	\$0.3222

The performance rights issued during the current financial period were valued using the Black Scholes model. The valuation model inputs used to determine the fair value at the grant date are 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
25/06/2021	25/06/2026	\$0.440	-	100%	-	0.070%	\$0.4400
19/07/2021	19/07/2026	\$0.385	-	100%	-	0.070%	\$0.3850

Note 10. 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 reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM') in assessing performance and determining the allocation of resources. The information presented in the financial statements approximates the information of the operating segment.

Note 11. Reconciliation of loss after income tax to net cash from operating activities

	Consolidated	
	31 Dec 2021	31 Dec 2020
	\$	\$
Loss after income tax expense for the half-year	(3,170,438)	(1,779,987)
<i>Adjustments for:</i>		
Depreciation expense	125,657	103,178
Amortisation expense	5,574	5,528
Assets written off	-	29,959
Share-based payments	630,462	161,926
<i>Change in operating assets and liabilities:</i>		
(Increase) / Decrease in trade and other receivables	(92,038)	(390,925)
(Increase) / Decrease in inventories	(443,836)	22,128
Increase / (Decrease) in trade and other payables	289,385	95,030
Increase / (Decrease) in income in advance	572,048	(31,791)
Increase / (Decrease) in employee benefits	83,102	30,963
Net cash used in operating activities	<u>(2,000,084)</u>	<u>(1,753,991)</u>

K-TIG Limited and Its Controlled Entities
Notes to the Consolidated Financial Statements
For the half-year ended 31 December 2021

Note 12. Dividends

No dividends were paid during the financial period ended 31 December 2021 (2020: Nil). Accordingly, franking credits available for subsequent periods based on a 26% tax rate is \$0 (2020: \$0).

Note 13. Contingent assets and liabilities

Contingent assets

No contingent assets were noted as of 31 December 2021 (31 December 2020: \$0).

Contingent liabilities

In the Directors' opinion, the consolidated group has a contingency relating to deferred consideration shares as of 31 December 2021 (30 June 2021: deferred consideration shares) as disclosed above in note 8.

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 8 for terms of consideration shares.

Note 14. Commitments

There are no lessee commitments related to equipment operating lease commitments as at 31 December 2021 (30 June 2021: \$Nil).

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 of 31 December 2021, all operating lease payments to be received are payable in US dollars or Euros. Maturity analysis of undiscounted operating lease payments to be received is set out below. For maturity analysis, amounts to be received in foreign exchange, have been translated at the spot rate at the reporting date. In addition, 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.

	31 Dec 2021 \$	30 Jun 2021 \$
Within 1 year	117,756	283,600
1-2 years	103,376	283,600
2-3 years	29,792	102,586
3-4 years	-	11,984
	250,924	681,770

Note 15. Events after the reporting period

In February 2022, the Company received binding commitments to raise \$4m (before costs) at \$0.35 per shares via a private placement to institutional and sophisticated investors. On 18 February 2022 the Company issued a total of 11,000,000 fully paid ordinary shares with a further total of 428,571 ordinary shares to be issued to Directors Ms White and Mr McIntosh (and/or their nominees), subject to shareholder approval to be sought at the earlier of an extraordinary general meeting of the Company or an Annual General Meeting anticipated to be held in November 2022.

No other matter or circumstance has arisen since 31 December 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 Consolidated Financial Statements
For the half-year ended 31 December 2021

Note 16. Interests in subsidiaries

Name	Principal place of business / Country of incorporation	Ownership interest	
		31 Dec 2021 \$	30 Jun 2021 \$
Kabuni USA, Inc.	USA	100%	100%
Stirling Minerals Pty Limited	Australia	100%	100%
Keyhole TIG Limited	Australia	100%	100%
Keyhole TIG (USA) Inc	USA	100%	100%
Keyhole TIG (UK) Pty Ltd *	United Kingdom	100%	-

* Keyhole TIG (UK) Pty Ltd was incorporated on 12 July 2021

Note 17. Related Party Transactions

During the half-year ended 31 December 2021, payments of \$73,730 (2020: \$45,756) were made to Ventnor Capital Pty Ltd (director-related entity of Mr. Carmichael) in relation to company secretarial and accounting fees.

K-TIG Limited and Its Controlled Entities
Directors' Declaration
For the half-year ended 31 December 2021

In the Directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the consolidated group's financial position as at 31 December 2021 and of its performance for the financial period ended on that date;
- there are reasonable grounds to believe that the consolidated group will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the Directors



Stuart Carmichael
Chairman
25 February 2022
Perth

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

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of K-TIG Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2021 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

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

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

Responsibility of the directors for the financial report

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



Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2021 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

A handwritten signature in blue ink, appearing to read 'G K Edwards'.

BDO Audit Pty Ltd

A handwritten signature in blue ink, appearing to read 'G K Edwards'.

G K Edwards
Director

Adelaide, 25 February 2022