



## Serpentine Technologies Limited (to be renamed “K-TIG Limited”)

ACN 158 307 549

### PROSPECTUS



For an offer of up to 35,000,000 Shares at an issue price of \$0.20 each to raise up to \$7,000,000 (before costs) (**Public Offer**). The minimum subscription under the Public Offer is 25,000,000 Shares to raise \$5,000,000 (before costs).

**Lead Manager:** Alto Capital (AFSL: 279099)

This Prospectus also contains the following **Secondary Offers**:

1. an offer of up to 80,200,501 Consideration Shares to the Vendors (or their nominees) (**Consideration Offer**);
2. an offer of up to 11,250,000 Shares on conversion of the Convertible Notes issued by Keyhole TIG Limited (**Conversion Offer**); and
3. an offer of up to 5,475,000 Shares and up to 4,331,801 Options (**Advisor Securities**) to Alto Capital (or its nominees) (**Advisor Offer**),  
(together with the Public Offer, the **Offers**).

#### Re-compliance with Chapters 1 and 2

In addition to the purpose of raising funds under the Public Offer, this Prospectus is issued for the purpose of re-complying with the admission requirements under Chapters 1 and 2 of the Listing Rules following a change to the nature and scale of the Company's activities.

#### Conditional Offers

The Offers are conditional upon certain events occurring. Please refer to Section 2.3 for further information. The Offers are not underwritten.

#### IMPORTANT NOTICE

This is an important document and investors should read the document in its entirety and are advised to consult with their professional advisers before deciding whether to apply for Securities pursuant to this Prospectus.

Any investment in the Company under this Prospectus should be considered **highly speculative** in nature and prospective investors should be aware that they may lose some or all of their investment.

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# IMPORTANT INFORMATION

## Prospectus

This Prospectus is dated 2 August 2019 and was lodged with ASIC on that date. ASIC, ASX and their respective officers do not take any responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates.

Within 7 days of the date of this Prospectus, the Company will make an application to ASX for the Shares offered pursuant to the Prospectus to be admitted for quotation on ASX.

Securities will not be issued pursuant to this Prospectus later than 13 months after the date of this Prospectus.

Persons wishing to apply for Securities pursuant to the Offers must do so using the applicable Application Form attached to or accompanying this Prospectus. Before applying for Securities potential investors should carefully read the Prospectus so that they can make an informed assessment of:

- the rights and liabilities attaching to the Securities;
- the assets and liabilities of the Company; and
- the Company's financial position and performance, profits and losses, and prospects.

Investors should carefully consider these factors in light of their own personal financial and taxation circumstances.

No person is authorised to give any information or to make any representation in relation to the Offers which is not contained in this Prospectus. Any information or representation not so contained may not be relied upon as having been authorised by the Company or the Directors in relation to the Offers.

For the avoidance of doubt, all references to Securities in this Prospectus are made on a post-Consolidation basis (unless specified otherwise).

## Risks

Any investment in the Company should be considered **highly speculative**. Before deciding to invest in the Company, potential investors should read the entire Prospectus and, in particular, in considering the prospects of the Company, potential investors should consider the risk factors that could affect the financial performance and assets of the Company. Investors should carefully consider these factors in light of their personal circumstances (including financial and taxation issues). The Securities offered by this Prospectus should be considered highly speculative. Please refer to Section 5 for details relating to risk factors. Persons considering applying for Securities pursuant to the Prospectus should obtain professional advice from an accountant, stockbroker, lawyer or other adviser before deciding whether to invest.

## Offers outside Australia

The offer of Securities made pursuant to this Prospectus is not made to persons to whom, or places in which, it would not be lawful to make such an offer of Securities. No action has been taken to register the Offers under this Prospectus or otherwise permit the Offers to be made in any jurisdiction outside Australia. The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law in those jurisdictions and therefore persons who come into possession of this Prospectus should seek advice on and observe any of these restrictions. Failure to comply with these restrictions may violate securities laws.

## Forward-looking statements

This Prospectus contains forward-looking statements which incorporate an element of uncertainty or risk, such as 'intends', 'may', 'could', 'believes', 'estimates', 'targets' or 'expects'. These statements are based on an evaluation of current economic and operating conditions, as well as assumptions regarding future events. These events, as at the date of this Prospectus, are expected to take place, but there is no guarantee that such will

occur as anticipated or at all given that many of the events are outside the Company's control.

Accordingly, the Company cannot and does not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this Prospectus will actually occur. Further, the Company may not update or revise any forward-looking statement if events subsequently occur or information subsequently becomes available that affects the original forward-looking statement.

## Exposure Period

This Prospectus will be circulated during the Exposure Period. The purpose of the Exposure Period is to enable this Prospectus to be examined by market participants prior to applying for Securities. This examination may result in the identification of deficiencies in this Prospectus and, in those circumstances; any application that has been received may need to be dealt with in accordance with section 724 of the Corporations Act. Applications for Securities under the Offers set out in this Prospectus will not be processed by the Company until after the expiry of the Exposure Period. No preference will be conferred on applications lodged prior to the expiry of the Exposure Period.

## Re-compliance with Chapters 1 and 2 of the Listing Rules

The Acquisition will constitute a significant change to the nature and scale of the Company's activities. Pursuant to Listing Rule 11.1.3, the Company must re-comply with the admission requirements of Chapters 1 and 2 of the Listing Rules, as if applying for admission to the Official List. Accordingly, this Prospectus is issued for the purpose of satisfying Chapters 1 and 2 of the Listing Rules, as well as for the purpose of raising funds under the Public Offer.

## Conditional Offer

The Offers contained in this Prospectus are conditional on certain events occurring. If these events do not occur, the Offers will not proceed and investors will be refunded their application monies without interest. Please refer to Section 2.3 for further details on the conditions attaching to the Offers.

## Electronic Prospectus

If you have received this Prospectus as an electronic Prospectus, please ensure that you have received the entire Prospectus accompanied by the Application Forms. If you have not, please contact the Company at +61 8 9482 0500 and the Company will send you, at no cost, either a hard copy or a further electronic copy of the Prospectus or both. Alternatively, you may obtain a copy of the Prospectus from the Company's website at: [www.serpentinetechnologies.com.au](http://www.serpentinetechnologies.com.au).

The Company reserves the right not to accept an Application Form from a person if it has reason to believe that when that person was given access to the electronic Application Form, it was not provided together with the electronic Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered.

## Photographs and diagrams

Photographs used in this Prospectus which do not have descriptions are for illustration only and should not be interpreted to mean that any person shown endorses the Prospectus or that the assets shown in them are owned by the Company. Diagrams used in this Prospectus may not be drawn to scale.

## Third party publications

The Business and Company Overview in Section 3 and the Market Overview in Section 4 of this Prospectus include attributed statements from books, journals and comparable publications that are not specific to, and have no connection

with the Company. The authors of these books, journals and comparable publications have not provided their consent for these statements to be included in this Prospectus, and the Company is relying upon ASIC Corporations (Consents to Statements) Instrument 2016/72 for the inclusion of these statements in this Prospectus without such consent having been obtained.

#### **Miscellaneous**

All references to "\$", "A\$", "AUD", "dollar" and "cents" are references to Australian currency unless otherwise stated. All references to time relate to the time in Perth, Western Australia unless otherwise stated.

A number of terms and abbreviations used in this Prospectus have defined meanings which appear in Section 13

## CORPORATE DIRECTORY

### Existing Board of Directors

Mr Stuart Carmichael  
Mr Colm O'Brien  
Mr Michael Edwards

### Proposed Board of Directors

Mr Stuart Carmichael  
Mr Colm O'Brien  
Mr Kieran Purcell  
Mr Syed Shueb

### Proposed Executive Management

Mr David Williams - Chief Executive Officer  
Mr Neil Le Quesne - President, Market Development

### Joint Company Secretaries

Ms Deborah Ho  
Mr Brett Tucker

### Registered Office

Ground Floor, 16 Ord Street  
West Perth, WA 6005

Telephone: +61 8 9482 0500

Email: [info@serpentinetechnologies.com.au](mailto:info@serpentinetechnologies.com.au)

### ASX Code

Current: S3R  
Proposed: KTG

### Website

Current: [www.serpentinetechnologies.com.au](http://www.serpentinetechnologies.com.au)  
Proposed: [www.k-tig.com](http://www.k-tig.com)

### Share Registry\*

Automic Registry Services  
Level 2, 267 St Georges Terrace  
Perth, WA 6000

### Auditor to the Company\*

Stantons International Audit and  
Consulting Pty Ltd  
Level 2, 1 Walker Avenue  
West Perth, WA 6005

### Legal Advisor

Bellanhouse  
Level 19, Alluvion  
58 Mounts Bay Road  
Perth WA 6000

### Investigating Accountant

BDO Corporate Finance (SA) Pty Ltd  
Level 7, 420 King William Street  
Adelaide, SA 5000

Telephone: +61 8 7324 6000

Facsimile: +61 8 7324 6111

### Lead Manager and Corporate Advisor

Alto Capital  
Ground Floor,  
16 Ord Street,  
West Perth, WA 6005

### Patent & Trade Mark Attorneys for K-TIG

Phillips Ormonde Fitzpatrick  
Level 5, 75 Hindmarsh Square  
Adelaide, SA 5000

### Auditor to K-TIG\*

BDO Audit (SA) Pty Ltd  
Level 7, 420 King William Street  
Adelaide, SA 5000

\* This entity is included for information purposes only. It has not been involved in the preparation of this Prospectus.

## LETTER FROM THE BOARD

Dear Investor,

On behalf of the Board of Directors of Serpentine Technologies Limited (to be renamed "K-TIG Limited") (**Company**), it gives me great pleasure to invite you to become a shareholder of the Company.

The 'K-TIG System' is a high-speed, high-productivity welding technology that has been developed through seven years of research, technology development, product development and market validation by K-TIG and earlier technology originally developed by the Australian Government's Commonwealth Scientific and Industrial Research Organisation (**CSIRO**).

K-TIG's technology has been field tested and has been exported to customers in 20 countries with blue-chip customers including GE, Siemens, Bilfinger, Doncasters, Defence Materials Technology Centre and the UK Nuclear Advanced Manufacturing Research Centre.

Based on customer data and testing undertaken with GE, Siemens and Titan (**K-TIG Savings Assessments**) the K-TIG System is able to perform a conventional 6 hour tungsten inert gas (TIG) weld in less than 3 minutes, with reductions in welding time in excess of 90%. Overall cost savings (time, labour, wire, gas, preparation, grinding) based on the K-TIG Savings Assessments are routinely in the range of 80-95%.

K-TIG seeks to change the economics of fabrication for its customers through the introduction of its 'Welding-as-a-Service' (WaaS) business model, service delivery via its cloud-linked controller and the generation of recurring revenue streams for the Company from a global customer base. Investors should be aware that K-TIG is currently loss making and refer to Sections 6 and 7 for further historical financial information of K-TIG.

### The Offers

On 29 April 2019, the Company announced that it had entered into a binding agreement to acquire K-TIG, a precision fabrication business. Completion of the Acquisition requires the Company to re-comply with Chapters 1 and 2 of the Listing Rules.

The Acquisition is subject to a number of conditions, including obtaining the necessary Shareholder approvals, which are being sought at a General Meeting scheduled for 15 August 2019. This includes approval for the Company to be renamed K-TIG Limited (proposed ASX code: KTG).

The purpose of the Public Offer is to raise up to \$7,000,000 (before associated costs) by the issue of up to 35,000,000 Shares at an issue price of \$0.20 each.

The proceeds of the Public Offer will be utilised to enable the Company to execute the planned growth stage of the Company's development including the rollout of its 'Welding-as-a-Service' (WaaS) business model, to invest in sales and marketing activities and infrastructure, to undertake market development and business development activities in the vessel and piping industries to further enhance revenue and to expand the Company's product offering.

An investment in the Company is speculative and subject to certain risks, a non-exhaustive list of which is highlighted in Section 5, including but not limited to reliance on key personnel, sales and marketing success, product quality risks, manufacturing risks, licencing risks, supplier risk and intellectual property risks. It is recommended that you consider the terms of the Offers contained in this Prospectus carefully and in its entirety. If you are in any doubt as to the contents of this Prospectus, you should consult your stockbroker, lawyer, accountant or other professional adviser.

On behalf of the Board of the Company, I commend this opportunity to you and look forward to welcoming you as a security holder.

Yours faithfully

A handwritten signature in blue ink, appearing to read 'Stuart Carmichael', with a horizontal line extending from the end of the signature.

Stuart Carmichael  
**Chairman**  
**Serpentine Technologies Limited**  
**(to be renamed K-TIG Limited)**

## KEY OFFER DETAILS

	Shares	Options
Securities currently on issue (pre-Consolidation)	722,096,113	120,803,708
Securities currently on issue (post-Consolidation 57:1)	12,668,353	2,119,363 <sup>1</sup>
Shares offered pursuant to the Consideration Offer	80,200,501	-
Shares to be offered under the Public Offer for \$0.20 each:		
Minimum Subscription (\$5,000,000 (before costs))	25,000,000	-
Maximum Subscription (\$7,000,000 (before costs))	35,000,000	-
Shares to be offered pursuant to the Conversion Offer	11,250,000	-
Securities offered pursuant to the Advisor Offer	5,475,000	4,331,801 <sup>2</sup>
Director Options	-	1,140,351 <sup>3</sup>
<b>Securities on issue on completion of the Offers</b>		
<b>Minimum Subscription</b>	<b>134,593,854</b>	<b>7,591,515</b>
<b>Maximum Subscription</b>	<b>144,593,854</b>	<b>7,591,515</b>
Deferred Consideration Shares	30,075,135 <sup>4</sup>	-
<b>Fully diluted Share capital</b>		
<b>Minimum Subscription</b>	<b>172,260,504</b>	-
<b>Maximum Subscription</b>	<b>182,260,504</b>	-

**Notes:**

1. Comprising:
  - (i) 2,118,047 quoted Options with an exercise price of \$0.23 each expiring on 30 April 2021; and
  - (ii) 1,316 unquoted Options exercisable at \$2.85 each on or before 30 September 2019.
2. Advisor Options will be unquoted Options exercisable at \$0.30 each and will expire 4 years from the date of Completion. Full terms and conditions of the Advisor Options are set out in Section 11.2.
3. Director Options will be unquoted Options exercisable at \$0.30 each and will expire 4 years from the date of Completion. Full terms and conditions of the Director Options are set out in Section 11.2.
4. Deferred Consideration Shares to be issued to the Vendors (or their respective nominees), upon satisfaction of certain milestones (refer to Sections 2.2(d) and 10.3(a)(i)).

## INDICATIVE TIMETABLE

Event	Date
Lodgement of this Prospectus with ASIC	2 August 2019
Opening Date for the Offers	10 August 2019
General Meeting	15 August 2019
Closing Date for the Offers	30 August 2019
Completion of the Acquisition	18 September 2019
Issue of Securities under the Offers	18 September 2019
Dispatch of holding statements	20 September 2019
Expected date for Shares to be reinstated to trading on ASX	30 September 2019

**Note:** The dates shown above are indicative only and may vary subject to the Corporations Act, the Listing Rules and other applicable laws. In particular, the Company reserves the right to vary the Opening Date and the Closing Date without prior notice, which may have a consequential effect on the other dates. Applicants are therefore encouraged to lodge their Application Form as soon as possible after the Opening Date if they wish to invest in the Company. The Company also reserves the right not to proceed with any of the Offers at any time before the issue of Securities to Applicants.

## INVESTMENT OVERVIEW

This Section is not intended to provide full information for investors intending to apply for Securities offered pursuant to this Prospectus. This Prospectus should be read and considered in its entirety. The Securities offered pursuant to this Prospectus carry no guarantee in respect of return of capital, return on investment, payment of dividends or the future value of the Securities.

Topic	Summary	More information
<b>Introduction</b>		
Who is the Company and what does it do?	<p>Serpentine Technologies Limited (ACN 158 307 549) (to be renamed “K-TIG Limited) (<b>Company</b>) is an Australian incorporated company listed on ASX.</p> <p>The Company's recent focus has been on the operation of a 'Design Campus' business, which is a database of professional designers and an online education platform. The Company intends to wind up the existing Design Campus business operations following re-admission to the ASX.</p>	Section 1.3
What is the Acquisition and what is the K-TIG System?	<p>The Company has entered into a binding share sale agreement with Keyhole TIG Limited (<b>K-TIG</b>) and its majority vendors on 29 April 2019, whereby the Company has agreed to acquire 100% of the fully paid issued capital of K-TIG (<b>Acquisition</b>).</p> <p>The Company has agreed to issue to the vendors of K-TIG (or their nominees) a total of up to 80,200,501 Consideration Shares and up to 30,075,135 Deferred Consideration Shares in consideration for the Acquisition.</p> <p>K-TIG has developed disruptive welding technology that seeks to change the economics of fabrication. The K-TIG welding system is provided as a fully integrated welding cell comprised of the K-TIG 1000 controller, torch, power supply, water cooler, wire feeder, torch mount with compensating slide, travel speed feedback encoder and all related software within the controller (<b>K-TIG System</b>). The K-TIG System has been exported to customers in 20 countries, with blue-chip customers including GE, Siemens, Bilfinger, Doncasters, Defence Materials Technology Centre and the UK Nuclear Advanced Manufacturing Research Centre.</p> <p>The Acquisition will result in a material change in the nature and scale of the Company's activities, and requires the Company to re-comply with Chapters 1 and 2 of the Listing Rules.</p>	Sections 1, 2.2(a) and 3
What are the key business objectives of the Merged Company?	<p>Upon completion of the Acquisition and completion of the Offers, the Merged Company's main objectives are to:</p> <ul style="list-style-type: none"> <li>(a) expand sales and marketing activities;</li> <li>(b) acquire long lead capital items;</li> </ul>	Section 2.5

Topic	Summary	More information
	<ul style="list-style-type: none"> <li>(c) undertake research and development;</li> <li>(d) provide general working capital;</li> <li>(e) pay the expenses of the Offers; and</li> <li>(f) enable re-admission to the official list of the ASX (<b>Official List</b>) to provide the Company with improved access to capital markets.</li> </ul>	
What is the Merged Company's growth strategy?	<p>Upon completion of the Acquisition, completion of the Offers and the reinstatement to quotation of the Shares on the ASX, the Merged Company will proceed with the following business and expansion strategy:</p> <ul style="list-style-type: none"> <li>(a) continue to extend the capabilities of its advanced welding technology;</li> <li>(b) invest in sales and marketing activities;</li> <li>(c) execute its Welding-as-a-Service (WaaS) business model;</li> <li>(d) undertake market development and business development activities in the vessel, tank and piping industries to create and drive long term recurring revenue; and</li> <li>(e) expand the Merged Company's product offering.</li> </ul>	Section 3.6
What stage of commercialisation is K-TIG's technology at and what are the Merged Group's revenue sources?	<p>K-TIG's equipment and technology is now thoroughly field tested, commercialised and is being utilised with some of the world's largest fabricators.</p> <p>K-TIG's revenue model to date has been based on unit sales of the K-TIG System. K-TIG generated \$1,239,710 of revenue in 2017, \$2,236,196 of revenue in 2018 and \$1,069,198 of revenue in 2019. The decline in K-TIG revenue in 2019 is largely attributable to the work undertaken on K-TIG's conversion from unit sales to the proposed 'Welding-as-a-Service' (WaaS) business licensing model, and one time sales revenue to long-term recurring licencing revenue. Investors should be aware that K-TIG is currently loss making and refer to Sections 6 and 7 for further historical financial information of K-TIG.</p> <p>Following the Acquisition, K-TIG intends to transition its revenue model to a long-term licencing model for its technology.</p> <p>Under the licensing revenue model K-TIG is converting from sales of units of the K-TIG System to Welding-as-a-Service (WaaS), and from one-time sales revenue to long-term recurring licencing revenue. The licensing model will not change the core business of K-TIG.</p>	Sections 3.2, 3.5 and 3.6
What are the key dependencies of the Merged	<p>The key dependencies of the Merged Company's business model include:</p> <ul style="list-style-type: none"> <li>(a) the successful completion of the Acquisition;</li> </ul>	Sections 3.9 and 5

Topic	Summary	More information
Company's business model?	<ul style="list-style-type: none"> <li>(b) the successful completion of the Public Offer;</li> <li>(c) the ability to continually protect the Company's intellectual property rights in its technology;</li> <li>(d) retaining and recruiting key personnel skilled in the metal fabrication sector;</li> <li>(e) access to capital to further research and develop the Company's technology and execute its business model and growth strategy; and</li> <li>(f) sufficient worldwide demand for the Company's products.</li> </ul>	
What are the key advantages of an investment in the Merged Company?	<p>The Directors are of the view that an investment in the Merged Company provides the following non-exhaustive list of advantages:</p> <ul style="list-style-type: none"> <li>(a) <b>Revenue generating:</b> K-TIG has successfully completed the research, technology development, product development and market validation stages of its commercialisation. K-TIG's technology is being utilised across numerous applications and industries globally, and has been exported to 20 countries. K-TIG is revenue generating with \$2,236,196 in revenue for the twelve month period to 30 June 2018 and \$1,069,198 in revenue for the 12 month period to 30 June 2019. The decline in K-TIG revenue in 2019 is largely attributable to the work undertaken on K-TIG's conversion from unit sales to the proposed 'Welding-as-a-Service' (WaaS) business licensing model, and one time sales revenue to long-term recurring licencing revenue. Investors should be aware that K-TIG is currently loss making and refer to Sections 6 and 7 for further historical financial information of K-TIG;</li> <li>(b) <b>Intellectual property:</b> The K-TIG System is a high-speed, high-productivity welding technology that has been developed through seven years of research, technology development, product development and market validation by K-TIG and earlier technology originally developed by the Australian Government's Commonwealth Scientific and Industrial Research Organisation (<b>CSIRO</b>). K-TIG owns all rights, title and interest in and to its proprietary and patented technology;</li> <li>(c) <b>Technology:</b> The K-TIG welding technology combines the high-quality and cleanliness of gas tungsten arc welding with a depth of penetration that exceeds that of conventional gas-tungsten arc, gas metal arc and plasma welding processes. Based on customer data and testing undertaken with GE, Siemens and Titan (<b>K-TIG Savings Assessments</b>), the K-TIG System is able to perform a conventional 6 hour tungsten inert gas (<b>TIG</b>) weld in less than 3</li> </ul>	Sections 3.6, 3.7, 3.8 and 9.4

Topic	Summary	More information												
	<p>minutes, with reductions in welding time in excess of 90%. Overall cost savings (time, labour, wire, gas, preparation, grinding) based on the K-TIG Savings Assessments are routinely in the range of 80-95%;</p> <p>(d) <b>Scalable business model:</b> K-TIG believes its technology has resulted in a breakthrough in industrial welding and now seeks to change the economics of fabrication for its customers through the introduction of its Welding-as-a-Service (Waas) business model, service delivery via its cloud-linked controller and the generation of long-term recurring revenue streams for the Company from a global customer base. K-TIG believes it has the ability to scale its business model within multiple fabrication sectors and markets; and</p> <p>(e) <b>Highly credible management team:</b> K-TIG has a highly credible and experienced team to progress the commercialisation and expansion of its technology.</p>													
What is the Company's financial position?	Investors should be aware that K-TIG is currently making a loss. A summary of the financial history of the Company and K-TIG is set out in the financial information section and Independent Limited Assurance Report in Sections 6 and 7 respectively.	Sections 6 and 7												
What is the proposed capital structure of the Merged Company?	<p>The proposed capital structure of the Company following completion of the Consolidation, Offers and the Acquisition is as follows:</p> <table><tr><th></th><th>Shares</th><th>Options</th><th>Deferred Consideration Shares</th></tr><tr><td>Minimum Subscription</td><td>134,593,854</td><td>7,591,515</td><td>30,075,135</td></tr><tr><td>Maximum Subscription</td><td>144,593,854</td><td>7,591,515</td><td>30,075,135</td></tr></table>		Shares	Options	Deferred Consideration Shares	Minimum Subscription	134,593,854	7,591,515	30,075,135	Maximum Subscription	144,593,854	7,591,515	30,075,135	Section 2.4
	Shares	Options	Deferred Consideration Shares											
Minimum Subscription	134,593,854	7,591,515	30,075,135											
Maximum Subscription	144,593,854	7,591,515	30,075,135											
What is the proposed use of funds raised under the Public Offer?	<p>The proceeds of the Public Offer will be applied by the Company as follows:</p> <p>(a) sales and marketing costs;</p> <p>(b) long lead capital items;</p> <p>(c) research and development;</p> <p>(d) provide general working capital; and</p> <p>(e) costs of the Offers.</p>	Section 2.5												

Topic	Summary	More information
<b>Summary of key risks</b>		
<p>Prospective investors should be aware that subscribing for Securities in the Company involves a number of risks. The risk factors set out in Section 5, and other general risks applicable to all investments in listed securities, may affect the value of the Securities in the future. Accordingly, an investment in the Company should be considered highly speculative. This Section summarises the key risks which apply to an investment in the Merged Company and investors should refer to Section 5 for a more detailed summary of the risks. References to the Company include the Merged Company.</p>		
Re-quotation of Shares on ASX	<p>The Acquisition constitutes a significant change in the nature and scale of the Company's activities and the Company needs to re-comply with Chapters 1 and 2 of the Listing Rules as if it were seeking admission to the Official List.</p> <p>There is a risk that the Company may not be able to meet the requirements of the ASX for re-quotation of its Shares on the ASX. Should this occur, the Shares will not be able to be traded on the ASX until such time as those requirements can be met, if at all. Shareholders may be prevented from trading their Shares should the Company be suspended until such time as it does re-comply with the Listing Rules.</p>	Section 5.1(a)
Completion, counterparty and contractual risk	<p>The Company has agreed to acquire 100% of the issued capital of K-TIG subject to the fulfilment of certain conditions precedent. There is a risk that the conditions precedent for completion of the Acquisition (such as, for example, each Minority Seller providing the Company with an executed Short Form Share Sale Agreement) will not be fulfilled and, in turn, that completion of the Acquisition will not occur.</p> <p>The ability of the Company to achieve its stated objectives will depend on the performance by K-TIG and the Vendors of K-TIG of their obligations under the Acquisition Agreement. If K-TIG or any other counterparty defaults in the performance of its obligations, it may be necessary for the Company to approach a court to seek a legal remedy, which can be costly and without any certainty of a favourable outcome.</p>	Section 5.1(c)
Sales and marketing success	<p>While K-TIG is already revenue generating, its ability to sell its products at a larger scale remains a risk to its growth strategy. The success of commercialisation will relate to the acceptance of K-TIG's offerings for routine use within its target markets. Take up of the products and services will involve education of market participants and marketing programmes to raise the profile of K-TIG, its technology and its 'Welding-as-a-Service' (WaaS) business model.</p>	Section 5.2(a)
Manufacturing, supplier and	<p>KTIG's products are in part comprised of products and materials available in the commercial market. The ability</p>	Section 5.2(b)

Topic	Summary	More information
product quality risks	<p>to source underlying products and materials to use in the manufacture of K-TIG's products may be impacted by factors outside of the Company's control. Additionally, K-TIG's estimated cost of components may also vary due to availability of products, resources, materials or any variables that may impact on the cost of components or elements in its products.</p> <p>K-TIG sources certain key components for its systems from third party suppliers. The delivery of such components may be delayed, or a specific supplier may not be able to deliver at all, which may lead to a longer sales cycle or may force K-TIG to shift to another supplier. There is a risk that key components provided by third party suppliers may be defective.</p>	
Key personnel risk	<p>K-TIG's operational success will substantially depend on the continued employment of senior executives, technical staff and other key personnel who have substantial strategic, technical, functional, marketing and customer expertise with K-TIG's technology and are familiar with the Company's business and structure. Although these individuals have entered into contracts with the Company, there is no assurance that such contracts will not be terminated. If such contracts are terminated or breached, or if these individuals no longer continue in their current roles, new personnel will need to be employed, which may adversely affect the business. The Company is substantially dependent on the continued service of its existing personnel because of the complexity of its services and technologies. The departure of any key personnel may also lead to disruptions of customer relationships or delays in the manufacturing and product development efforts. There is no assurance that the Company will be able to retain the services of these persons.</p>	Section 5.2(c)
Development and commercialisation risks	<p>K-TIG is currently investing into new research and development initiatives and new technologies that are still at an early stage of development and validation. While K-TIG is not presently aware of any potential problems, the commerciality of these new products is still uncertain. The Company's success will depend on the Company's ability to implement its business plan, the ability to commercialise its products at a larger scale and the ability of the Company to successfully implement its research and development plans. It is not certain that the Company can or will be able to commercialise its products at a larger scale.</p>	Section 5.2(d)
Technology risk	<p>The Company's market involves rapidly evolving products and technological change. To succeed, the Company will need to research, develop, design, manufacture, assemble, test, market and support substantial enhancements to its existing products, new products and</p>	Section 5.2(e)

Topic	Summary	More information
	<p>technology, on a timely and cost-effective basis. The Company cannot guarantee that it will be able to engage in research and development at the requisite levels. The Company cannot assure investors that it will successfully identify new technological opportunities and continue to have the needed financial resources to develop new products in a timely or cost-effective manner. At the same time, products and technologies developed by others may render the Company's products and systems obsolete or non-competitive.</p>	
Intellectual property risks	<p>The protection of K-TIG's intellectual property depends largely on the ability of K-TIG to protect the underlying know-how for its core technology, while not infringing the proprietary rights of others. The Merged Company may be required to spend significant resources to protect its technology. K-TIG currently has three granted patents. Please refer to the Intellectual Property Report in Section 8 for further details.</p> <p>The commercial value of the Merged Company's intellectual property assets is dependent on any relevant legal protections. These legal mechanisms, however, do not guarantee that the intellectual property will be protected or that the Merged Company's competitive position will be maintained. No assurance can be given that employees or third parties will not breach confidentiality agreements, infringe or misappropriate the Merged Company's intellectual property or commercially sensitive information, or that competitors will not be able to produce non-infringing competitive products. Competition in retaining and sustaining protection of technologies and the complex nature of technologies can lead to expensive and lengthy disputes for which there can be no guaranteed outcome. There can be no assurance that any intellectual property which the Merged Company (or entities it deals with) may have an interest in now or in the future will afford the Merged Company commercially significant protection of technologies, or that any of the projects that may arise from technologies will have commercial applications.</p> <p>Additionally, securing rights to (or developing) technologies complementing the Merged Company's existing intellectual property will also play an important part in the commercial success of the Merged Company. There is no guarantee that such rights can be secured or such technologies can be developed.</p>	Section 5.2(f)
Business strategy execution	<p>The ability of the Company to achieve growth of its business is dependent on the successful implementation of the Company's growth strategies, business plans and strategic initiatives outlined in this Prospectus (including the business model and growth strategy outlined in Sections 3.4 and 3.6 (respectively)). There can be no</p>	Section 5.2(g)

Topic	Summary	More information
	assurance that the Company will be successful in implementing these plans. If the Company is unable to implement its business strategy, there may be adverse effects on its results of operations or financial condition.	
Regulatory risk	<p>K-TIG is subject to continuing regulation, including quality regulations applicable to the manufacture of its products and various reporting regulations. K-TIG's customers (eg fabricators) are also subject to continuing regulation. There can be no guarantee that the regulatory environment in which the Company or its customers currently operates may not change in the future which may impact on the Company's existing products.</p> <p>Depending upon the severity of any failure of K-TIG or its customers to comply with any applicable regulations, K-TIG or its customers could be subject to enforcement actions, including but not limited to: warning letters, fines, injunctions, consent decrees, civil monetary penalties, recalls or seizures of its devices, manufacturing restrictions, closure of its manufacturing operations, modifications or revocations of any clearances and approvals that it already holds or will hold, and/or criminal prosecution. If any such sanctions are imposed against K-TIG or its customers, such sanctions could harm K-TIG's reputation, and depending upon the severity, could have significant adverse impact upon K-TIG's ability to provide services and on its financial condition.</p>	Section 5.2(h)
Licensing risks	K-TIG intends to transition its revenue model to a licencing model for its technology. The licencing model will apply a fee to customers which relates to the amount of welding performed using K-TIG's technology at rates to be agreed with the customer. Whilst the Company will undertake all reasonable due diligence in its dealings with licensees and potential licensees and will endeavour to control licensees through licence and other agreements, the Company may ultimately have limited control over the activities or actions of its licensees, whose activities or actions may, positively or negatively, affect the operating and financial performance of the Company's business. The licensing model does not change the core business of K-TIG, which is developing and delivering its welding technology. Under the licensing revenue model K-TIG is converting from unit sales to welding-as-a-service, and from one-time sales revenue to long-term recurring licencing revenue.	Section 5.2(i)
Loss making operation, future capital needs and additional funding	As at the date of this Prospectus and as set out in section 6, K-TIG is currently loss making and is not cash flow positive, meaning it is reliant on raising funds from investors to continue to fund its operations and product development. Although the Directors consider that the Company will, on Completion of the Public Offer, have sufficient working capital to carry out its stated	Section 5.2(o)

Topic	Summary	More information
	<p>objectives and to satisfy the anticipated current working capital and other capital requirements set out in this Prospectus, there can be no assurance that such objectives can continue to be met in the future without securing further funding.</p> <p>The future capital requirements of the Company will depend on many factors, including the pace and magnitude of the development of its business and sales, and the Company may need to raise additional funds from time to time to finance the ongoing development and commercialisation of its technology and to meet its other longer-term objectives.</p> <p>Should the Company require additional funding, there can be no assurance that additional financing will be available on acceptable terms or at all. Any inability to obtain additional financing, if required, would have a material adverse effect on the Company's business, financial condition and results of operations.</p>	
<b>Directors, Related Party Interest and Substantial Holders</b>		
Who are the Directors?	<p>As at the date of this Prospectus, the Board comprises of:</p> <ul style="list-style-type: none"> <li>(a) Mr Stuart Carmichael - Non-Executive Chairman</li> <li>(b) Mr Colm O'Brien - Non-Executive Director</li> <li>(c) Mr Michael Edwards - Non-Executive Director</li> </ul> <p>Mr Carmichael and Mr O'Brien shall remain as Directors at Completion. It is intended that Mr Edwards will retire at Completion.</p> <p>The Company will appoint the following persons as directors at Completion, subject to prior Shareholder approval:</p> <ul style="list-style-type: none"> <li>(a) Mr Kieran Purcell - Non-Executive Director</li> <li>(b) Mr Syed Shueb - Non-Executive Director</li> </ul>	"Corporate Directory" and Sections 9.1, 9.2 and 9.3
What benefits are being paid to the Directors?	<p>The Company has entered into separate director letter agreements with each of Messrs Carmichael, O'Brien, Purcell and Shueb.</p> <p>The Company has agreed to pay Mr Carmichael a director's fee of \$60,000 plus superannuation for services per year provided on the terms set out in Section 10.3(d)(i).</p> <p>The Company has agreed to pay each of Messrs O'Brien, Purcell and Shueb a directors fee of \$35,000 plus superannuation per year following Completion, on the terms set out in Section 10.3(d)(ii).</p> <p>Mr Carmichael has also received fees as a director of Ventnor Capital. Ventnor Capital has been paid \$82,369 (plus GST) since 20 February 2017 for company secretarial</p>	Section 10.2(e)

Topic	Summary	More information																																				
	services provided to the Company pursuant to a mandate agreement as summarised in Section 10.3(c).																																					
What interests do Directors have in the Securities of the Company?	<p>Set out in the table below are details of the anticipated relevant interests of the Existing Directors and Proposed Directors in the Shares of the Company upon completion of the Offers and the Acquisition:</p> <table><tr><th>Director</th><th>Existing Shares<sup>1</sup></th><th>%</th><th>Shares at Completion</th><th>%<sup>2</sup></th><th>%<sup>3</sup></th></tr><tr><td>Stuart Carmichael</td><td>175,438</td><td>1.38</td><td>175,438</td><td>0.13</td><td>0.10</td></tr><tr><td>Colm O'Brien</td><td>115,263</td><td>0.91</td><td>115,263</td><td>0.09</td><td>0.06</td></tr><tr><td>Michael Edwards</td><td>176,549</td><td>1.39</td><td>176,549</td><td>0.13</td><td>0.10</td></tr><tr><td>Kieran Purcell</td><td>-</td><td>-</td><td>9,972,888</td><td>7.41</td><td>5.47</td></tr><tr><td>Syed Shueb</td><td>-</td><td>-</td><td>2,528,155</td><td>1.88</td><td>1.39</td></tr></table> <p><b>Notes:</b></p> <p>1. Assumes that no existing Options are exercised prior to completion of the Offers and the Acquisition.</p> <p>2. Assumes that the minimum subscription is met, that there are 134,593,854 Shares on issue at completion of the Offers and the Acquisition and no Deferred Consideration Shares are issued or Options exercised.</p> <p>3. Assumes that the Public Offer is fully subscribed, that there are 182,260,504 Shares on issue at completion of the Offers and the Acquisition, that 30,075,135 Deferred Consideration Shares are issued and 7,591,515 Options are exercised.</p>	Director	Existing Shares <sup>1</sup>	%	Shares at Completion	% <sup>2</sup>	% <sup>3</sup>	Stuart Carmichael	175,438	1.38	175,438	0.13	0.10	Colm O'Brien	115,263	0.91	115,263	0.09	0.06	Michael Edwards	176,549	1.39	176,549	0.13	0.10	Kieran Purcell	-	-	9,972,888	7.41	5.47	Syed Shueb	-	-	2,528,155	1.88	1.39	Section 9.6
Director	Existing Shares <sup>1</sup>	%	Shares at Completion	% <sup>2</sup>	% <sup>3</sup>																																	
Stuart Carmichael	175,438	1.38	175,438	0.13	0.10																																	
Colm O'Brien	115,263	0.91	115,263	0.09	0.06																																	
Michael Edwards	176,549	1.39	176,549	0.13	0.10																																	
Kieran Purcell	-	-	9,972,888	7.41	5.47																																	
Syed Shueb	-	-	2,528,155	1.88	1.39																																	
What important contracts with related parties is the Company a party to?	<p>The Company has entered into the following related party transactions:</p> <p>(a) letters of appointment with each of the Directors on standard terms;</p> <p>(b) deeds of indemnity, insurance and access with each of the Directors on standard terms;</p> <p>(c) Distribution Agreements between K-TIG and each of PCT Group Limited and WB Alloy Welding Products Limited (Mr William Wilson, a director of K-TIG, is a director and shareholder of PCT Group Limited, and WB Alloy Welding Products Limited is an entity associated with PCT Group Limited); and</p> <p>(d) Company Secretarial Mandate with Ventnor Capital, a business controlled by Director Stuart Carmichael.</p>	Section 9.8 and 10.2(a)																																				
Who will be the substantial	As at the date of this Prospectus, the following Shareholders (and their associates) hold 5% or more of the total number of Shares on issue in the Company (assuming	Section 11.4																																				

Topic	Summary	More information																																		
holders of the Company?	<p>that no convertible Securities (e.g. Options) are converted into Shares):</p> <table><tr><th>Name</th><th>Shares</th><th>%<sup>1</sup></th></tr><tr><td>Ferguson Superannuation Pty Ltd</td><td>701,724</td><td>5.54%</td></tr></table> <p><b>Notes:</b></p> <p>1. Based on 12,668,353 Shares being on issue at the date of this Prospectus.</p> <p>Based on the information known as at the date of this Prospectus, on completion of the Offers and on Admission, the following persons will have an interest in 5% or more of the Shares on issue:</p> <table><tr><th>Shareholder</th><th>Shares<sup>1</sup></th><th>(min) %<sup>2</sup></th><th>(max) %<sup>3</sup></th><th>Shares<sup>4</sup></th><th>(min) %<sup>5</sup></th><th>(max) %<sup>6</sup></th></tr><tr><td>Advanced Science &amp; Innovation Company LLC</td><td>19,717,068</td><td>14.65</td><td>13.64</td><td>27,902,089</td><td>16.20</td><td>15.31</td></tr><tr><td>Neil Gary Le Quesne (combined holding)</td><td>11,962,407</td><td>8.89</td><td>8.27</td><td>16,334,809</td><td>9.48</td><td>8.96</td></tr><tr><td>Kieran Michael Purcell</td><td>9,972,888</td><td>7.41</td><td>6.90</td><td>13,426,792</td><td>7.79</td><td>7.37</td></tr></table> <p><b>Notes:</b></p> <p>1. Consideration Shares to be issued pursuant to the Acquisition Agreement.</p> <p>2. Based on 134,593,854 Shares being on issue (Minimum Subscription).</p> <p>3. Based on 144,593,854 Shares being on issue (Maximum Subscription)</p> <p>4. Consideration Shares and Deferred Consideration Shares to be issued pursuant to the Acquisition Agreement.</p> <p>5. Based on 172,260,504 Shares being issue, and assuming the Minimum Subscription is raised, 30,075,135 Deferred Consideration Shares are issued and 7,591,515 Options are exercised.</p> <p>6. Based on 182,260,504 Shares being issue, and assuming the Maximum Subscription is raised, 30,075,135 Deferred Consideration Shares are issued and 7,591,515 Options are exercised.</p>	Name	Shares	% <sup>1</sup>	Ferguson Superannuation Pty Ltd	701,724	5.54%	Shareholder	Shares <sup>1</sup>	(min) % <sup>2</sup>	(max) % <sup>3</sup>	Shares <sup>4</sup>	(min) % <sup>5</sup>	(max) % <sup>6</sup>	Advanced Science & Innovation Company LLC	19,717,068	14.65	13.64	27,902,089	16.20	15.31	Neil Gary Le Quesne (combined holding)	11,962,407	8.89	8.27	16,334,809	9.48	8.96	Kieran Michael Purcell	9,972,888	7.41	6.90	13,426,792	7.79	7.37	
Name	Shares	% <sup>1</sup>																																		
Ferguson Superannuation Pty Ltd	701,724	5.54%																																		
Shareholder	Shares <sup>1</sup>	(min) % <sup>2</sup>	(max) % <sup>3</sup>	Shares <sup>4</sup>	(min) % <sup>5</sup>	(max) % <sup>6</sup>																														
Advanced Science & Innovation Company LLC	19,717,068	14.65	13.64	27,902,089	16.20	15.31																														
Neil Gary Le Quesne (combined holding)	11,962,407	8.89	8.27	16,334,809	9.48	8.96																														
Kieran Michael Purcell	9,972,888	7.41	6.90	13,426,792	7.79	7.37																														
What fees are payable to the Lead Manager?	Pursuant to the Lead Manager Mandate, the Company has or will pay to Alto Capital the following fees in connection with corporate advisory services, pre-initial public offer capital raising and the Public Offer:	Section 2.6																																		

Topic	Summary	More information																
	<table><tr><th></th><th>Corporate Advisory Services</th><th>Pre-IPO Corporate Advisory Services</th><th>Pre-IPO Raising Fee</th><th>IPO Corporate Advisory Services</th><th>Public Offer Fee</th></tr><tr><td>Alto Capital</td><td>\$Nil</td><td>\$25,390<sup>1</sup></td><td>\$81,000<sup>2</sup></td><td>\$Nil</td><td>\$420,000<sup>3</sup></td></tr></table> <p><b>Notes:</b></p> <ol style="list-style-type: none"><li>1. Alto Capital has provided corporate advisory and capital raising services to the Company since July 2017. Total fees payable to Alto Capital over this period totalled \$25,390.</li><li>2. Alto Capital received a capital raising fee of 6% for the \$1.35 million Convertible Note raise undertaken by K-TIG.</li><li>3. Based on the Maximum Subscription being raised. Alto Capital reserves the right to allocate a part of these funds to third-parties who assist with the Public Offer.</li></ol>		Corporate Advisory Services	Pre-IPO Corporate Advisory Services	Pre-IPO Raising Fee	IPO Corporate Advisory Services	Public Offer Fee	Alto Capital	\$Nil	\$25,390 <sup>1</sup>	\$81,000 <sup>2</sup>	\$Nil	\$420,000 <sup>3</sup>					
	Corporate Advisory Services	Pre-IPO Corporate Advisory Services	Pre-IPO Raising Fee	IPO Corporate Advisory Services	Public Offer Fee													
Alto Capital	\$Nil	\$25,390 <sup>1</sup>	\$81,000 <sup>2</sup>	\$Nil	\$420,000 <sup>3</sup>													
What is the Lead Manager's relevant interest in the Securities of the Company?	<p>As at the date of this Prospectus, Alto Capital (and its associates) have a relevant interest in the following Securities:</p> <table><tr><th></th><th>Shares</th><th>%<sup>1</sup></th><th>Options</th></tr><tr><td>Alto Capital<sup>2</sup></td><td>Nil</td><td>Nil</td><td>105,263</td></tr></table> <p>Based on the information available to the Company as at the date of the Prospectus regarding Alto Capital (and its associates') intentions in relation to the Public Offer and Advisor Offer, they will have a relevant interest in the following Securities on Admission:</p> <table><tr><th></th><th>Shares</th><th>%<sup>3</sup></th><th>Options</th></tr><tr><td>Alto Capital</td><td>6,175,000</td><td>4.59</td><td>4,437,064</td></tr></table> <p><b>Notes:</b></p> <ol style="list-style-type: none"><li>1. Based on 12,668,353 Shares being on issue at the date of this Prospectus.</li><li>2. The Company previously issued to the Lead Manager 701,754 quoted Options exercisable at \$0.23 each on or before 30 April 2021, at an issue price of \$0.0001, for previous corporate services unrelated to the Public Offer, of which 596,491 Options have been exercised into Shares.</li><li>3. Based on 134,593,854 Shares being on issue (Minimum Subscription). Alto Capital reserves the right to allocate a part of these Shares and Options to third parties who assist with the Public Offer.</li><li>4. This table assumes that Alto Capital and its associates (and nominees) will take up 5,475,000 Shares and 4,331,801 Options under the Advisor Offer and 300,000 Shares under the Conversion Offer and 400,000 Shares under the Public Offer.</li></ol> <p>Other than as set out in Section 2.6(c), Alto Capital has not participated in a placement of Securities by the Company in the 2 years preceding lodgement of this Prospectus.</p>		Shares	% <sup>1</sup>	Options	Alto Capital <sup>2</sup>	Nil	Nil	105,263		Shares	% <sup>3</sup>	Options	Alto Capital	6,175,000	4.59	4,437,064	Section 2.6
	Shares	% <sup>1</sup>	Options															
Alto Capital <sup>2</sup>	Nil	Nil	105,263															
	Shares	% <sup>3</sup>	Options															
Alto Capital	6,175,000	4.59	4,437,064															

Topic	Summary	More information
<b>What is the Public Offer?</b>		
What is the Public Offer?	The Public Offer is an offer of up to 35,000,000 Shares at the Offer Price to raise up to \$7,000,000 (before costs). The Public Offer is open to the general public.	Section 2.1
What is the Public Offer Price?	\$0.20 per Share	Section 2.1
What is the minimum subscription amount under the Public Offer?	The Minimum Subscription for the Public Offer is 25,000,000 Shares at \$0.20 per Share to raise \$5,000,000 before costs.	Section 2.1(b)
Will the Shares be quoted?	Application for quotation of all Shares to be issued under the Public Offer will be made to ASX no later than 7 days after the date of this Prospectus.	"Corporate Directory" and Section 1.4
What is the purpose of this Prospectus?	<p>The purposes of the Public Offer are to:</p> <ul style="list-style-type: none"> <li>(a) assist with the Company's re-compliance with the admission requirements under Chapters 1 and 2 of the Listing Rules following a significant change to the nature and scale of the Company's activities; and</li> <li>(b) provide funding for the purposes outlined in Section 2.5.</li> </ul>	Section 2.1(c)
What are the conditions of the Public Offer?	<p>The Offers under this Prospectus are conditional upon the following events occurring:</p> <ul style="list-style-type: none"> <li>(a) the Acquisition Agreement becoming unconditional;</li> <li>(b) Shareholders approving the Essential Resolutions;</li> <li>(c) the Company raising the Minimum Subscription, being \$5,000,000, under the Public Offer; and</li> <li>(d) ASX providing the Company with a list of conditions which, when satisfied, will result in ASX reinstating the Shares to quotation on ASX upon the satisfaction of Chapters 1 and 2 of the Listing Rules.</li> </ul> <p>If these conditions are not satisfied then the Offers will not proceed and the Company will repay all Application Monies received under the Public Offer in accordance with the Corporations Act.</p>	Section 2.3
Are there any escrow arrangements?	Subject to the Company complying with Chapters 1 and 2 of the Listing Rules and completing the Offers, certain Securities on issue may be classified by ASX as restricted Securities and will be required to be held in escrow for up to 24 months from the date of official quotation.	Section 2.13

Topic	Summary	More information														
	<p>Prior to the Company's Shares being admitted to quotation on the ASX, the Company will enter into escrow agreements with the recipients of any restricted Securities in accordance with Chapter 9 of the Listing Rules, and the Company will announce to ASX full details (quantity and duration) of any Securities required to be held in escrow.</p> <p>During the period in which these Securities are prohibited from being transferred, trading in Shares may be less liquid which may impact on the ability of a Shareholder to dispose of his or her Shares in a timely manner.</p> <p>As at the date of this Prospectus, the Company expects approximately 34,773,916 Shares and 5,472,152 Options to be subject to up to 24 months' escrow, and 4,206,667 Shares and nil Options to be subject to 12 months' escrow representing an aggregate of approximately 33% of the Shares on issue on re-admission (assuming the Minimum Subscription is met and no Options are exercised).</p>															
What is the Public Offer period?	<table><tr><th colspan="2">Important dates</th></tr><tr><td>Prospectus lodged</td><td>2 August 2019</td></tr><tr><td>Opening Date</td><td>10 August 2019</td></tr><tr><td>Closing Date</td><td>20 August 2019</td></tr><tr><td>New Shares issued</td><td>18 September 2019</td></tr><tr><td>Holding statements sent</td><td>20 September 2019</td></tr><tr><td>Trading commences</td><td>30 September 2019</td></tr></table> <p>The above dates are indicative only and may change without notice.</p>	Important dates		Prospectus lodged	2 August 2019	Opening Date	10 August 2019	Closing Date	20 August 2019	New Shares issued	18 September 2019	Holding statements sent	20 September 2019	Trading commences	30 September 2019	"Indicative Timetable"
Important dates																
Prospectus lodged	2 August 2019															
Opening Date	10 August 2019															
Closing Date	20 August 2019															
New Shares issued	18 September 2019															
Holding statements sent	20 September 2019															
Trading commences	30 September 2019															
Is the Public Offer underwritten?	No, the Public Offer is not underwritten.	Section 2.9														
What is being offered under the Secondary Offers and what are the purposes of the Secondary Offers?	<p>This Prospectus also contains the following Secondary Offers:</p> <p>(a) <b>Consideration Offer:</b> an offer of up to 80,200,501 Consideration Shares to the Vendors (or their nominee(s));</p> <p>(b) <b>Conversion Offer:</b> an offer of up to 11,250,000 Shares on conversion of Convertible Notes issued by K-TIG; and</p> <p>(c) <b>Advisor Offer:</b> an offer of up to 5,475,000 Shares and up to 4,331,801 Options to Alto Capital (or its nominee(s)).</p>	Section 2.2														

Topic	Summary	More information
	<p>The purposes of the Secondary Offers are to remove the need for an additional disclosure document to be issued upon the sale of any Securities that are issued under the Secondary Offer.</p> <p>The Secondary Offers are made to the Vendors, the Convertible Note holders and Alto Capital (or their respective nominee(s)). You should not complete an Application Form in relation to the Secondary Offer unless specifically directed to do so by the Company.</p>	
<b>Additional information</b>		
Will the Company be adequately funded after completion of the Public Offer?	The Directors are satisfied that on completion of the Public Offer, the Company will have sufficient working capital to carry out its objectives as stated in this Prospectus.	Section 2.5
What rights and liabilities attach to the Securities on issue?	The rights and liabilities attaching to the Shares are described in Section 11.1. The rights and liabilities attaching to Options are described in Section 11.2 .	Sections 11.1 and 11.2
Who is eligible to participate in the Offers?	<p>The Public Offer is open to all investors with a registered address in Australia.</p> <p>Only the Vendors (or their nominees) may accept the Consideration Offer.</p> <p>Only the Convertible Note holders (or their nominees) may accept the Conversion Offer.</p> <p>Only Alto Capital (or its nominees) may accept the Advisor Offer.</p>	Section 2
How do I apply for Shares under the Public Offer?	<p>Applications for Shares under the Public Offer must be made using the Application Form (in respect to the Public Offer).</p> <p>Applications for Shares must be for a minimum of 10,000 Shares (i.e. \$2,000) and thereafter in multiples of 2,500 Shares and payment for the Shares must be paid in full at the issue price of \$0.20 per Share.</p> <p>All Application Forms must be completed in accordance with the instructions accompanying the Application Form.</p>	Section 2.10
What is the allocation policy?	<p>The Directors, in conjunction with the Lead Manager, will allocate Shares at their sole discretion with a view to:</p> <p>(a) obtaining an appropriate spread of Shareholders to satisfy Listing Rule 1.1 condition 8;</p>	Section 2.11

Topic	Summary	More information
	<p>(b) recognising the ongoing support of existing Shareholders;</p> <p>(c) identifying new potential long-term or cornerstone investors; and</p> <p>(d) ensuring an appropriate Shareholder base for the Company going forward.</p> <p>There is no assurance that any Applicant will be allocated any Shares for which the Applicant has applied.</p>	
When will I receive confirmation that my Application has been successful?	Holding statements confirming allocations under the Public Offer will be sent to successful applicants as required by ASX. Holding statements are expected to be issued to Shareholders on or about 20 September 2019.	"Indicative Timetable"
What is the Company's dividend policy?	The Board can provide no guarantee as to the extent of future dividends, as these will depend on, among other things, the actual levels of profitability and the financial and taxation position of the Company at the time.	Section 9.9
How can I find out more about the Prospectus or the Offers?	By speaking to your sharebroker, solicitor, accountant or other independent professional adviser or by contacting the Company Secretary on +61 8 9482 0500.	"Corporate Directory"

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# 1. TRANSACTION OVERVIEW

## 1.1 THE ACQUISITION

As announced on 14 March 2019, the Company entered into a non-binding term sheet pursuant to which it agreed, subject to the satisfaction of certain conditions precedent, to acquire 100% of the issued capital of Keyhole TIG Limited (**K-TIG**).

A binding share sale agreement between the Company, K-TIG and its majority vendors (**Acquisition Agreement**) was subsequently entered into and announced on 29 April 2019, whereby the Company agreed to acquire 100% of the fully paid issued capital of K-TIG (**Acquisition**).

A summary of the material terms and conditions of the Acquisition Agreement is set out in Section 10.3(a). Pursuant to the Acquisition, 100% of the issued capital of K-TIG will be transferred to the Company.

## 1.2 ABOUT K-TIG

K-TIG has developed disruptive welding technology that seeks to change the economics of fabrication.

Further information about K-TIG and the K-TIG System is contained in Section 3.

## 1.3 EXISTING ACTIVITIES OF THE COMPANY

The Company was admitted to the Official List on 30 October 2012.

The Company currently operates a 'Design Campus' business, which is a database of professional designers and an online education platform. The Company intends to wind-up the existing Design Campus operations following re-admission to the ASX.

## 1.4 SUSPENSION AND REINSTATEMENT ON ASX

ASX has determined that the Acquisition, if successfully completed, will represent a significant change in the nature and scale of the Company's activities and requires the Company to re-comply with Chapters 1 and 2 of the Listing Rules.

The significant change in the nature and scale of the Company's activities requires:

- (a) the approval of Shareholders; and
- (b) the Company to re-comply with the admission requirements set out in Chapters 1 and 2 of the Listing Rules.

The Company's Securities are currently suspended from trading on ASX and will not be reinstated unless:

- (a) each Essential Resolution is passed by Shareholders (see Section 1.5 below for further details); and
- (b) ASX is satisfied the Company has met the requirements of Chapters 1 and 2 of the Listing Rules.

Some of the key requirements of Chapters 1 and 2 of the Listing Rules are:

- (a) the Company must satisfy the shareholder spread requirements relating to the minimum number of Shareholders and the minimum value of the shareholdings of those Shareholders; and
- (b) the Company must satisfy the "assets test" as set out in Listing Rule 1.3.

It is expected that the conduct of the Public Offer pursuant to this Prospectus will enable the Company to satisfy the above requirements.

Applicants should be aware that ASX will not re-admit or admit any Shares to official quotation until the Company re-complies with Chapters 1 and 2 of the Listing Rules and is re-admitted by ASX to the Official List.

In the event that the Company does not receive conditional approval for re-admission to the Official List, the Company will not proceed with the Public Offer and will repay all Application Monies received by it in connection with this Prospectus (without interest).

The Company will apply to ASX no later than 7 days from the date of this Prospectus for ASX to grant official quotation of the Shares issued pursuant to this Prospectus. If the Shares are not admitted to quotation within three months after the date of this Prospectus, no Shares will be issued and Application Monies received under the Public Offer will be refunded in full without interest in accordance with the Corporations Act.

Neither ASX nor ASIC take responsibility for the contents of this Prospectus. The fact that ASX may grant official quotation to the Shares issued pursuant to this Prospectus is not to be taken in any way as an indication by ASX as to the merits of the Company or the Shares.

## **1.5 GENERAL MEETING**

The Company has called the General Meeting primarily for the purpose of seeking the approval of Shareholders to a number of resolutions required to implement the Acquisition.

It is a condition to completion of the Offers under this Prospectus, as well as the Acquisition, that each of the following resolutions are approved by Shareholders:

- (a) Consolidation: the Company undertaking a consolidation of its Securities on a 57-for-1 basis (for the avoidance of doubt, all references to Securities in this Prospectus are made on a post-Consolidation basis, unless specified otherwise);
- (b) Change in nature and scale of activities: the Company changing the nature and scale of its activities as a result of the Acquisition;
- (c) Consideration Offer: the issue of up to 80,200,501 Consideration Shares to the Vendors (or their nominees) under the Consideration Offer (refer to Section 2.2(a));
- (d) Deferred Consideration: the issue of up to 30,075,135 Deferred Consideration Shares to the Vendors (or their respective nominees), upon satisfaction of the following milestones:

- (i) **(Tranche 1)** up to 10,025,045 Deferred Consideration Shares if K-TIG achieves \$30,000,000 of cumulative revenue within 36 months from 1 January 2020;
  - (ii) **(Tranche 2)** up to 10,025,045 Deferred Consideration Shares if K-TIG achieves \$60,000,000 of cumulative revenue within 48 months from 1 January 2020; and
  - (iii) **(Tranche 3)** up to 10,025,045 Deferred Consideration Shares if K-TIG achieves \$15,000,000 cumulative EBITDA within 48 months from 1 January 2020,
- (e) Public Offer: the issue of up to 35,000,000 Shares under the Public Offer (refer to Section 2.1);
  - (f) Conversion Offer: the issue up to 11,250,000 Convertible Note Shares convertible at a proposed conversion price of \$0.12 per Share (refer to Section 2.2(b));
  - (g) Advisor Offer: the issue of up to 5,475,000 Shares and up to 4,331,801 Options to Alto Capital (or its nominees) (refer to Section 2.2(c));
  - (h) Appointment of Proposed Directors: the appointment of Messrs Kieran Purcell and Mr Syed Shueb (**Proposed Directors**) to the Board at Completion (refer to Section 9);
  - (i) Employee Incentive Scheme: the adoption of the Company's Employee Incentive Scheme (**Scheme**) (refer to Section 11.2 for a summary of the Scheme);
  - (j) Director Options: issue up to a total of 1,140,351 Director Options exercisable at \$0.30 each and expiring 4 years from the date of Completion to Messrs Carmichael, O'Brien, Edwards, Purcell and Shueb (refer to Section 2.4 and 11.2);
  - (k) Change of name: the Company changing its name to "K-TIG Limited"; and
  - (l) Constitution: the Company repealing its existing constitution and adopting a new constitution in its place,

(each an **Essential Resolution**).

If any of the Essential Resolutions are not approved by Shareholders the Acquisition (including the Offers under this Prospectus) will not be completed and this Prospectus will be withdrawn.

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## 2. DETAILS OF THE OFFERS

### 2.1 PUBLIC OFFER

#### (a) General

Pursuant to the Public Offer the Company offers up to 35,000,000 Shares at an Offer Price of \$0.20 per Share to raise up to \$7,000,000 (before costs). The Public Offer is open to the general public.

The Shares to be issued pursuant to the Public Offer will be of the same class and will rank equally in all respects with the existing Shares in the Company. The rights and liabilities attaching to the Shares are further described in Section 11.1.

Applications for Shares under the Public Offer must be made on the Public Offer Application Form accompanying this Prospectus and received by the Company on or before the Closing Date. Persons wishing to apply for Shares under the Public Offer should refer to Section 2.10 for further details and instructions.

#### (b) Minimum subscription

The minimum level of subscription for the Public Offer is 25,000,000 Shares to raise a minimum of \$5,000,000 (before costs) (**Minimum Subscription**). If the Minimum Subscription has not been achieved within three months after the date of this Prospectus (or such period as varied by ASIC), the Company will not issue any Securities under this Prospectus and will repay all Application Monies in accordance with the Corporations Act.

#### (c) Purpose of the Public Offer

The purposes of the Public Offer are to:

- (i) assist with the Company's re-compliance with the admission requirements under Chapters 1 and 2 of the Listing Rules following a significant change to the nature and scale of the Company's activities; and
- (ii) provide funding for the purposes outlined in Section 2.5.

### 2.2 SECONDARY OFFERS

The Company is also undertaking the Secondary Offers (described below) in connection with the Acquisition. The Secondary Offers are being made under this Prospectus to remove the need for an additional disclosure document to be issued upon the sale of any Securities (or any Shares issued on exercise of any Options into Shares) that are issued under the Secondary Offers.

#### (a) Consideration Offer

The Prospectus also includes the Consideration Offer, under which the Company offers up to 80,200,501 to the Vendors (or their nominees) as part consideration for the Acquisition.

The Shares to be issued pursuant to the Consideration Offer will be of the same class and will rank equally in all respects with the existing Shares in the Company. A summary of the rights and liabilities attaching to the Shares is set out in Section 11.1 of the Prospectus.

Applications for Shares under the Consideration Offer may only be made by the Vendors (or their nominees) on the personalised Consideration Offer Application Form issued to the Vendors together with a copy of this Prospectus, and must be completed and received by the Company on or before the Closing Date. The Company will only provide Consideration Offer Application Forms to persons entitled to participate in the Consideration Offer.

Persons wishing to apply for Shares under the Consideration Offer should refer to Section 2.10 for further details and instructions. No Application Monies are payable under the Consideration Offer.

**(b) Conversion Offer**

This Prospectus includes the Conversion Offer. The Conversion Offer is comprised of an offer of up to 11,250,000 Shares (**Convertible Note Shares**) to the holders of the Convertible Notes, who are professional and sophisticated investors.

The Convertible Note Shares to be issued will be of the same class and will rank equally in all respects with the existing Shares in the Company. A summary of the rights and liabilities attaching to the Shares is set out in Section 11.1 of the Prospectus.

Applications for Shares under the Conversion Offer may only be made by the holders of the Convertible Notes on the personalised Conversion Offer Application Form issued to the Convertible Notes holders together with a copy of this Prospectus, and must be completed and received by the Company on or before the Closing Date. The Company will only provide Conversion Offer Application Forms to persons entitled to participate in the Conversion Offer.

Persons wishing to apply for Securities under the Conversion Offer should refer to Section 2.10 for further details and instructions. No Application Monies are payable under the Conversion Offer.

**(c) Advisor Offer**

This Prospectus includes the Advisor Offer. The Advisor Offer is made as part consideration for services in relation to the Acquisition and is comprised of an offer of up to 5,475,000 Shares (**Advisor Shares**) and up to 4,331,801 Options exercisable at \$0.30 each and expiring 4 years from the date of Completion (**Advisor Options**) to Alto Capital (or its nominees).

The Advisor Shares to be issued will be of the same class and will rank equally in all respects with the existing Shares in the Company. A summary of the rights and liabilities attaching to the Shares is set out in Section 11.1 of the Prospectus. The total number of Advisor Shares to be issued under the Lead Manager Mandate is 5,475,000 Advisor Shares. The total number of Advisor Options to be issued under the Lead Manager Mandate is 4,331,801 Advisor Options. The actual number of Advisor Options to be issued under the Lead Manager shall be equivalent to approximately 3% of the issued capital of the Company on Completion. That is, if a lesser amount to the Maximum Subscription is raised, the Advisor Options will be reduced accordingly.

The terms and conditions of the Advisor Options are set out in Section 11.2. Shares issued on exercise of the Advisor Options will be of the same class and will rank equally in all respects with the existing Shares in the Company.

Applications for Securities under the Advisor Offer may only be made by the Advisor or its nominees on the personalised Advisor Offer Application Form issued to Alto Capital or its nominees together with a copy of this Prospectus, and must be completed and received by the Company on or before the Closing Date. The Company will only provide Advisor Offer Application Forms to persons entitled to participate in the Advisor Offer.

Persons wishing to apply for Securities under the Advisor Offer should refer to Section 2.10 for further details and instructions. No Application Monies are payable under the Advisor Offer.

The Company expects all Securities issued under the Advisor Offer will be escrowed for 24 months in accordance with the Listing Rules.

**(d) Deferred Consideration Shares**

Subject to Completion, and upon satisfaction of the milestones set out in Section 10.3(a)(i), the Deferred Consideration Shares will be issued to the Vendors (or their nominees).

In the event that the relevant milestones are met, the Company will issue the Deferred Consideration Shares pursuant to a separate prospectus and the Vendors (or their nominees) will be provided with a separate application form. For the avoidance of doubt, the Deferred Consideration Shares are not being offered under this Prospectus.

## **2.3 CONDITIONAL**

The Offers under this Prospectus are conditional upon the following events occurring:

- (a) the Acquisition Agreement becoming unconditional;
- (b) Shareholders approving the Essential Resolutions;
- (c) the Company raising the Minimum Subscription, being \$5,000,000, under the Public Offer (refer to Section 2.1(b)); and
- (d) ASX providing the Company with a list of conditions which, when satisfied, will result in ASX reinstating the Shares to quotation on ASX upon the satisfaction of Chapters 1 and 2 of the Listing Rules.

If these conditions are not satisfied then the Offers will not proceed and the Company will repay all Application Monies received under the Public Offer in accordance with the Corporations Act.

## 2.4 CAPITAL STRUCTURE

The proposed pro forma capital structure of the Company following completion of the Offers and the Acquisition is as follows:

	Shares	Options
Securities currently on issue (pre-Consolidation)	722,096,113	120,803,708
Securities currently on issue (post-Consolidation 57:1)	12,668,353	2,119,363 <sup>1</sup>
Shares offered pursuant to the Consideration Offer	80,200,501	-
Shares to be offered under the Public Offer for \$0.20 each:		
Minimum Subscription (\$5,000,000 (before costs))	25,000,000	-
Maximum Subscription (\$7,000,000 (before costs))	35,000,000	-
Shares to be offered pursuant to the Conversion Offer	11,250,000	
Securities offered pursuant to the Advisor Offer	5,475,000	4,331,801 <sup>2</sup>
Director Options		1,140,351 <sup>3</sup>
<b>Securities on issue on completion of the Offers</b>		
<b>Minimum Subscription</b>	<b>134,593,854</b>	<b>7,591,515</b>
<b>Maximum Subscription</b>	<b>144,593,854</b>	<b>7,591,515</b>
Deferred Consideration Shares	30,075,135 <sup>4</sup>	-
<b>Fully diluted Share capital</b>		
<b>Minimum Subscription</b>	<b>172,260,504</b>	-
<b>Maximum Subscription</b>	<b>182,260,504</b>	-

### Notes:

- Comprising:
  - 2,118,047 quoted Options with an exercise price of \$0.228 each expiring on 30 April 2021; and
  - 1,316 unquoted Options exercisable at \$2.85 each on or before 30 September 2019.
- Advisor Options will be unquoted Options exercisable at \$0.30 each and will expire 4 years from the date of Completion. Full terms and conditions of the Advisor Options are set out in Section 11.2 below.

3. Director Options will be unquoted Options exercisable at \$0.30 each and will expire 4 years from the date of Completion. Full terms and conditions of the Director Options are set out in Section 11.2 below.
4. Deferred Consideration Shares to be issued to the Vendors (or their respective nominees), upon satisfaction of certain milestones (refer to Sections 2.2(d) and 10.3(a)(i)).

## 2.5 PROPOSED USE OF FUNDS

Following the Public Offer, it is anticipated that the following funds will be available to the Company:

Source of funds	Amount \$
Existing cash reserves <sup>1</sup>	34,506
Cash reserves of K-TIG <sup>2</sup>	694,704
Proceeds from the Public Offer	
Minimum Subscription	5,000,000
Maximum Subscription	7,000,000
<b>Total funds available</b>	
<b>Minimum Subscription</b>	<b>5,729,210</b>
<b>Maximum Subscription</b>	<b>7,729,210</b>

### Notes:

1. Refer to the Independent Limited Assurance Report set out in Section 7 of this Prospectus for further details.
2. The cash reserves of K-TIG are to be acquired by the Company following completion of the Acquisition. Refer to the Independent Limited Assurance Report set out in Section 7 of this Prospectus for further details.

The Company intends to use the funds raised under the Public Offer, together with the Company's estimated existing cash reserves of approximately \$729,210, following the reinstatement of the Company's Securities to quotation on the Official List of ASX as follows:

	Minimum Subscription (\$5m)		Maximum Subscription (\$7m)	
Allocation of funds	Amount (\$)	%	Amount (\$)	%
Sales and Marketing Costs	425,000	8.5	1,500,000	21.4
Long Lead Capital Items <sup>1</sup>	2,655,000	53.1	2,655,000	37.9
Research and development	680,000	13.6	946,000	13.5
Working capital <sup>2</sup>	670,000	13.4	1,206,000	17.2

	Minimum Subscription (\$5m)		Maximum Subscription (\$7m)	
Allocation of funds	Amount (\$)	%	Amount (\$)	%
Offer costs <sup>3</sup>	570,000	11.4	693,000	9.9
<b>TOTAL</b>	<b>5,000,000</b>	<b>100.0</b>	<b>7,000,000</b>	<b>100.0</b>

**Notes:**

1. The long lead capital items include precision laser cutting machines (\$2m), grow lines (\$300,000), seamers (\$200,000) and bed rollers (\$155,000).
2. Working capital includes corporate administration, directors' fees, ASX and share registry fees, legal, tax, audit, company secretarial, insurance and travel costs.
3. Refer to Section 11.7 for further details on expenses of the Offers.
4. As set out in Section 5.2(m) the Department of Industry, Innovation and Science is undertaking an examination of K-TIG's 2018-2019 financial year R&D Tax Incentive registration. The examination may result in the registered activities being ineligible for the 2018 R&D Tax Incentive, and K-TIG having to repay claims it has received. The total amount claimed and received for the 2017-2018 financial year was \$302,807. K-TIG is currently in discussion with the Department of Industry, Innovation and Science regarding this matter. In the event that this amount is required to be repaid it will be repaid from working capital.

The above table is a statement of current intentions as at the date of this Prospectus. Shareholders should note that, as with any budget, the allocation of funds set out in the above table may change depending on a number of factors, including the outcome of operational and development activities, regulatory developments and market and general economic conditions. In light of this, the Board reserves the right to alter the way the funds are applied.

The Board is satisfied that upon completion of the Public Offer, the Company will have sufficient working capital to meet its stated objectives.

## 2.6 ADVISOR'S INTEREST IN THE PUBLIC OFFER

Alto Capital (also referred to in this Prospectus as the "Lead Manager") is lead manager to the Company in respect of the Public Offer. Alto Capital is party to the Lead Manager Mandate that is summarised in Section 10.3(b).

### (a) Fees payable to advisors

Pursuant to the Lead Manager Mandate, the Company has or will pay to Alto Capital the following fees in connection with the Public Offer:

Corporate Advisory Services	Pre-listing Corporate Advisory Services	Pre-listing Raising Fee	IPO Corporate Advisory Services	Public Offer Fee
\$Nil	\$25,340 <sup>1</sup>	\$81,000 <sup>2</sup>	\$Nil	\$420,000 <sup>3</sup>

**Notes:**

1. Alto Capital has provided corporate advisory and capital raising services to the Company since July 2017. Total fees payable to Alto Capital over this period totalled \$25,340.
2. Alto Capital received a capital raising fee of 6% for the \$1.35 million Convertible Note raise undertaken by K-TIG.
3. Based on the Maximum Subscription being raised. Alto Capital reserves the right to allocate a part of these funds to third parties who assist with the Public Offer or the Public Offer.

**(b) Advisors' interests in Securities**

- (i) As at the date of this Prospectus, Alto Capital (and its associates) have a relevant interest in the following Securities:

	Shares	% <sup>1</sup>	Options
Alto Capital <sup>2</sup>	Nil	Nil	105,263

- (ii) Based on the information available to the Company as at the date of the Prospectus regarding Alto Capital (and its associates') intentions in relation to the Public Offer and Advisor Offer, they will have a relevant interest in the following Securities on Admission:

	Shares	% <sup>3</sup>	Options
Alto Capital	6,175,000	4.59	4,437,064

**Notes:**

1. Based on 12,668,353 Shares being on issue at the date of this Prospectus.
2. The Company previously issued to the Lead Manager 701,754 quoted Options exercisable at \$0.23 each on or before 30 April 2021, at an issue price of \$0.0001, for previous corporate services unrelated to the Public Offer, of which 631,579 Options have been exercised into Shares.
3. Based on 134,593,854 Shares being on issue (Minimum Subscription). Alto Capital reserves the right to allocate a part of these Shares and Options to third parties who assist with the Public Offer.
4. This table assumes that Alto Capital and its associates (and nominees) will take up 5,475,000 Shares and 4,331,801 Options under the Advisor Offer and 300,000 Shares under the Conversion Offer and 400,000 Shares under the Public Offer.

**(c) Advisors' participation in previous placements**

Other than as detailed in below, Alto Capital have not participated in a placement of Securities by the Company in the 2 years preceding lodgement of this Prospectus.

Alto Capital have been issued Shares as follows:

Placement Round	Number of Shares	Consideration Paid	Date Issued
Rights Issue <sup>1</sup>	Nil	Nil	-

Placement Round	Number of Shares	Consideration Paid	Date Issued
<b>TOTAL</b>	Nil	Nil	Nil

**Notes:**

1. On 27 November 2017, the Company undertook a rights issue. Alto Capital was the Lead Manager for the rights issue. Alto Capital (or its nominees), received 40,000,000 quoted Options exercisable at \$0.004 each on or before 30 April 2021, at an issue price of \$0.0001 each.

## **2.7 FORECASTS**

The Directors have considered the matters detailed in ASIC Regulatory Guide 170 and believe that they do not have a reasonable basis to forecast future earnings on the basis that the operations of the Company are inherently uncertain. Accordingly, any forecast or projection information would contain such a broad range of potential outcomes and possibilities that it is not possible to prepare a reliable best estimate forecast or projection.

The Directors consequently believe that, given these inherent uncertainties, it is not possible to include reliable forecasts in this Prospectus.

Refer to Section 3 for further information in respect to the Company's proposed activities.

## **2.8 LEAD MANAGER**

Alto Capital has been appointed as Lead Manager to the Public Offer on the terms and conditions summarised in Section 10.3(b) of this Prospectus.

## **2.9 NO UNDERWRITING**

The Public Offer is not underwritten.

## **2.10 APPLICATIONS**

Applications for Securities under the Offers can only be made using the relevant Application Form accompanying this Prospectus. The Application Form must be completed in accordance with the instructions set out on the form.

Applications under the Public Offer must be for a minimum of 10,000 Shares (\$2,000) and then in increments of 2,500 Shares (\$500). No brokerage, stamp duty or other costs are payable by applicants. Cheques must be made payable to "Serpentine Technologies Limited - Share Application Account" and should be crossed "Not Negotiable". All Application Monies will be paid into a trust account.

Completed Application Forms and accompanying cheques must be received by the Lead Manager before 5.00pm WST on the Closing Date by either being delivered to, or posted to, the following address:

Serpentine Technologies Limited  
c/o Alto Capital  
Ground Floor, 16 Ord Street  
West Perth, WA 6005

Applicants are urged to lodge their Application Forms as soon as possible as the Public Offer may close early without notice.

Payments under the Public Offer may otherwise be made by electronic funds transfer to the Company. Applicants wishing to provide Application Monies via electronic funds transfer should contact the Company on +61 8 9482 0500.

An original, completed and lodged Application Form together with a cheque for the Application Monies (for applications under the Public Offer), constitutes a binding and irrevocable offer to subscribe for the number of Securities specified in the Application Form. The Application Form does not need to be signed to be valid. If the Application Form is not completed correctly or if the accompanying payment is for the wrong amount, it may be treated by the Company as valid. The Directors' decision as to whether to treat such an application as valid and how to construe amend or complete the Application Form is final; however, an applicant will not be treated as having applied for more Shares than is indicated by the amount of the cheque for the Application Monies.

It is the responsibility of applicants outside Australia to obtain all necessary approvals for the allotment and issue of Securities pursuant to this Prospectus. The return of a completed Application Form will be taken by the Company to constitute a representation and warranty by the applicant that all relevant approvals have been obtained and that the Applicant:

- (a) agrees to be bound by the terms of the relevant Offer;
- (b) declares that all details and statements in the Application Form are complete and accurate;
- (c) declares that, if they are an individual, they are over 18 years of age and have full legal capacity and power to perform all its rights and obligations under the Application Form;
- (d) authorises the Company and its respective officers or agents, to do anything on their behalf necessary for the Securities to be issued to them, including to act on instructions of the Company's Share Registry upon using the contact details set out in the Application Form;
- (e) acknowledges that the information contained in, or accompanying, the Prospectus is not investment or financial product advice or a recommendation that Securities are suitable for them given their investment objectives, financial situation or particular needs; and
- (f) acknowledges that the Securities have not, and will not be, registered under the securities laws in any other jurisdictions outside Australia and accordingly, the Securities may not be offered, sold or otherwise transferred except in accordance with an available exemption from, or in a transaction not subject to, the registration requirements of applicable securities laws.

The Offers may be closed at an earlier date and time at the discretion of the Directors, without prior notice. Applicants are therefore encouraged to submit their Application Forms as early as possible. However, the Company reserves the right to extend the Offers or accept late Applications.

## **2.11 ALLOCATION AND ALLOTMENT OF SECURITIES**

The Directors, in consultation with the Lead Manager, will allocate Shares under the Public Offer at their sole discretion with a view to:

- (a) obtaining an appropriate spread of Shareholders to satisfy Listing Rule 1.1 condition 8;
- (b) recognising the ongoing support of existing Shareholders;
- (c) identifying new potential long-term or cornerstone investors; and
- (d) ensuring an appropriate Shareholder base for the Company going forward.

The Directors reserve the right to reject any Application or to allot a lesser number of Securities than that applied for. If the number of Securities allocated is less than that applied for, or no allotment is made, any surplus Application Monies will be promptly refunded without interest.

Subject to ASX granting approval for quotation of the Shares, the allotment of Shares will occur as soon as practicable after the Public Offer closes. Holding statements will be dispatched as required by ASX. It is the responsibility of Applicants to determine their allocation prior to trading in the Shares.

Applicants who sell the Shares before they receive their holding statement will do so at their own risk. There is no assurance that any Applicant will be allocated any Shares for which the Applicant has applied.

## **2.12 APPLICATION MONIES TO BE HELD IN TRUST**

The Application Monies for Shares to be issued pursuant to the Public Offer will be held in a separate bank account on behalf of applicants until the Shares are allotted. If the Shares to be issued under this Prospectus are not admitted to quotation within a period of three months from the date of this Prospectus, the Application Monies will be refunded in full without interest, and any Shares issued will be deemed to be void. All interest earned on Application Monies (including those which do not result in the issue of Shares) will be retained by the Company.

## **2.13 ESCROW ARRANGEMENTS**

Subject to the Company's Shares being reinstated to quotation on the ASX, certain Securities in the Company will be classified by ASX as restricted securities and will be required to be held in escrow for up to 24 months from the date of reinstatement. During the period in which these Securities are prohibited from being transferred, trading in Shares may be less liquid which may impact on the ability of a Shareholder to dispose of their Shares in a timely manner.

The Securities likely to be subject to escrow are the Securities issued under the Secondary Offers. The Consideration Shares will likely be given 'cash formula' relief and for parties classified by ASX as unrelated vendors may be escrowed for up to 12 months from the date of issue. For parties classified by ASX as related parties and/or promoters, these Securities will be escrowed for up to 24 months from the date of quotation.

The Shares offered under the Public Offer will not be subject to any escrow restrictions.

As at the date of this Prospectus, the Company expects approximately 34,773,916 Shares and 5,472,152 Options to be subject to up to 24 months' escrow, and 4,206,667 Shares and nil Options to be subject to 12 months' escrow representing an aggregate of approximately 33% of the Shares on issue on re-admission (assuming the Minimum Subscription is met and no Options are exercised).

Prior to the Company's Shares being reinstated to trading on the ASX, the Company will enter into escrow agreements with the recipients of the restricted securities in accordance with Chapter 9 of the Listing Rules, and the Company will announce to ASX full details (quantity and duration) of the Securities required to be held in escrow.

The Company's free float at the time of re-admission will be not less than 20%.

## **2.14 CHESS AND ISSUER SPONSORSHIP**

The Company participates in CHESS. All trading on the ASX in existing Shares is, and in new Shares will be, settled through CHESS. ASX Settlement, a wholly-owned subsidiary of the ASX, operates CHESS in accordance with the Listing Rules and the ASX Settlement Operating Rules. On behalf of the Company, the Share Registry operates an electronic issuer sponsored sub-register and an electronic CHESS sub-register. The two sub-registers together make up the Company's principal register of securities.

Under CHESS, the Company does not issue certificates to Shareholders. Rather, holding statements (similar to bank statements) will be sent to Shareholders as soon as practicable after allotment. Holding statements will be sent either by CHESS (for Shareholders who elect to hold Shares on the CHESS sub-register) or by the Company's Share Registry (for Shareholders who elect to hold their Shares on the issuer sponsored sub-register). The statements will set out the number of existing Shares (where applicable) and the number of new Shares allotted under this Prospectus and provide details of a Shareholder's holder identification number (for Shareholders who elect to hold Shares on the CHESS sub-register) or Shareholder reference number (for Shareholders who elect to hold their Shares on the issuer sponsored sub-register). Updated holding statements will also be sent to each Shareholder at the end of each month in which there is a transaction on their holding, as required by the Listing Rules.

## **2.15 RISKS**

As with any share investment, there are risks associated with investing in the Company. The principal risks that could affect the financial and market performance of the Company are detailed in Section 5 of this Prospectus. The Securities on offer under this Prospectus should be considered highly speculative. Accordingly, before deciding to invest in the Company, applicants should read this Prospectus in its entirety and should consider all factors in light of their individual circumstances and seek appropriate professional advice.

## **2.16 OVERSEAS INVESTORS**

An offer made pursuant to this Prospectus is not made to persons or in places which would not be lawful to make the offer. No action has been taken to register the Offers under this Prospectus or otherwise permit the Offers to be made in any jurisdiction outside Australia.

The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law in those jurisdictions and therefore persons who come into possession of this Prospectus should observe any such restrictions. Failure to comply with such restrictions may constitute a violation of applicable securities laws.

This Prospectus does not constitute an offer of Securities in any jurisdiction in which it would be unlawful. In particular, this Prospectus may not be distributed to any person, and the Securities may not be offered or sold, in any country outside Australia.

## **2.17 PRIVACY DISCLOSURE**

Persons who apply for Securities pursuant to this Prospectus are asked to provide personal information to the Company, either directly or through the Share Registry. The Company and the Share Registry collect, hold and use that personal information to assess applications for Securities, to provide facilities and services to Security holders, and to carry out various administrative functions.

The information may also be used from time to time and disclosed to persons inspecting the register, bidders for your Securities in the context of takeovers, regulatory bodies, including the Australian Taxation Office, authorised securities brokers, print service providers, mail houses and the Company's share registry.

If the information requested is not supplied, the Company may not be able to process your application for Securities. By submitting an Application Form, you agree that the Company may use the information provided by you on the Application Form for the purposes set out herein and may disclose it for those purposes to the share registry, the Company's related bodies corporate, agents, contractors and third party service providers, including mailing houses and professional advisers, and to ASX and regulatory authorities.

A Security holder has a right to gain access to, correct and update the information that the Company holds about that person subject to certain exemptions under law. A fee may be charged for access. Access requests must be made in writing to the Company's registered office.

Collection, maintenance and disclosure of certain personal information is governed by legislation including the *Privacy Act 1988* (Cth) (as amended), the Corporations Act and certain rules such as the ASX Settlement Operating Rules.

## **2.18 TAXATION**

It is the responsibility of all persons to satisfy themselves of the particular taxation treatment that applies to them in relation to the Offers, by consulting their own professional tax advisers. Neither the Company nor any of its Directors or officers accepts any liability or responsibility in respect of the taxation consequences of the matters referred to above.

## **2.19 ENQUIRIES**

This is an important document and should be read in its entirety. Investors should consult with their professional advisers before deciding whether to apply for Securities under this Prospectus. Any investment in the Company under this Prospectus should be considered highly speculative.

Questions relating to the Offers and the completion of an Application Form can be directed to the Company on +61 8 9482 0500.

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## 3. BUSINESS / COMPANY OVERVIEW

### 3.1 COMPANY STRUCTURE

#### (a) Overview

K-TIG was incorporated in 2010 in South Australia and has been operational since this date. K-TIG's manufacturing and operations are conducted from its facility in Adelaide, South Australia.

K-TIG is a transformative, industry disrupting welding technology company that seeks to change the economics of fabrication.

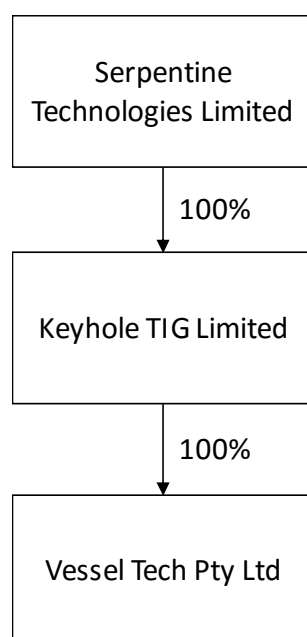
The K-TIG welding system is provided as a fully integrated welding cell comprised of the K-TIG 1000 controller, torch, power supply, water cooler, wire feeder and torch mount with compensating slide, travel speed feedback controller and all related software within the controller (**K-TIG System**). The software is loaded into the controller and routinely updated through an internet and cloud-based service so that customers receive automatic updates. An image of the K-TIG System is below:



#### (b) Corporate structure

The corporate group structure of K-TIG comprises Keyhole TIG Limited and a recently created wholly owned subsidiary, Vesseltech Pty Ltd. Vesseltech Pty Ltd was incorporated in South Australia in 2019. At present, Vesseltech Pty Ltd is a dormant entity.

A diagram setting out the corporate group structure on completion of the Offers is set out below:



### 3.2 INTRODUCTION TO K-TIG

#### A disruptive welding technology.

The K-TIG System is a high-speed, high-productivity welding technology that has been developed through seven years of research, technology development, product development and market validation by K-TIG and earlier technology originally developed by the Australian Government's Commonwealth Scientific and Industrial Research Organisation (**CSIRO**)

The technology is the result of extensive research into the gas-tungsten arc process, keyhole physics, weld pool stabilisation, heat removal and process efficiency. K-TIG owns all rights, title and interest in and to its proprietary and patented technology.

K-TIG's technology has been field tested and has been exported to customers in 20 countries and is being utilised by some of the world's largest fabricators. K-TIG's customers include GE, Siemens, Bilfinger, Doncasters, Defence Materials Technology Centre and the UK Nuclear Advanced Manufacturing Research Centre.

Based on customer data and testing undertaken with GE, Siemens and Titan (**K-TIG Savings Assessments**) the K-TIG System (when compared with conventional welding) is able to perform a conventional 6 hour tungsten inert gas (**TIG**) weld in less than 3 minutes, with reductions in welding time in excess of 90%. Overall cost savings (time, labour, wire, gas, preparation, grinding) based on the K-TIG Savings Assessments are routinely in the range of 80-95%.

The K-TIG welding technology combines the high-quality and cleanliness of gas tungsten arc welding with a depth of penetration that exceeds that of conventional gas-tungsten arc, gas metal arc and plasma welding processes.

K-TIG believes its technology has resulted in a breakthrough in industrial welding and seeks to continue to change the economics of fabrication for its customers through the introduction of its Welding-as-a-Service (WaaS) business model, service delivery via its

cloud-linked controller and the generation of long-term recurring revenue streams for the company from a global customer base.

K-TIG believes it has the ability to scale its business model within multiple fabrication sectors and markets.

The K-TIG System has been exported to customers in 20 countries, with the USA being the largest customer segment by geography. The K-TIG System is comprised of components which are manufactured in Adelaide and components which are sourced from third party suppliers that are integrated and packaged in the K-TIG facility in Adelaide. Customers are responsible for collection of the equipment from its facility in Adelaide (ie its equipment is sold on an ex-works basis and title to the equipment transfers at the facility in Adelaide). Each customer is then responsible for its own transportation (whether by ship, train, truck or air) and its importation into the relevant jurisdiction and K-TIG has made no representation as to whether its equipment or technology is permitted for use in that jurisdiction. To K-TIG's knowledge, K-TIG's equipment and technology to date has not been restricted for use in the jurisdictions in which it has been used. Please see Section 10.2(c) for a summary of the standard conditions of sale for K-TIG's equipment.

### **3.3 K-TIG WELDING TECHNOLOGY**

#### **(a) How does it work?**

The K-TIG System uses a process which involves a specially controlled high current arc which cuts a keyhole in the join between two surfaces, and rejoins the parent material, without the need for any filler.

The controller in the K-TIG System uses onboard processors to manipulate current, voltage, travel speed, welding gas, purge gas and water cooling. These parameters, in combination with a precision torch and electrode in the K-TIG System, are used to create and maintain a high surface tension weld pool on the underside of the material which fully supports the molten weld column, enabling the weld to be performed in a single pass at high speeds.

The K-TIG System uses self-induced effects to generate a plasma jet. There is no orifice, making the process simple to manage and optimise.

The K-TIG System keyholes have extremely high stability. The nature of the keyhole created by the K-TIG process allows it to dynamically self-correct for fluctuations in arc forces. The K-TIG System operates over a wide range of welding currents and travel speeds.

#### **(b) How does the K-TIG System compare to conventional TIG welding?**

TIG welding, also known as gas tungsten arc welding (**GTAW**), is the preferred process by fabricators for joining a wide variety of corrosion resistant materials including stainless steels, duplex, super duplex, exotic metals and super alloys.

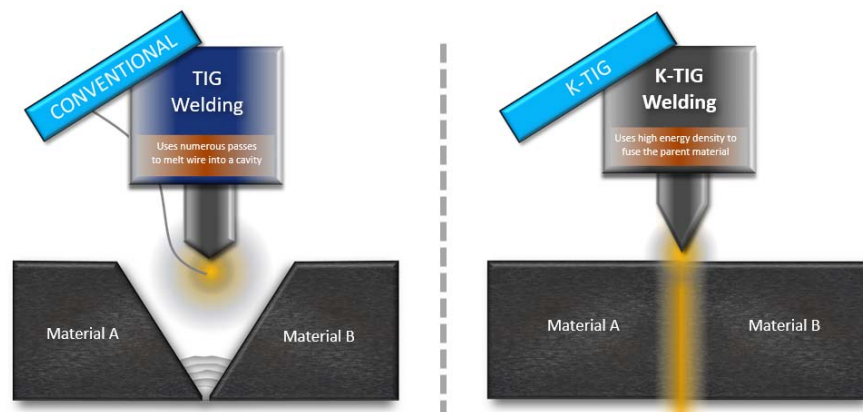
The TIG/GTAW process produces very high quality welds. It is the preferred process when high quality welding is demanded, and is typically the only acceptable process in many mission critical applications such as pressure vessels.

However, TIG/GTAW is limited by:

- (i) slow welding speeds;
- (ii) the need for edge bevelling;
- (iii) the need for multiple passes;
- (iv) the creation of fusion lines between passes;
- (v) large requirement for wire filler materials;
- (vi) high gas and power consumption;
- (vii) low deposition rates; and
- (viii) a requirement for highly skilled labour.

TIG welding is also extremely limited in terms of the thickness of material (typically 1 to 2mm) that can be welded without the addition of filler material and time consuming joint preparation.

Unlike conventional TIG welding, the K-TIG System operates in a 'keyhole' mode (meaning it punches a hole through the entire thickness of the metal) to deliver exceptional weld penetration, resulting in substantial productivity gains based on the K-TIG Savings Assessments.



The K-TIG System combines the high quality and cleanliness of GTAW with a depth of penetration that, to K-TIG's knowledge, is unmatched by conventional welding processes.

The K-TIG's System welds to US, European and Australasian welding standards, including the American Society of Mechanical Engineers Boiler and Pressure Vessel Code, Section IX. K-TIG welds are x-ray quality. Welding that has utilised the K-TIG System has been certified by Lloyds Register and Bureau Veritas to meet weld compliance with international standards.

(c) **What does K-TIG sell?**

K-TIG equipment is comprised of components which are manufactured in Adelaide and components which are sourced from third party suppliers that are fully integrated and packaged in the K-TIG facility in Adelaide, South Australia.

The K-TIG System is a fully integrated welding cell comprised of the K-TIG 1000 controller, torch, power supply, water cooler, wire feeder, torch mount with compensating slide, travel speed feedback encoder and all related software within the controller. The software is loaded into the controller and routinely updated via the internet and cloud. The Company currently sells the K-TIG System via unit sales and as set out in Sections 3.5 and 3.6, the Company plans to rollout a subscription licensing model.

### **3.4 VALUE PROPOSITION**

Based on the K-TIG Savings Assessments, the K-TIG System is able to perform a traditional 6-hour TIG weld in under 3 minutes, and to a high quality standard.

K-TIG has been exported to 20 countries and K-TIG Systems have been adopted by a wide range of industries including customers in the pressure vessel, energy and nuclear sectors.

During the customer validation phase, which considers welding time comparison, wire consumption, grinding time, gas consumption and productivity comparison, the K-TIG System's high speed precision technology was able to weld up to 100 times faster than traditional TIG welding, achieving full penetration in a single pass in materials up to 16mm in thickness. The K-TIG System was able to reduce gas consumption by up to 90% compared to traditional TIG welding and operational efficiencies at client sites.

In addition, the K-TIG System requires no edge bevelling of the materials that are to be welded and the K-TIG System requires little or no consumable wire filler in comparison to conventional TIG/GTAW welding.

The K-TIG System seeks to solve the historically difficult issues involved in welding, in particular high cost and low productivity.

The current welding technologies that are used extensively by fabricators were developed prior to 1940, and plasma welding was developed in the 1960s. The K-TIG System combines the high-quality and cleanliness of GTAW with a depth of penetration that exceeds that of conventional gas-tungsten arc, gas metal arc and plasma welding processes.



The benefits of the K-TIG System compared to conventional arc welding, based on customer data, K-TIG Case Studies and K-TIG Savings Assessments include:

- (a) improved speed and productivity;
- (b) reduced gas and power consumption;
- (c) reduction in overall cost;
- (d) no edge bevelling; and
- (e) reduction or elimination of filler material requirements.

K-TIG's technology has been engineered from the ground up to provide a solution which addresses the key challenges associated with traditional welding, including slow welding speeds, high power and gas consumption, and a reliance on skilled labour. The Company will continue to invest in research and development to progress its technology.

### **3.5 CUSTOMERS**

The K-TIG System has been exported to customers in 20 countries, with blue-chip customers including GE, Siemens, Bilfinger, Doncasters, Defence Materials Technology Centre and the UK Nuclear Advanced Manufacturing Research Centre.

A selection of K-TIG's customers are set out below:



As set out in Section 3.6, planning for the rollout of K-TIG's subscription licencing model is underway and potential pilot customers are now being engaged. K-TIG does not currently anticipate securing any licence opportunities until post-Completion. The licensing revenue model does not change the core business of K-TIG, which is developing and delivering its welding technology. Under the licensing revenue model K-TIG is converting from unit sales to Welding-as-a-Service (WaaS), and from one-time sales revenue to long-term recurring licencing revenue. Please see Sections 5.2(i) and 5.2(j) for the risks associated with the proposed licensing model.

K-TIG is a party to a number of Distribution Agreements and Intermediary Agreements. For further details, refer to Sections 10.2(a) and 10.2(b).

### 3.6 SOURCES OF REVENUE AND EXPENSES

K-TIG generated \$1,239,710 of revenue in 2017, \$2,236,196 of revenue in 2018 and \$1,069,198 of revenue in 2019. The decline in K-TIG revenue in 2019 is largely attributable to the work undertaken on K-TIG's conversion from unit sales to the proposed 'Welding-as-a-Service' (WaaS) business licensing model, and one time sales revenue to long-term recurring licencing revenue. Investors should be aware that K-TIG is currently loss making. Refer to Sections 6 and 7 for further historical financial information of K-TIG.

The main expenses for K-TIG are salaries and wages, equipment purchases, corporate expenses and marketing and business development. K-TIG's revenue model to date has been based on sales of the K-TIG System. The K-TIG System is provided as a fulling integrated welding cell comprised of the K-TIG 1000 controller, torch, power supply, water cooler, wire feeder, torch mount with compensating slide and travel speed feedback encoder.

Following the Acquisition, K-TIG intends to transition its revenue model to a licencing model for its technology. The licensing revenue model does not change the core business of K-TIG, which is developing and delivering its welding technology. Under the licensing revenue model K-TIG is converting from sales of units of the K-TIG System to Welding-as-a-Service (WaaS), and from one-time sales revenue to long-term recurring licencing revenue.

The licencing model will apply a fee to customers which relates to the amount of welding performed using K-TIG's technology at commercial rates to be agreed with the customer. The Company will initially target the vessel, tank and piping industries (which are industries that K-TIG currently sells the K-TIG Systems in). Once the

Company has established recurring revenues and relationships globally, it then intends to target the nuclear storage container market.

K-TIG has demonstrated through successful sales of the K-TIG System that its technology is suited to these high value market sectors.

The licencing model is expected to generate higher margins for K-TIG relative to a conventional equipment sales model, and provide productivity gains for the customer with limited incremental cost to K-TIG. Please refer to Sections 5.2(i) and 5.2(j) for risks associated with the licencing model.

The licensing model will not change the core business of K-TIG, it is anticipated to provide a recurring revenue stream.

### **3.7 ASSETS AND INTELLECTUAL PROPERTY**

K-TIG does not need to acquire any material land, or further intellectual property rights to conduct its business following Completion.

A summary of the intellectual property held by K-TIG is summarised in the Intellectual Property Report in Section 8.

### **3.8 COMPETITORS AND BARRIERS TO ENTRY**

K-TIG's primary competition comes from established welding processes which include TIG, metal inert gas, submerged arc, plasma and laser produced by companies such as Lincoln Electric Holdings Inc, Miller Electric Mfg LLC and Fronius International GmbH.

K-TIG believes its competitive advantages against conventional welding are:

- (a) improved speed and productivity;
- (b) reduced gas and power consumption;
- (c) reduction in overall cost;
- (d) simplified / no edge preparation;
- (e) reduction or elimination of filler material requirements;
- (f) reduction in the requirement for skilled labour; and
- (g) staff can now operate in a safe, clean, low-fume environment.

The K-TIG System works across a wide range of applications and is suited to corrosion resistant materials such as stainless steel, nickel alloys, titanium alloys and most exotic materials. The K-TIG System can handle longitudinal and circumferential welds on pipes, spooling, vessels, tanks and other materials in a single pass.

The Company has identified a number of barriers to entry in the fabrication and welding markets including the following:

- (a) **Access to specialist technology:** K-TIG has developed proprietary technologies.

- (b) **Access to specialist expertise:** K-TIG has access to specialist qualified personnel who have specialist background and understanding of welding techniques, weld pool stabilisation, heat removal and process efficiency.
- (c) **Commercial model:** K-TIG intends to transition its revenue model to a licensing model for its technology. The licencing model once refined is expected to generate higher margins for K-TIG relative to a conventional equipment sales model and provide productivity gains for the customer with limited incremental cost.
- (d) **Access to capital:** Substantial capital is required to develop K-TIG's technology.

### 3.9 KEY DEPENDENCIES OF THE BUSINESS MODEL

The key factors that the Merged Company will depend on to meet its objectives are:

- (a) the successful completion of the Acquisition;
- (b) the successful completion of the Public Offer;
- (c) the ability to continually protect the Company's intellectual property rights in its technology;
- (d) retaining and recruiting key personnel skilled in the metal fabrication sector;
- (e) access to capital to further research and develop the Company's technology and execute its business model and growth strategy; and
- (f) sufficient worldwide demand for the Company's products.

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## 4. MARKET OVERVIEW

### 4.1 METAL FABRICATION MARKET

Welding is a vital part of metal fabrication globally. Metal welding is the most commonly used of all industrial processes<sup>1</sup>.

Fabricated metals are used in a wide range of industrial sectors such as automotive, oil and gas, construction, aerospace, agriculture, consumer products, medical devices, and defence. As these end-use industries are highly diversified, the sometimes cyclical nature of individual market segments is largely mitigated<sup>2</sup> for both fabricators and welding equipment manufacturers who operate globally.

Conventional welding is considered to be slow, expensive, labour-intensive and energy-intensive. Conventional welding consumes large quantities of gas, metal wire consumables and power. It requires edge preparation of the materials, multiple weld passes and post-weld grinding and finishing.

The high costs of welding contribute significantly to the costs of industrial products and infrastructure.

The K-TIG System seeks to redefine the production capacity, output, lead times, quality and cost base of a fabricator - making automated, high quality, full penetration welding accessible to fabricators of any size.

### 4.2 KEY SECTORS AND MARKETS

There are a wide range of sectors, markets and applications in which the K-TIG System offers a welding solution.

The vessel, tank, oil and gas, power generation, water treatment, renewable energy, nuclear and defence industries, in addition to tube mills, pipe spooling and a wide variety of general fabrication applications have the potential to achieve high cost reductions and productivity gains in their fabrication.

K-TIG has already leveraged its experience to secure customers in the pressure vessels, tanks, piping and nuclear decommissioning markets.

Each of these are large and growing markets. Welding of corrosion resistant materials within these markets is done predominately with conventional GTAW and plasma arc welding (PAW) processes. These applications are highly suited to the K-TIG System, and K-TIG has extensive production experience in each of these segments.

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<sup>1</sup> Transparency Market Research: <https://www.transparencymarketresearch.com/pressrelease/metal-fabrication-market.htm>. Note the author has not provided consent for this statement to be included in the Prospectus.

<sup>2</sup> Transparency Market Research: <https://www.transparencymarketresearch.com/metal-fabrication-market.html>. Note the author has not provided consent for this statement to be included in the Prospectus.

## 4.3 HISTORICAL AND FORECASTED MARKET TRENDS

### (a) General market trends

K-TIG aims to penetrate fabrication markets including pressure vessels, tanks, ISO containers, piping and nuclear storage containers.

These markets include:

- (i) **Pressure Vessels** - US\$225.84 billion by 2024.<sup>3</sup>
- (ii) **Tanks** - US\$10.1 billion by 2023.<sup>4</sup>
- (iii) **ISO Containers** - US\$2.6 billion by 2023.<sup>5</sup>
- (iv) **Stainless Steel Welded Pipes** - \$20.9 billion by 2028.<sup>6</sup>
- (v) **Nuclear Decommissioning** -US\$315.73 billion by 2027.<sup>7</sup>

The K-TIG System is currently being used in pressure vessels, tanks, piping and nuclear storage containers.

### (b) Pressure Vessels market

A pressure vessel is a container designed to hold gases or liquids at a pressure substantially different from the ambient air pressure.

Pressure vessels are used extensively across various industries including chemicals, oil and gas, petrochemicals, power and transport. Applications are diverse and range from storage vessels for liquified gases such as ammonia, chlorine, and LPG to pressure reactors, autoclaves, mining operations vessels, oil refinery and petrochemical plants vessels, nuclear reactors, submarine and space ship habitats, pneumatic and hydraulic reservoirs and numerous cryogenic applications.

The image below is of a pressure vessel.

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<sup>3</sup> Grand View Research: <https://www.grandviewresearch.com/press-release/global-pressure-vessel-market>

Note the author has not provided consent for this statement to be included in the Prospectus.

<sup>4</sup> Lucintel: <https://www.lucintel.com/metal-tank-market.aspx>

Note the author has not provided consent for this statement to be included in the Prospectus.

<sup>5</sup> Research and Markets: <https://www.researchandmarkets.com/reports/4700838/global-iso-modal-container-market-by-type-type#pos-0>

Note the author has not provided consent for this statement to be included in the Prospectus.

<sup>6</sup> Future Market Insights: <https://www.futuremarketinsights.com/reports/stainless-steel-welded-pipes-market>

Note the author has not provided consent for this statement to be included in the Prospectus.

<sup>7</sup> Globe Newswire: <https://www.globenewswire.com/news-release/2019/04/30/1812557/0/en/Global-Nuclear-Decommissioning-Services-Market-to-Surpass-US-315-73-Billion-by-2027-Coherent-Market-Insights.html>

Note the author has not provided consent for this statement to be included in the Prospectus.



Pressure vessels form an integral part of industry infrastructure, and high quality fabrication is essential to ensure the safe handling of gases and liquids.

The global pressure vessel market was valued at US\$138.7 billion in 2015<sup>8</sup> and is expected to grow at a compound annual growth rate (CAGR) of 5.6% to reach US\$225.84 billion by 2024<sup>9</sup>, with increasing investment in the energy sector anticipated to be the major factor driving the increased global demand for pressure vessels.<sup>10</sup>

Asia Pacific is the leading regional market and accounts for 38.3% of the total pressure vessel market.<sup>11</sup>

#### (c) **Tanks market**

Tanks are containers that hold liquids, solids and gases with little or no internal pressure, as distinct from pressure vessels which are intended to contain pressurised liquids and gases.

Tanks are used to hold materials such as petroleum, waste matter, water, chemicals and hazardous materials in addition to wide use in agriculture, viticulture, fire suppression, general manufacturing, pulp and paper manufacturing, food processing and pharmaceutical manufacturing.

The global metal tank market is estimated to be worth US\$8.59 billion and is projected to reach US\$10.1 billion by 2023.<sup>12</sup>

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<sup>8</sup> Grand View Research: <https://www.grandviewresearch.com/industry-analysis/pressure-vessel-market>  
Note the author has not provided consent for this statement to be included in the Prospectus.

<sup>9</sup> Ibid.

<sup>10</sup> Ibid.

<sup>11</sup> Ibid.

<sup>12</sup> Lucintel: <https://www.lucintel.com/metal-tank-market.aspx>

Note the author has not provided consent for this statement to be included in the Prospectus.

The metal tank market is expected to grow at a CAGR of 3.3% from 2018 to 2023.<sup>13</sup>

Within the metal tank market, oil and gas is expected to remain the largest end use industry to 2023 and witness the highest growth due to the establishment of new refineries and increasing energy exploration and distribution activities.<sup>14</sup>

Asia Pacific will continue to be the largest tank market and is expected to witness the highest growth over the forecast period due to increasing oil and gas demand.<sup>15</sup>

From the perspective of using the K-TIG System, vessels and tanks are very similar applications, both being comprised of a series of longitudinal and circumferential welds.

**(d) ISO Tank Container market**

An ISO tank container is a tank which sits inside a frame and is built to ISO (International Organization for Standardization) standards, making it suitable for different modes of transportation (ship, railway and truck) and able to be handled similarly to a standard shipping container. Both hazardous and non-hazardous products can be transported in tank containers.

The global ISO tank container market is expanding widely. A record number of new tank containers were manufactured in 2018, driven by a conversion of inflexible drum-based and tanker-based cargoes to multi-modal ISO tank containers.<sup>16</sup>

The number of ISO tank containers produced in 2018 also showed a large increase. In 2018, a total of 59,700 tank containers were built, compared to 48,500 in 2017, an increase of more than 11,000 units over the previous year, reflecting growth of 23%.<sup>17</sup>

The large increases in ISO tank fabrication increased the size of the global ISO tank container fleet by almost 11 percent in the year to 1 January 2019 to 604,700 ISO tank units worldwide.<sup>18</sup>

The global ISO container market is forecast to reach US\$2.6 billion by 2023.<sup>19</sup>

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<sup>13</sup> Ibid.

<sup>14</sup> PR Newswire: <https://www.prnewswire.com/news-releases/global-metal-tank-market-report-2019---10-bn-trends-forecast-and-competitive-analysis-2012-2017--2018-2023-300852358.html>

Note the author has not provided consent for this statement to be included in the Prospectus.

<sup>15</sup> Ibid.

<sup>16</sup> International Tank Container Organisation: [https://www.international-tank-container.org/storage/uploads/ITCO\\_2019\\_Global\\_Tank\\_Container\\_Fleet\\_Survey\\_Final\\_130319.pdf](https://www.international-tank-container.org/storage/uploads/ITCO_2019_Global_Tank_Container_Fleet_Survey_Final_130319.pdf)

Note the author has not provided consent for this statement to be included in the Prospectus.

<sup>17</sup> Ibid.

<sup>18</sup> Ibid.

<sup>19</sup> Research and Markets: <https://www.researchandmarkets.com/reports/4700838/global-iso-modal-container-market>

Note the author has not provided consent for this statement to be included in the Prospectus.

**(e) Piping market**

The piping market was estimated at US\$478 billion in 2018, and is projected to reach US \$633 billion by 2023, at a CAGR of 5.8%.<sup>20</sup>

Growth in the global petrochemical, chemical, energy and power sectors are key drivers in the increasing demand for piping.

Energy consumption in Asia-Pacific is expected to grow by a further 48% over the next three decades, driving greater activity within the oil and gas pipeline market.<sup>21</sup>

Within the broader piping market, the K-TIG System is suited to high value corrosion resistant materials including stainless steel, duplex, super duplex, titanium and a wide range of reactive metals, exotic materials and super alloys.

The value of the stainless steel welded pipe market alone is currently US\$13.5 billion, and is projected to grow to US \$20.9 billion by 2028, at a CAGR of 4.5%<sup>22</sup>. Approximately ninety percent (90%) of all stainless steel pipes are fabricated using welding.<sup>23</sup>

The International Energy Agency's World Energy Investment Outlook predicts global investment in energy infrastructure will exceed US\$48 trillion between 2016 and 2035.<sup>24</sup> The path to achieving the energy efficiency required to meet the 2°C global climate change target is even higher at US\$53 trillion<sup>25</sup>, requiring far greater investment in the construction of thermal and nuclear power plants, wind farms, solar farms and ethanol production facilities. These applications will generate the demand for large quantities of fabrication work in corrosion resistant materials ideally suiting the K-TIG process.

**(f) Nuclear Decommissioning market**

The global nuclear decommissioning market was valued at US\$171.74 billion in 2018, and is projected grow at a CAGR of 7.0% to US\$315.73 billion by 2027.<sup>26</sup> Europe accounted for the largest market share in the global nuclear decommissioning market with a value of US\$78.48 billion in 2018.<sup>27</sup>

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<sup>20</sup> Markets and Markets: <https://www.marketsandmarkets.com/Market-Reports/industrial-tube-market-3455514.html>

Note the author has not provided consent for this statement to be included in the Prospectus.

<sup>21</sup> Mordor Intelligence: <https://www.mordorintelligence.com/industry-reports/oil-and-gas-pipeline-market>

Note the author has not provided consent for this statement to be included in the Prospectus.

<sup>22</sup> Future Markets and Insights: <https://www.futuremarketinsights.com/reports/stainless-steel-welded-pipes-market>

Note the author has not provided consent for this statement to be included in the Prospectus.

<sup>23</sup> Premier Herald: <https://premierherald.com/2019/05/09/global-stainless-steel-welded>

Note the author has not provided consent for this statement to be included in the Prospectus.

<sup>24</sup> PV Tech: [https://www.pv-tech.org/news/us53\\_trillion\\_energy\\_investment\\_needed\\_to\\_head\\_off\\_climate\\_change\\_iea](https://www.pv-tech.org/news/us53_trillion_energy_investment_needed_to_head_off_climate_change_iea)

Note the author has not provided consent for this statement to be included in the Prospectus.

<sup>25</sup> Ibid.

<sup>26</sup> Globe News Wire: <https://www.globenewswire.com/news-release/2019/04/30/1812557/0/en/Global-Nuclear-Decommissioning-Services-Market-to-Surpass-US-315-73-Billion-by-2027-Coherent-Market-Insights.html>

Note the author has not provided consent for this statement to be included in the Prospectus.

<sup>27</sup> Ibid.

Separately to the global nuclear decommissioning market, the global nuclear decommissioning services market size is forecast by Grand View Research to reach US\$8.90 billion by 2025, exhibiting a 6.8% CAGR during the forecast period. Global nuclear phase out and rising support from governments post nuclear accidents are among major factors expected to fuel market growth over the years to come.

K-TIG intends to target this market because of K-TIG's proven ability to meet the demanding technical and quality requirements of nuclear storage container fabrication. K-TIG is being utilised for the fabrication of nuclear storage containers today, with nuclear customers in both the US and Europe.

**(g) Welding equipment market**

In addition to disrupting a wide range of fabrication markets, K-TIG's technology has the potential to disrupt the global welding equipment market. This market represents the equipment which is provided to manufacturers who are producing products to meet the needs of specific fabrication markets (for example pressure vessels and tanks, piping and nuclear decommissioning).

The image below is of K-TIG's welding equipment.



The global metal fabrication equipment market size was valued at US\$68.36 billion in 2017<sup>28</sup>. It is anticipated to expand at a CAGR of 3.90%.<sup>29</sup>

The metal fabrication equipment market size in Asia Pacific was valued at US\$32.06 billion in 2017<sup>30</sup>, representing 46.9% of the global market.

Developing economies such as India, China, and Indonesia coupled with industrialised nations such as Japan and South Korea create the largest geographical demand for metal fabrication equipment.<sup>31</sup>

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<sup>28</sup> Grand View Research: <https://www.grandviewresearch.com/industry-analysis/metal-fabrication-equipment-market>. Note the author has not provided consent for this statement to be included in the Prospectus.

<sup>29</sup> Ibid.

<sup>30</sup> Ibid.

<sup>31</sup> Ibid.

Europe is the second largest market for metal fabrication equipment<sup>32</sup>, followed by the United States.

The global welding products market size was valued at US\$13.27 billion in 2017<sup>33</sup>, and is projected to grow at a CAGR of 5.7% to US\$20.28 billion by 2025<sup>34</sup> driven by increased urbanisation and global infrastructure development.

Asia Pacific led the global welding products market in 2018 and is projected to continue its dominance, growing at a CAGR of 6.6% to 2025.<sup>35</sup>

Arc welding (which K-TIG currently disrupts directly) was the largest technology segment in the global welding products market in 2018.<sup>36</sup>

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<sup>32</sup> Ibid.

<sup>33</sup> Grand View Research: <https://www.grandviewresearch.com/industry-analysis/global-welding-products-market>. Note the author has not provided consent for this statement to be included in the Prospectus.

<sup>34</sup> Grand View Research: <https://www.grandviewresearch.com/press-release/welding-products-market>

<sup>35</sup> <https://www.grandviewresearch.com/press-release/welding-products-market>. Note the author has not provided consent for this statement to be included in the Prospectus.

<sup>36</sup> Ibid.

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## 5. RISK FACTORS

This Section identifies the major areas of risk associated with the Company and the Acquisition, but should not be taken as an exhaustive list of the risk factors to which the Company and its Security holders are exposed. References to the Company in this Section 5 include the Merged Company.

### 5.1 RISKS RELATING TO THE CHANGE IN NATURE AND SCALE OF ACTIVITIES

#### (a) Re-Quotation of Shares on ASX

The Acquisition constitutes a significant change in the nature and scale of the Company's activities and the Company needs to re-comply with Chapters 1 and 2 of the Listing Rules as if it were seeking admission to the Official List of ASX.

There is a risk that the Company may not be able to meet the requirements of the ASX for re-quotation of its Shares on the ASX. Should this occur, the Shares will not be able to be traded on the ASX until such time as those requirements can be met, if at all. Shareholders may be prevented from trading their Shares should the Company be suspended until such time as it does re-comply with the Listing Rules.

#### (b) Dilution risk

As set out in Section 2.4, the Company currently has 12,668,353 Shares on issue (on a post-Consolidation basis). Based on the Public Offer being fully subscribed, on Completion, and on completion of the Offers (and assuming that no Options are exercised or Deferred Consideration Shares issued):

- (i) the existing Shareholders will retain approximately 8.8% of the Company's issued Share capital;
- (ii) the shareholders of K-TIG will hold approximately 55.5% of the Company's issued Share capital; and
- (iii) the investors under the Public Offer will hold approximately 24.2% of the Company's issued Share capital.

There is also a risk that the interests of Shareholders will be further diluted as a result of the subsequent issue of the Deferred Consideration Shares, any exercise of Options and further capital raisings in the future.

#### (c) Completion, counterparty and contractual risk

As set out in Section 1.1, the Company has agreed to acquire 100% of the issued capital of K-TIG subject to the fulfilment of certain conditions precedent. There is a risk that the conditions precedent for completion of the Acquisition (such as, for example, each Minority Seller providing the Company with an executed Short Form Share Sale Agreement) will not be fulfilled and, in turn, that completion of the Acquisition will not occur.

The ability of the Company to achieve its stated objectives will depend on the performance by K-TIG and the shareholders of K-TIG of their obligations under the Acquisition Agreement or Short Form Share Sale Agreement (as applicable). If K-TIG or any other counterparty defaults in the performance of its obligations, it may be necessary for the Company to approach a court to

seek a legal remedy, which can be costly and without any certainty of a favourable outcome.

**(d) Liquidity risk**

On Completion, the Company proposes to issue the Consideration Shares to the Vendors in consideration for the Acquisition. The Company understands that ASX may treat these securities as restricted securities in accordance with Chapter 9 of the Listing Rules. However, submissions have been made to the ASX to apply for cash formula relief in respect of these Securities.

As at the date of this Prospectus, the Company expects approximately 34,773,916 Shares and 5,472,152 Options to be subject to up to 24 months' escrow, and 4,206,667 Shares and nil Options to be subject to 12 months' escrow representing an aggregate of approximately 33% of the Shares on issue on re-admission (assuming the Minimum Subscription is met and no Options are exercised).

Based on the post-Acquisition capital structure (assuming no further Shares are issued or Options exercised), the Consideration Shares will equate to approximately 55.5% of the issued Share capital on an undiluted basis (assuming Maximum Subscription under the Public Offer). This could be considered an increased liquidity risk as a large portion of issued capital may not be able to be traded freely for a period of time.

## **5.2 RISKS SPECIFIC TO K-TIG'S BUSINESS**

**(a) Sales and Marketing Success**

While K-TIG is already revenue generating, its ability to sell its products at a larger scale remains a risk to its growth strategy. The success of commercialisation will relate to the acceptance of K-TIG's offerings for routine use within its target markets. Take up of the products will involve education of market participants and marketing programmes to raise the profile of K-TIG and its technology.

**(b) Manufacturing, supplier and product quality risks**

K-TIG's products are in part comprised of products and materials purchased in the commercial market (such as central processing units and touch screens). The ability to source underlying products and materials to use in the manufacture of K-TIG's products may be impacted by any number of variables. Additionally, K-TIG's estimated cost of components may also vary due to availability of products, resources, materials or any variables that may impact on the cost of components or elements in its products.

K-TIG sources certain key components for the K-TIG System from third party suppliers. The delivery of such components may be delayed, or a specific supplier may not be able to deliver at all, which may lead to a longer sales cycle or may force K-TIG to shift to another supplier. There is a risk that the Company could be disrupted if no alternative suppliers were able to be sought. There is a risk that key components provided by third party suppliers may be defective.

K-TIG's products may be subject to product quality risks. Risks are involved in the ability to translate technical objectives into a solution that provides the expected quality of product in a cost-effective manner to support the price

needed to make an impact in the marketplace. K-TIG's products may not meet customer's expectations. This may lead to requirements for the Company to improve or refine its products, which may diminish operating margins or lead to losses.

The products and technology supplied by K-TIG, while extensively tested prior to collection, can be damaged in transit. While this risk is insurable, it may diminish operating margins.

**(c) Key personnel risk**

K-TIG's operational success will substantially depend on the continued employment of senior executives, technical staff and other key personnel who have substantial strategic, technical, functional, marketing and customer expertise with K-TIG's technology and are familiar with the Company's business and structure. Although these individuals have entered into contracts with the Company, there is no assurance that such contracts will not be terminated. If such contracts are terminated or breached, or if these individuals no longer continue in their current roles, new personnel will need to be employed, which may adversely affect the business. The Company is substantially dependent on the continued service of its existing personnel because of the complexity of its services and technologies. The departure of any key personnel may also lead to disruptions of customer relationships or delays in the manufacturing and product development efforts. There is no assurance that the Company will be able to retain the services of these persons.

**(d) Development and commercialisation risks**

K-TIG is currently investing into new research and development initiatives and new technologies that are still at an early stage of development and validation. While K-TIG is not presently aware of any potential problems, the commerciality of these new products is still uncertain. The Company's success will depend on the Company's ability to implement its business plan, the ability to commercialise its products at a larger scale and the ability of the Company to successfully implement its research and development plans. There can be no guarantee that the Company can or will be able to commercialise its products at a larger scale.

**(e) Technology risk**

The Company's market involves rapidly evolving products and technological change. To succeed, the Company will need to research, develop, design, manufacture, assemble, test, market and support substantial enhancements to its existing products, new products and technology, on a timely and cost-effective basis. The Company cannot guarantee that it will be able to engage in research and development at the requisite levels. The Company cannot assure investors that it will successfully identify new technological opportunities and continue to have the needed financial resources to develop new products in a timely or cost-effective manner. At the same time, products and technologies developed by others may render the Company's products and systems obsolete or non-competitive.

**(f) Intellectual property risks**

The protection of K-TIG's intellectual property depends largely on the ability of K-TIG to protect the underlying know-how for its core technology, while not infringing the proprietary rights of others. The Company may be required to spend significant resources to monitor and protect its technology. K-TIG

currently has three granted patents. Please refer to the Intellectual Property Report in Section 8 for further details.

The commercial value of the Merged Company's intellectual property assets is dependent on any relevant legal protections. These legal mechanisms, however, do not guarantee that the intellectual property will be protected or that the Merged Company's competitive position will be maintained. No assurance can be given that employees or third parties will not breach confidentiality agreements, infringe or misappropriate the Merged Company's intellectual property or commercially sensitive information, or that competitors will not be able to produce non-infringing competitive products. Competition in retaining and sustaining protection of technologies and the complex nature of technologies can lead to expensive and lengthy disputes for which there can be no guaranteed outcome. There can be no assurance that any intellectual property which the Merged Company (or entities it deals with) may have an interest in now or in the future will afford the Merged Company commercially significant protection of technologies, or that any of the projects that may arise from technologies will have commercial applications.

It is possible that third parties may assert intellectual property infringement, unfair competition or like claims against the Merged Company under copyright, trade secret, patent, other laws or under contracts. While the Company is not aware of any claims of this nature in relation to any of the intellectual property rights in which it has or will acquire an interest, such claims, if made, may harm, directly or indirectly, the Merged Company's business. If the Merged Company is forced to defend claims of intellectual property infringement, whether they are with or without merit or are determined in the Merged Company's favour, the costs of such litigation will be potentially significant and may divert management's attention from normal commercial operations.

Additionally, securing rights to (or developing) technologies complementing the Merged Company's existing intellectual property will also play an important part in the commercial success of the Merged Company. There is no guarantee that such rights can be secured or such technologies can be developed.

**(g) Business strategy execution**

The ability of the Company to achieve growth of its business is dependent on the successful implementation of the Company's growth strategies, business plans and strategic initiatives outlined in this Prospectus. There can be no assurance that the Company will be successful in implementing these plans. If the Company is unable to implement its business strategy, there may be adverse effects on its results of operations or financial condition.

**(h) Regulatory risk**

K-TIG is subject to continuing regulation, including quality regulations applicable to the manufacture of its products and various reporting regulations. K-TIG's customers (eg fabricators) are also subject to continuing regulation. There can be no guarantee that the regulatory environment in which the Company or its customers currently operates may not change in the future which may impact on the Company's existing products. K-TIG's products currently weld to certain international standards as set out in Section 3.3(b). There can be no guarantee that the international standards in the future may

change and K-TIG may not be able to meet such standards, which may have an adverse impact on K-TIG's product offering.

Depending upon the severity of any failure of K-TIG or its customers to comply with any applicable regulations, K-TIG or its customers could be subject to enforcement actions, including but not limited to: warning letters, fines, injunctions, consent decrees, civil monetary penalties, recalls or seizures of its devices, manufacturing restrictions, closure of its manufacturing operations, modifications or revocations of any clearances and approvals that it already holds or will hold, and/or criminal prosecution. If any such sanctions are imposed against K-TIG or its customers, such sanctions could harm K-TIG's reputation, and depending upon the severity, could have significant adverse impact upon K-TIG's ability to provide services and on its financial condition.

**(i) Licensing risks**

K-TIG intends to transition its revenue model to a licencing model. The licencing model will be based on linear metres welded at rates to be agreed with the customer. Whilst the Company will undertake all reasonable due diligence in its dealings with licensees and potential licensees and will endeavour to control licensees through licence and other agreements, the Company may ultimately have limited control over the activities or actions of its licensees, whose activities or actions may, positively or negatively, affect the operating and financial performance of the Company's business. The licensing revenue model does not change the core business of K-TIG, which is delivering its welding technology. Under the licensing revenue model K-TIG is converting from unit sales to welding-as-a-service, and from one-time sales revenue to long-term recurring licencing revenue.

**(j) Export / transportation risk under licence model**

As set out in Section 3.2, K-TIG's customers are currently responsible for the collection of K-TIG's products from K-TIG's facility in Adelaide. Each customer is then responsible for its own transportation (whether by ship, train, truck or air) and importation of K-TIG's products into the relevant jurisdiction. Following K-TIG's transition from a revenue model to a licensing model, K-TIG intends to assume responsibility for managing the export/transportation of its products from Australia into foreign jurisdictions. Any adverse changes to applicable tariffs, quotas or duties or the introduction of other trade barriers, or the introduction of adverse trade sanctions in foreign jurisdictions could adversely affect the Company's ability to export its products and reduce the Company's profitability. The Company may not be able to obtain the necessary approvals and clearances through its freight forwarder (including but not limited to any necessary import or export permits) in a timely fashion or may not be able to obtain the necessary approvals and clearances at all. Any loss or disruption or a distribution channel could adversely affect the Company's financial performance and future prospects.

**(k) New markets and industries**

Post-Completion, and as set out in Sections 4.2 and 4.3, K-TIG will be initially focussed on the vessels, tanks and piping industries and the nuclear container industry (industries that K-TIG is currently servicing). This will involve engaging K-TIG's key growth regions, in particular North America, Europe and Asia. Further regulatory approvals may be required in the future to expand into these jurisdictions. The Company may not be able to obtain the necessary

approvals and clearances in a timely fashion or may not be able to obtain the necessary approvals and clearances at all.

If the Company expands its operations into new markets and industries, its obligations under the various legal and regulatory regimes may become increasingly complex, and potentially conflicting. If the Company were to expand into new markets and industries (and with new products), it may also be exposed to risks due to unfamiliarity with the relevant markets and laws, potentially leading to misinterpretation and/or non-compliance with laws and regulations. Any efforts to enter a new market or industry space holds the risk that the product offering does not meet the needs of the market/industry at an acceptable price point, the product does not meet the relevant regulatory standards and/or the underlying intellectual property is not registrable in that market/industry. New markets and industries usually cost substantially more to penetrate than known markets and industries.

**(l) Product liability and warranty risk**

K-TIG's products are subject to stringent safety and manufacturing standards. There is a risk that K-TIG's products may have actual or perceived safety or quality failures or defects which could result in:

- (i) litigation or claims alleging negligence, product liability or breach of warranty against K-TIG;
- (ii) regulatory authorities revoking or altering any approvals granted, or forcing K-TIG to conduct a product recall;
- (iii) regulatory action;
- (iv) damage to K-TIG's brand and reputation; or
- (v) K-TIG being forced to terminate or delay sales or operations.

Despite best practice by K-TIG with respect to the manufacture and supply of its products and any insurance that K-TIG may hold, the risk of defective products remains and may negatively impact K-TIG's reputation, operations and financial prospects.

**(m) Research and Development**

K-TIG is currently entitled to receive a research and development (**R&D**) rebate on part of its expenditure in research and development (**Tax Incentive**). There is a risk that the Australian Government may make an adverse determination in respect of the Company's entitlement to the R&D Tax Incentive, or make a material change to the rebate scheme, which may adversely impact the funding available to K-TIG to fund its operations. There is no guarantee that any application for future funding from the Australian Government will be approved.

As at the date of this Prospectus, the Department of Industry, Innovation and Science is undertaking an examination of K-TIG's 2018-2019 financial year R&D Tax Incentive registration. The examination may result in the registered activities being ineligible for the 2018 R&D Tax Incentive, and K-TIG having to repay claims it has received. The total amount claimed and received for the 2017-2018 financial year was \$302,807. K-TIG is currently in discussion with the Department of Industry, Innovation and Science regarding this matter. In

the event that this amount is required to be repaid it will be repaid from working capital.

**(n) Competition risk**

The market in which the Company participates is competitive and characterised by technological change. The Company's potential inability to improve existing product lines and develop new products and technologies could have a material adverse effect on the Company's business. In addition, the Company's competitors could introduce new products with greater capabilities or better pricing which could have a material adverse effect on the Company's business. While the Company will undertake all reasonable due diligence in its business decisions and operations, the Company will have no influence or control over the activities or actions of its competitors, whose activities or actions may, positively or negatively, affect the operating and financial performance of the Company's business.

**(o) Loss making operation, future capital needs and additional funding**

As at the date of this Prospectus and as set out in section 6, K-TIG is currently loss making and is not cash flow positive, meaning it is reliant on raising funds from investors to continue to fund its operations and product development. Although the Directors consider that the Company will, on Completion of the Public Offer, have sufficient working capital to carry out its stated objectives and to satisfy the anticipated current working capital and other capital requirements set out in this Prospectus, there can be no assurance that such objectives can continue to be met in the future without securing further funding.

The future capital requirements of the Company will depend on many factors, including the pace and magnitude of the development of its business and sales, and the Company may need to raise additional funds from time to time to finance the ongoing development and commercialisation of its technology and to meet its other longer-term objectives.

Should the Company require additional funding, there can be no assurance that additional financing will be available on acceptable terms or at all. Any inability to obtain additional financing, if required, would have a material adverse effect on the Company's business, financial condition and results of operations.

**(p) Litigation risk**

The Company is subject to litigation risks. All industries, including the fabrication and welding industries, are subject to legal claims, with and without merit. Defence and settlement costs of legal claims can be substantial, even with respect to claims that have no merit. Due to the inherent uncertainty of the litigation process, the resolution of any particular legal proceeding to which the Company may become subject could have a material effect on its financial position, results of operations or the Company's activities.

## 5.3 GENERAL RISKS

### (a) Economic

General economic conditions, introduction of tax reform, new legislation, movements in interest and inflation rates and currency exchange rates may have an adverse effect on the Company's business activities and potential research and development programmes, as well as on their ability to fund those activities.

### (b) Force majeure

The Company's projects now or in the future may be adversely affected by risks outside the control of the Company, including labour unrest, civil disorder, war, subversive activities or sabotage, fires, floods, explosions or other catastrophes, epidemics or quarantine restrictions.

### (c) Insurance risks

The Company intends to insure its operations (and K-TIG's) in accordance with industry practice. However, in certain circumstances, such insurance may not be of a nature or level to provide adequate insurance cover. The occurrence of an event that is not covered or fully covered by insurance could have a material adverse effect on the business, financial condition and results of the Company effected.

### (d) Market conditions

Share market conditions may affect the value of the Company's quoted Securities regardless of the Company's operating performance. Share market conditions are affected by many factors such as:

- (i) general economic outlook;
- (ii) introduction of tax reform or other new legislation;
- (iii) interest rates and inflation rates;
- (iv) changes in investor sentiment toward a particular market sector; and
- (v) the demand for, and supply of, capital.

The market price of securities can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general and microcaps in particular. Neither the Company nor the Directors warrant the future performance of the Company or any return to security holders arising from the transactions the subject of this Prospectus or otherwise.

### (e) International operations

The Company expects to do business around the world. The Company's operations will therefore be subject to a number of risks inherent in global operations, including political and economic instability in foreign markets, inconsistent product regulation by foreign agencies or governments, imposition of product tariffs and burdens, cost of complying with a wide variety of international export laws and regulatory requirements, risks stemming from the Company's lack of local business experience in specific foreign countries, foreign currency fluctuations, difficulty in enforcing

intellectual property rights, foreign taxes, and language and other cultural barriers.

**(f) Foreign exchange**

The Company will be operating in a variety of jurisdictions and as such expects to generate revenue and incur costs and expenses in more than one currency. Consequently, movements in currency exchange rates may adversely or beneficially affect the Company's results or operations and cash flows. Any depreciation of currencies in foreign jurisdictions in which the Company operates may result in lower than anticipated revenue, profit and earnings of the Company.

**(g) Speculative investment**

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the Securities offered under this Prospectus.

Therefore, the Securities to be issued pursuant to this Prospectus carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those Securities.

Potential investors should consider that the investment in the Company is highly speculative and should consult their professional advisers before deciding whether to apply for Securities pursuant to the Offers.

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## 6. FINANCIAL INFORMATION

### 6.1 INTRODUCTION

This Section sets out the Historical and Pro-Forma Financial Information. The basis for preparation and presentation of this information is also set out below.

The Historical and Pro-Forma Financial Information has been prepared by management and adopted by the Board. The Board is responsible for the inclusion of all financial information in the Prospectus. BDO Corporate Finance (SA) Pty Ltd has prepared an Independent Limited Assurance Report in respect of the Historical and Pro-Forma Financial Information. A copy of the report is contained in Section 7.

The Historical and Pro-Forma Financial Information has been prepared in accordance with the recognition and measurement criteria of Australian Accounting Standards and the significant accounting policies set out in Note 5 in Section 6.5 below. The Historical and Pro-Forma Financial Information comprises financial information of the Company and K-TIG (together, the **Combined Entity**). The Historical and Pro-Forma Financial Information is presented in an abbreviated form insofar as it does not include all the disclosures and notes required in an annual financial report prepared in accordance with Australian Accounting Standards and the Corporations Act.

The Company has entered into a conditional share sale agreement with the shareholders of K-TIG to acquire all of the issued share capital in K-TIG (**Acquisition**). The Acquisition is conditional upon the Company successfully raising a minimum of \$5,000,000 and to a maximum of \$7,000,000 by way of the issue of 25,000,000 Shares and 35,000,000 Shares (respectively) at an issue price of \$0.20 each.

This Section has been prepared on the basis of the Company successfully completing the Public Offer to raise a minimum of \$5,000,000 and a maximum of \$7,000,000 through the issue of 25,000,000 to 35,000,000 Shares at an issue price of \$0.20 per Share.

### 6.2 HISTORICAL FINANCIAL INFORMATION

The Historical Financial Information for both the Company and K-TIG set out below comprises:

- (a) The audited Consolidated Statements of Financial Position as at 30 June 2017 and 30 June 2018 of the Company;
- (b) The reviewed Consolidated Statement of Financial Position as at 31 December 2018 of the Company;
- (c) The audited Statements of Financial Position as at 30 June 2017, 30 June 2018 and 30 June 2019 of K-TIG;
- (d) The audited Consolidated Statements of Profit or Loss and other Comprehensive Income for the years ended 30 June 2017 and 30 June 2018 of the Company;
- (e) The reviewed Consolidated Statement of Profit or Loss and other Comprehensive Income for the half year ended 31 December 2018 of the Company;

- (f) The audited Statements of Profit or Loss and other Comprehensive Income for the years ended 30 June 2017, 30 June 2018 and 30 June 2019 of K-TIG;
- (g) The audited Consolidated Statements of Cash Flows for the years ended 30 June 2017 and 30 June 2018 of the Company;
- (h) The reviewed Consolidated Statement of Cash Flows for the half year ended 31 December 2018 of the Company; and
- (i) The audited Statements of Cash Flows for the years ended 30 June 2017, 30 June 2018 and 30 June 2019 of K-TIG,

hereafter referred to as the **Historical Financial Information**.

The Historical Financial Information does not include a Statement of Changes in Equity.

The Company's consolidated financial statements for the years ended 30 June 2017 and 30 June 2018 have been subject to an audit by Stantons International Audit & Consulting Pty Ltd which included an emphasis of matter in relation to the Company's ability to continue as a going concern. The consolidated financial statement of the Company for the half year ended 31 December 2018 has been subject to a review by Stantons which included an emphasis of matter in relation to the Company's ability to continue as a going concern.

K-TIG's financial statements for the year ended 30 June 2017, 30 June 2018 and 30 June 2019 have been subject to an audit by BDO Audit (SA) Pty Ltd. An emphasis of matter was included for the period ended 30 June 2019 in relation to K-TIG's ability to continue as a going concern.

### 6.3 PRO-FORMA FINANCIAL INFORMATION

The Pro-Forma Financial Information set out below comprises the unaudited Pro-Forma Statement of Financial Position as at 30 June 2019 of the Combined Entity adjusted for any subsequent events and showing the impact of the proposed Offers and the effects of the Acquisition.

The unaudited Pro-Forma Statement of Financial Position of the Combined Entity has been derived from the audited consolidated Statement of Financial Position as at 31 December 2018 of the Company (refer to column (A)) and the audited Statement of Financial Position of K-TIG as at 30 June 2019 (refer to column (B)).

The Pro-Forma Financial Information reflects the following events that have occurred subsequent to the period ended 31 December 2018 for the Company and subsequent to the year ended 30 June 2019 for K-TIG (**Subsequent Events**) (refer to column (C)):

- (a) The issue 5,677,946 K-TIG shares to directors of K-TIG in satisfaction of their debt at 30 June 2019 of \$359,740.
- (b) The issue of 23,297,799 K-TIG shares from the share based payments reserve, valued at \$603,925 at 30 June 2019, in the following proportions:
  - (i) 2,637,500 K-TIG shares to consultant;
  - (ii) 7,248,165 K-TIG shares to K-TIG employees;
  - (iii) 9,074,524 K-TIG shares to directors of K-TIG in consideration for their board services; and

- (iv) 4,337,610 K-TIG shares to Mr Neil Le Quesne for executive service entitlement.
- (c) The expended cash balance of the Company of \$216,906.
- (d) Goods and Services Tax (GST) receivable in respect of payments over the subsequent period to 30 June 2019 by the Company of \$4,907.
- (e) Decreased prepaid expenses of the Company to 30 June 2019 for insurance premiums expensed of \$32,711.
- (f) Increased trade payables of the company at 30 June 2019 to \$175,690, predominantly due to legal and consulting fee expenditure.
- (g) Decreased accruals of the company at 30 June 2019 to \$44,764 to include audit fees of \$22,000, legal fees \$19,264 and directors' fees of \$3,500.
- (h) The subsequent event adjustments of the company charged to profit or loss of \$289,817.

The Pro-Forma Financial Information has also been adjusted for the following transactions as if they had occurred at 30 June 2019 (**Pro-Forma Transactions**) (refer to columns (D) and (E)):

- (a) 1:57 Consolidation of the Company's existing Securities;
- (b) Issue of 80,200,501 Shares to K-TIG shareholders in consideration for the acquisition of 100% of the issued shares in K-TIG;
- (c) Issue of 30,075,135 Deferred Consideration Shares to K-TIG shareholders. There are no reasonable grounds on which to assess the likelihood of the milestones being met for the issue of the Deferred Consideration Shares and as such, no value has been attributed;
- (d) Issue of between 25,000,000 and 35,000,000 Shares pursuant to the Public Offer at an Offer Price of \$0.20 per Share to raise between \$5,000,000 and \$7,000,000 in cash before expenses of the Offers;
- (e) Issue of 11,250,000 Shares upon conversion of the Convertible Notes;
- (f) Issue of 5,475,000 Shares and between 4,037,816 and 4,331,801 Advisor Options to Alto Capital in part consideration for services in relation to the Acquisition;
- (g) Issue of a total of 1,140,351 Director Options to the existing and proposed Directors in the following proportions:
  - (i) 370,000 Options to Mr Stuart Carmichael;
  - (ii) 295,000 Options to Mr Colm O'Brien;
  - (iii) 115,351 Options to Michael Edwards;
  - (iv) 180,000 Options to Mr Kieran Purcell; and
  - (v) 180,000 Options to Mr Syed Shueb;
- (h) the effects of the Acquisition as described in Section 6.5; and

- (i) total costs expected to be incurred in connection with the Offers are approximately \$570,000 based on the Minimum Subscription (being \$324,787 settled in cash and charged to equity and \$245,213 settled in cash and charged to the Profit or Loss) and approximately \$693,000 based on the Maximum Subscription (being \$452,933 settled in cash and charged to equity and \$240,067 settled in cash and charged to the Profit or Loss).

All Shares issued pursuant to this Prospectus will be issued as fully paid. The Minimum and Maximum Subscription scenarios are included in the Pro-Forma Statement of Financial Position (refer to columns (F) & (G)).

## 6.4 HISTORICAL AND PRO-FORMA FINANCIAL INFORMATION

### (a) Reviewed Pro-Forma Statement of Financial Position of the Combined Entity as at 30 June 2019

		Pro-forma Adjustments				Pro-forma after Offers		
Notes	Company	K-TIG	Subsequent Events	Minimum	Maximum	Minimum	Maximum	
	Reviewed	Audited		Subscription	Subscription	Subscription	Subscription	
	Historical	Historical						
	31-Dec-18	30-Jun-19		\$5M	\$7M	\$5M	\$7M	
	\$	\$	\$	\$	\$	\$	\$	
	(A)	(B)	(C)	(D)	(E)	(F)	(G)	
Current assets								
Cash and cash equivalents	2	295,390	943,820	(216,906)	4,430,000	6,307,000	5,452,304	7,329,304
Trade and other receivables		13,120	72,685	4,907	-	-	90,712	90,712
Prepaid expenses and deposits		74,337	-	(32,711)	-	-	41,626	41,626
Inventories		-	373,117	-	-	-	373,117	373,117
Total current assets		382,847	1,389,622	(244,710)	4,430,000	6,307,000	5,957,759	7,834,759
Non-current assets								
Property, plant and equipment		-	129,050	-	-	-	129,050	129,050
Intangible assets		-	64,045	-	-	-	64,045	64,045
Investment in dormant entity		-	10	-	-	-	10	10
Total non-current assets		-	193,105	-	-	-	193,105	193,105
TOTAL ASSETS		382,847	1,582,727	(244,710)	4,430,000	6,307,000	6,150,864	8,027,864
Current liabilities								
Trade and other payables		175,347	202,407	45,107	-	-	422,861	422,861
Employee benefits		-	106,231	-	-	-	106,231	106,231
Borrowings		-	1,610,780	(359,740)	(1,251,040)	(1,251,040)	-	-
Revenue received in advance		-	7,300	-	-	-	7,300	7,300
Total current liabilities		175,347	1,926,718	(314,633)	(1,251,040)	(1,251,040)	536,392	536,392
Non-current liabilities								
Employee benefits		-	84,716	-	-	-	84,716	84,716
Total non-current liabilities		-	84,716	-	-	-	84,716	84,716
TOTAL LIABILITIES		175,347	2,011,434	(314,633)	(1,251,040)	(1,251,040)	621,108	621,108
NET ASSETS		207,500	(428,707)	69,923	5,681,040	7,558,040	5,529,756	7,406,756
Equity								
Issued capital	3	27,326,179	5,327,819	963,665	(135,466)	1,773,588	33,482,197	35,391,251
Foreign currency translation reserve		2,675	-	-	(2,675)	(2,675)	-	-
Share based payments reserve		282,867	603,925	(603,925)	(282,867)	(282,867)		
Performance share reserve		2,460,500	-	-	(2,460,500)	(2,460,500)	-	-
Options reserve	4	399,756	-	-	242,337	279,537	642,093	679,293
Accumulated losses		(30,264,477)	(6,360,451)	(289,817)	8,320,211	8,250,957	(28,594,534)	(28,663,788)
TOTAL EQUITY/(DEFICIT)		207,500	(428,707)	69,923	5,681,040	7,558,040	5,529,756	7,406,756

(b) **Statement of Profit or Loss and Other Comprehensive Income -K-TIG**

	Year ended 30-Jun-17 Audited (\$ ) AUD	Year ended 30-Jun-18 Audited (\$ ) AUD	Year ended 30-Jun-19 Audited (\$ ) AUD
Revenue	1,239,710	2,236,196	1,069,198
Cost of sales	(506,072)	(555,544)	(480,752)
	<b>733,638</b>	<b>1,680,652</b>	<b>588,446</b>
<b>Expenses</b>			
Marketing expense	219,025	266,805	151,489
Corporate expense	332,138	231,764	403,778
Service expense	158,666	146,027	50,957
Employee benefits expense	1,251,585	1,126,877	1,358,232
Office/workshop expense	136,242	153,865	141,558
Travel expense	108,015	98,021	117,826
R&D expense	51,732	86,037	76,492
Other expenses	58,958	29,558	20,538
	<b>2,316,361</b>	<b>2,138,954</b>	<b>2,320,870</b>
<b>Profit/(Loss) for the year</b>	<b>(1,582,723)</b>	<b>(458,302)</b>	<b>(1,732,424)</b>
<b>Other income/(expense)</b>			
Interest received	3,163	1,873	2,166
Government grants	39,699	47,790	40,071
Research & Development tax incentive	339,898	302,807	-
Net gain/(loss) on disposal of PP&E	-	45	-
	<b>382,760</b>	<b>352,515</b>	<b>42,237</b>
<b>Total comprehensive profit/(loss) for the period</b>	<b>(1,199,963)</b>	<b>(105,787)</b>	<b>(1,690,187)</b>

(c) **Statement of Financial Position - K-TIG**

	As at 30-Jun-17 Audited (\$ ) AUD	As at 30-Jun-18 Audited (\$ ) AUD	As at 30-Jun-19 Audited (\$ ) AUD
<b>Current assets</b>			
Cash and cash equivalents	340,170	926,929	943,820
Trade and other receivables	380,848	414,687	72,685
Inventories	325,440	234,542	373,117
<b>Total current assets</b>	<b>1,046,458</b>	<b>1,576,158</b>	<b>1,389,622</b>
<b>Non-current assets</b>			
Property, plant and equipment, net	205,933	160,493	129,050
Intangible assets	82,427	73,358	64,045
Investment in dormant entity	-	-	10
<b>Total non-current assets</b>	<b>288,360</b>	<b>233,851</b>	<b>193,105</b>
<b>Total assets</b>	<b>1,334,818</b>	<b>1,810,009</b>	<b>1,582,727</b>
<b>Current liabilities</b>			
Trade and other payables	168,589	217,722	202,407
Employee benefits	74,415	105,510	106,231
Borrowings	-	366,173	1,610,780
Revenue received in advance	-	83,567	7,300
<b>Total current liabilities</b>	<b>243,004</b>	<b>772,972</b>	<b>1,926,718</b>
<b>Non-current liabilities</b>			
Employee benefits	23,095	32,161	84,716
<b>Total non-current liabilities</b>	<b>23,095</b>	<b>32,161</b>	<b>84,716</b>
<b>Total liabilities</b>	<b>266,099</b>	<b>805,133</b>	<b>2,011,434</b>
<b>Net assets</b>	<b>1,068,719</b>	<b>1,004,876</b>	<b>(428,707)</b>
<b>Equity</b>			
Issued capital	5,327,819	5,327,819	5,327,819
Share based payment reserve	305,377	347,321	603,925
Accumulated losses	(4,564,477)	(4,670,264)	(6,360,451)
<b>Total equity</b>	<b>1,068,719</b>	<b>1,004,876</b>	<b>(428,707)</b>

(d) **Statement of Cash Flows - K-TIG**

	Year ended 30-Jun-17 Audited (\$ ) AUD	Year ended 30-Jun-18 Audited (\$ ) AUD	Year ended 30-Jun-19 Audited (\$ ) AUD
<b>Cash flows from / (used in) Operating Activities</b>			
Cash receipts from customers	2,054,475	2,468,617	1,133,987
Government grants received	398,222	653,404	59,502
Cash payments to suppliers and employees	(3,245,421)	(2,885,048)	(2,415,538)
Interest received	3,163	1,873	2,166
Interest paid		(4,598)	(3,570)
<b>Net cash flows from / (used in) operating activities</b>	<b>(789,561)</b>	<b>234,248</b>	<b>(1,223,453)</b>
<b>Cash flows from / (used in) investing activities</b>			
Payments for intangibles	(22,432)	(1,814)	(1,744)
Purchase of property, plant and equipment	(23,397)	(11,848)	(2,519)
<b>Net cash flows from / (used in) operating activities</b>	<b>(45,829)</b>	<b>(13,662)</b>	<b>(4,263)</b>
<b>Cash flows from / (used in) financing activities</b>			
Proceeds received for shares issued	500,000	-	-
Proceeds from borrowings	-	366,173	1,244,607
<b>Net cash flows from / (used in) financing activities</b>	<b>500,000</b>	<b>366,173</b>	<b>1,244,607</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>(335,390)</b>	<b>586,759</b>	<b>16,891</b>
Cash and cash equivalents at beginning of period	675,560	340,170	926,929
<b>Closing cash balance</b>	<b>340,170</b>	<b>926,929</b>	<b>943,820</b>

(e) **Consolidated Statement of Profit or Loss and Other Comprehensive Income  
- the Company**

	Year ended 30-Jun-17 Audited (\$ AUD)	Year ended 30-Jun-18 Audited (\$ AUD)	Half Year ended 31-Dec-18 Reviewed (\$ AUD)
Revenue	5,473	1,265	-
	<b>5,473</b>	<b>1,265</b>	<b>-</b>
<b>Expenses</b>			
Advertising and promotion	17,642	-	-
Bad debts	-	5,017,067	-
Depreciation and amortisation	5,521	-	-
General and administration	10,002	58,605	23,445
Insurance	31,597	41,974	24,643
Professional and consulting services	286,484	424,907	74,041
Rent and outgoings	26,531	-	-
Salaries, director's fees, bonus and benefits	170,446	15,280	49,275
Software development	-	12,061	-
Software, website and platform costs	-	-	4,712
Impairment of intangible assets	81,126	-	-
Travel expenses	60,732	-	106
	<b>690,081</b>	<b>5,569,894</b>	<b>176,222</b>
<b>Profit/(Loss) from operations</b>	<b>(684,608)</b>	<b>(5,568,629)</b>	<b>(176,222)</b>
<b>Other income/(expense)</b>			
Share based payments	(129,515)	-	-
Finance costs	(3,211)	(3,439)	(927)
Listing fees	(59,175)	(92,480)	(17,111)
Foreign exchange loss/(gain)	-	(4,904)	-
Bad debt provision	-	-	(454,140)
Loan forgiveness	-	105,685	-
Other income (PTF interest and bank interest)	4,214	596,964	454,939
	<b>(187,687)</b>	<b>601,826</b>	<b>(17,239)</b>
<b>Net (loss) from continuing operations</b>	<b>(872,295)</b>	<b>(4,966,803)</b>	<b>(193,461)</b>
<b>Discontinued Operations</b>			
Loss from discontinuing operations	(4,232,092)	-	-
Profit on disposal of subsidiary	-	4,086,471	-
	<b>(4,232,092)</b>	<b>4,086,471</b>	<b>-</b>
<b>Other comprehensive income/(loss)</b>			
Exchange gain/(loss) on translation of foreign operations	(70,009)	4,318	45
	<b>(70,009)</b>	<b>4,318</b>	<b>45</b>
<b>Total comprehensive profit/(loss) for the period</b>	<b>(5,174,396)</b>	<b>(876,014)</b>	<b>(193,416)</b>

(f) **Consolidated Statement of Financial Position - the Company**

	As at 30-Jun-17 Audited (\$ ) AUD	As at 30-Jun-18 Audited (\$ ) AUD	As at 31-Dec-18 Reviewed (\$ ) AUD
<b>Current assets</b>			
Cash and cash equivalents	134,352	530,402	295,390
Trade and other receivables	4,902	7,328	13,120
Prepaid expenses and deposits	31,350	28,826	74,337
Assets held for sale	548,309	-	-
<b>Total current assets</b>	<b>718,913</b>	<b>566,556</b>	<b>382,847</b>
<b>Total assets</b>	<b>718,913</b>	<b>566,556</b>	<b>382,847</b>
<b>Current liabilities</b>			
Trade and other payables	149,033	165,640	175,347
Share subscriptions received in advance	258,133	-	-
<b>Total current liabilities</b>	<b>407,166</b>	<b>165,640</b>	<b>175,347</b>
<b>Total liabilities</b>	<b>407,166</b>	<b>165,640</b>	<b>175,347</b>
<b>Net assets</b>	<b>311,747</b>	<b>400,916</b>	<b>207,500</b>
<b>Equity</b>			
Issued capital	20,116,448	27,326,179	27,326,179
Reserves	4,254,139	3,145,753	3,145,798
Accumulated losses	(24,058,840)	(30,071,016)	(30,264,477)
<b>Total equity</b>	<b>311,747</b>	<b>400,916</b>	<b>207,500</b>

(g) **Consolidated Statement of Cash Flows - the Company**

	Year ended 30-Jun-17 Audited (\$ ) AUD	Year ended 30-Jun-18 Audited (\$ ) AUD	Half Year ended 31-Dec -18 Reviewed (\$ ) AUD
<b>Cash flows from / (used in) Operating Activities</b>			
Cash payments to suppliers and employees	(4,389,892)	(602,606)	(235,870)
Receipts from sales and related debtors	27,706	1,265	-
Interest received	4,214	1,905	799
<b>Net cash flows from / (used in) operating activities</b>	<b>(4,357,972)</b>	<b>(599,436)</b>	<b>(235,071)</b>
<b>Cash flows from / (used in) investing activities</b>			
Acquisition/disposal of intangibles	(66,653)	-	-
Acquisition/disposal of property, plant and equipment	(63,614)	-	-
<b>Net cash flows from / (used in) operating activities</b>	<b>(130,267)</b>	<b>-</b>	<b>-</b>
<b>Cash flows from / (used in) financing activities</b>			
Proceeds from options exercised	15,000	178,222	-
Proceeds from director placement	-	34,000	-
Proceeds from convertible debt	-	250,000	-
Proceeds from issue of shares	3,000,625	574,423	-
Payments for share issue costs	(222,710)	(41,159)	-
<b>Net cash flows from / (used in) financing activities</b>	<b>2,792,915</b>	<b>995,486</b>	<b>-</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>(1,695,324)</b>	<b>396,050</b>	<b>(235,071)</b>
Cash and cash equivalents at beginning of period	1,958,734	134,352	530,402
Impact of exchange rate changes on cash and cash equivalents	(59,143)	-	59
<b>Closing cash balance</b>	<b>204,267</b>	<b>530,402</b>	<b>295,390</b>

## 6.5 NOTES TO AND FORMING PART OF THE PRO-FORMA FINANCIAL INFORMATION

(a) **Note 1**

The proposed Acquisition of K-TIG will result in the K-TIG shareholders holding a controlling interest in the Company after the transaction. This proposed transaction does not meet the definition of a business combination in Australian Accounting Standard AASB 3 Business Combinations (AASB 3). The transaction has therefore been accounted for in the Reviewed Pro-Forma Statement of Financial Position of the Combined Entity in accordance with Australian Accounting Standard AASB 2 Share-based Payments and has been accounted for as a continuation of the financial statements of K-TIG together with a deemed issue of shares. The deemed issue of shares is, in effect, a share-based payment transaction whereby K-TIG is deemed to have received the net assets of the Company, together with the listing status of the Company.

Because the Reviewed Pro-Forma Statement of Financial Position of the Combined Entity represents a continuation of the financial statements of K-TIG, the principles and guidance on the preparation and presentation of the

consolidated financial statements in a reverse acquisition set out in AASB 3 have been applied as follows:

- (i) fair value adjustments arising at completion of the Acquisition are made to the Company's assets and liabilities, not those of K-TIG. As the carrying value of all assets and liabilities held by the Company at 30 June 2019 approximated their fair value, no adjustments were required;
- (ii) the equity structure (the number and type of equity instruments issued) at the date of completion of the Acquisition reflects the equity structure of the Company, including the equity instruments issued to effect the acquisition;
- (iii) accumulated (losses)/ profits and other equity balances at Acquisition completion date are those of K-TIG;
- (iv) the cost of the Acquisition, and amount recognised as contributed equity to affect the transaction, is based on the deemed number of shares that K-TIG would have needed to issue to give the shareholders of the Company the same shareholding percentage in the Combined Entity that results from the transaction; and
- (v) a share-based payment transaction arises whereby K-TIG is deemed to have issued shares in exchange for the net assets of the Company (together with the listing status of the Company). The listing status does not qualify for recognition as an intangible asset and the relevant costs have therefore been expensed in profit or loss as a listing expense.

The fair value of the deemed number of shares that K-TIG would have needed to issue is estimated to be \$12,668,353 for both the Maximum Subscription and Minimum Subscription.

The costs associated with the Acquisition includes the issue of 5,475,000 Advisor Shares and between a minimum of 4,037,816 and a maximum of 4,331,801 Advisor Options to Alto Capital in part consideration for services in relation to the Acquisition.

The cost of the Acquisition is \$4,166,560 for the Maximum Subscription and \$4,129,360 for the Minimum Subscription.

The fair value of the Company's net liabilities as at 30 June 2019, adjusted for the costs associated with the Acquisition, is estimated to be \$82,317 for both the Maximum Subscription and Minimum Subscription. Deducting this from the deemed consideration results in a notional listing expense of \$4,248,877 for the Maximum Subscription and \$4,211,677 for the Minimum Subscription.

As the proposed Acquisition, if implemented, will be effected at a future date, the actual financial position and performance of the Combined Entity post-Completion will differ from that presented below.

(b) **Note 2**

**Reconciliation of movements in Pro-Forma cash and cash equivalents**

	Cash and cash equivalents (Maximum Subscription \$7.0M) \$	Cash and cash equivalents (Minimum Subscription \$5.0M) \$
Company Historical Statement of Financial Position 30 June 2019	78,484	78,484
Issue of approximately 35,000,000 maximum or 25,000,000 minimum shares at \$0.20 per share pursuant to the capital raising	7,000,000	5,000,000
Total costs expected to be incurred in connection with the capital raising	(693,000)	(570,000)
K-TIG Historical Statement of Financial Position 30 June 2019	943,820	943,820
<b>Reviewed Pro-forma Statement of Financial Position of the Combined Entity 30 June 2019</b>	<b>7,329,304</b>	<b>5,452,304</b>

No Pro-Forma adjustments have been made to reflect cash flow movements from operating activities between 1 July 2019 and the date of this document. The cash balance of the Combined Entity as at 30 June 2019 is \$1,022,304.

As at 31 July 2019 the unaudited cash balance of the Combined Entity increase/decreased by approximately \$300,000 to \$729,209.

(c) **Note 3**

The pro-forma contributed equity includes the following assumptions:

- (i) A 1:57 Consolidation of the Company's existing ordinary shares;
- (ii) Issue of 80,200,501 Shares to K-TIG shareholders in consideration for the acquisition of 100% of the issued shares in K-TIG;
- (iii) Issue of 30,075,135 Deferred Consideration Shares to K-TIG shareholders. There are no reasonable grounds on which to assess the likelihood of the milestones being met for the issue of the Deferred Consideration Shares and as such, no value has been attributed;
- (iv) Issue of between 25,000,000 and 35,000,000 Shares pursuant to the Public Offer at an Offer Price of \$0.20 per Share to raise between \$5,000,000 and \$7,000,000 cash before expenses of the Offers. All ordinary shares issued pursuant to this Prospectus will be issued as fully paid. The Minimum and Maximum Subscription scenarios are included in the Pro-Forma Statement of Financial Position;
- (v) Issue of 11,250,000 Shares upon conversion of the Convertible Notes;
- (vi) Issue of 5,475,000 Advisor Shares and between 4,037,816 and 4,331,801 Advisor Options to Alto Capital in part consideration for services in relation to the Acquisition. The Minimum and Maximum Subscription scenarios are included in the Pro-Forma Statement of Financial Position;

- (vii) the effects of the Acquisitions as described in Section 6.5; and
- (viii) total costs expected to be incurred in connection with the Offers are approximately \$570,000 based on the Minimum Subscription (being \$324,787 settled in cash and charged to equity and \$245,213 settled in cash and charged to the Profit or Loss) and approximately \$693,000 based on the Maximum Subscription (being \$452,933 settled in cash and charged to equity and \$240,067 settled in cash and charged to the Profit or Loss).

Reconciliation of movements in pro-forma contributed equity (Maximum Subscription \$7.0M)	Number of shares #	Contributed equity \$
Company Historical Statement of Financial Position 30 June 2019	722,096,113	27,326,179
Effect of Share Consolidation	(709,427,760)	
Issue of shares to K-TIG shareholders in consideration for the acquisition of 100% of the issued shares in K-TIG	110,275,636	16,040,100
Issue of shares pursuant to the Prospectus (Maximum Subscription)	35,000,000	7,000,000
Issue of shares upon conversion of the Convertible Notes	11,250,000	1,251,040
Issues of shares to Alto Capital in part consideration for services in relation to the Acquisition.	5,475,000	1,095,000
Reversal of Company shares on acquisition		(27,326,179)
K-TIG Historical Statement of Financial Position 30 June 2019		5,327,819
K-TIG deemed issue of shares for the Company		2,533,671
Costs expected to be incurred in connection with the Acquisition		1,632,889
Conversion of K-TIG director loans		359,740
Issue of K-TIG shares from share based payments reserve		603,925
Costs expected to be incurred in connection with the issue		(452,933)
<b>Reviewed Pro-forma Statement of Financial Position of the Combined Entity 30 June 2019</b>	<b>174,668,989</b>	<b>35,391,251</b>

Reconciliation of movements in pro-forma contributed equity (Minimum Subscription \$5.0M)	Number of shares #	Contributed equity \$
Company Historical Statement of Financial Position 30 June 2019	722,096,113	27,326,179
Effect of Share Consolidation	(709,427,760)	
Issue of shares to K-TIG shareholders in consideration for the acquisition of 100% of the issued shares in K-TIG	110,275,636	16,040,100
Issue of shares pursuant to the Prospectus (Minimum Subscription)	25,000,000	5,000,000
Issue of shares upon conversion of the Convertible Notes	11,250,000	1,251,040
Issues of shares to Alto Capital in part consideration for services in relation to the Acquisition.	5,475,000	1,095,000
Reversal of Company shares on acquisition		(27,326,179)
K-TIG Historical Statement of Financial Position 30 June 2019		5,327,819
K-TIG deemed issue of shares for the Company		2,533,671
Costs expected to be incurred in connection with the Acquisition		1,595,689
Conversion of K-TIG director loans		359,740
Issue of K-TIG shares from share based payments reserve		603,925
Costs expected to be incurred in connection with the issue		(324,787)
<b>Reviewed Pro-forma Statement of Financial Position of the Combined Entity 30 June 2019</b>	<b>164,668,989</b>	<b>33,482,197</b>

(d) **Note 4**

The pro-forma options reserve includes the following assumptions:

- (i) Issue of between 4,037,816 and 4,331,801 Advisor Options to Alto Capital in part consideration for services in relation to the Acquisition;
- (ii) Issue of 370,000 Director Options to Mr Stuart Carmichael;
- (iii) Issue of 295,000 Director Options to Mr Colm O'Brien;
- (iv) Issue of 115,351 Director Options to Michael Edwards;
- (v) Issue of 180,000 Director Options to Mr Kieran Purcell; and
- (vi) Issue of 180,000 Director Options to Mr Syed Shueb;

<b>Reconciliation of movements in pro-forma options reserve (Maximum Subscription \$7.0M)</b>	<b>Number of options #</b>	<b>Value of options \$</b>
Issue of options to Alto Capital in part consideration for services in relation the Acquisition	4,331,801	537,889
Issue of options to Mr Stuart Carmichael	370,000	45,880
Issue of options to Mr Colm O'Brien	295,000	36,580
Issue of options to Michael Edwards	115,351	14,304
Issue of options to Mr Kieran Purcell	180,000	22,320
Issue of options to Mr Syed Shueb	180,000	22,320
<b>Reviewed Pro-forma Statement of Financial Position of the Combined Entity 30 June 2019</b>	<b>5,472,152</b>	<b>679,293</b>

<b>Reconciliation of movements in pro-forma options reserve (Minimum Subscription \$5.0M)</b>	<b>Number of options #</b>	<b>Value of options \$</b>
Issue of options to Alto Capital in part consideration for services in relation the Acquisition	4,037,816	500,689
Issue of options to Mr Stuart Carmichael	370,000	45,880
Issue of options to Mr Colm O'Brien	295,000	36,580
Issue of options to Michael Edwards	115,351	14,304
Issue of options to Mr Kieran Purcell	180,000	22,320
Issue of options to Mr Syed Shueb	180,000	22,320
<b>Reviewed Pro-forma Statement of Financial Position of the Combined Entity 30 June 2019</b>	<b>5,178,167</b>	<b>642,093</b>

(e) **Note 5**

**Significant accounting policies of the Combined Entity**

(i) **Basis of preparation**

The financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards and the Corporations Act. The financial statements have been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities. The financial report is presented in Australian dollars. The amounts presented in the financial statements have been rounded to the nearest dollar.

Australian Accounting Standards set out accounting policies that the Australian Accounting Standards Board has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless otherwise stated.

The financial report has been prepared on the going concern basis which presumes the realisation of assets and payment of liabilities in the normal course of business over the foreseeable future.

*Basis of Consolidation*

The consolidated financial statements incorporate all of the assets, liabilities and results of the parent and all of the subsidiaries. Subsidiaries are entities the parent controls. The parent controls an entity when it 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 over the entity.

Subsidiaries are fully consolidated from the date on which control is acquired.

The assets, liabilities and results of all subsidiaries are fully consolidated into the financial statements of the Group from the date on which control is obtained by the Group. The consolidation of a subsidiary is discontinued from the date that control ceases. Intercompany transactions, balances and unrealised gains or losses on transactions between Group entities are fully eliminated on consolidation. Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the Group.

Equity interests in a subsidiary not attributable, directly or indirectly, to the Group are presented as "non-controlling interests". The Group initially recognises non-controlling interests that are present ownership interests in subsidiaries and are entitled to a proportionate share of the subsidiary's net assets on liquidation at either fair value or at the non-controlling interests' proportionate share of the subsidiary's net assets. Subsequent to initial recognition, non-controlling interests are attributed their share of profit or loss and

each component of other comprehensive income. Non-controlling interests are shown separately within the equity section of the statement of financial position and statement of comprehensive income.

**(ii) Inventories**

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Inventories are measured at the lower of cost and net realisable value. The cost of manufactured products includes direct materials, direct labour and an appropriate portion of variable and fixed overheads. Overheads are applied on the basis of normal operating capacity. Costs are assigned on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts.

**(iii) Property, plant & equipment**

Each class of property, plant and equipment is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

*Plant and equipment*

Plant and equipment are measured on the cost basis and therefore carried at cost less depreciation and any accumulated impairment losses. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses recognised in profit or loss. A formal assessment of recoverable amount is made when impairment indicators are present.

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

*Depreciation*

The depreciable amount of all fixed assets is depreciated on a straight-line basis over the asset's useful life to the Company commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements. Depreciation is recognised in profit or loss.

The depreciation rates used for each class of depreciable assets are:

<u>Class of Fixed Assets</u>	<u>Depreciation Rate</u>
Leasehold improvements	14.00%
Plant and equipment	5%-40%
Computer equipment	66.67%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposal are determined by comparing proceeds with the carrying amount. These gains and losses are included in the profit or loss and when the item is derecognised.

(iv) **Intangible assets**

*Trademarks*

Trademarks are carried at cost less accumulated amortisation. Trademarks are amortised on a straight-line basis over the period of their expected benefit, being their finite life of 10 years.

*Research and Development*

Expenditure during the research phase of a project is recognised as an expense when incurred. Development costs are capitalised only when technical feasibility studies identify that the project will deliver future economic benefits and these benefits can be measured reliably.

(v) **Financial instruments**

*Initial recognition and measurement*

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized in profit or loss when incurred.

*Classification and subsequent measurement*

The Company classifies its financial instruments into one of the following categories at initial recognition based on the nature and purpose of the instrument:

## Assets

- fair value through profit or loss
- held-to-maturity
- loans and receivables
- available for sale

## Liabilities

- fair value through profit or loss
- other liabilities

### *Available for sale financial assets*

Available for sale financial assets are non-derivatives that are either designated as available for sale or are not classified in any of the other asset categories. The Company has no assets classified as available for sale. Available for sale financial assets are stated at fair value. Changes in the fair value of monetary available for sale assets resulting from foreign exchange gains and losses, interest income calculated using the effective interest method and dividends are all recognized in profit or loss; all other changes in fair value are recognized in other comprehensive income. When an available for sale asset is derecognized, the cumulative gain or loss in other comprehensive income is transferred to profit or loss.

### *Derecognition*

Financial assets are derecognized when the contractual rights to receive cash flows from the assets have expired or were transferred and the Company has transferred substantially all risks and rewards of ownership to another entity. Financial liabilities are derecognized when, and only when, the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in the consolidated statement of comprehensive loss

## (vi) **Impairment**

### *Non-financial assets*

The Company's equipment and intangible assets, if any, are reviewed for indicators of potential impairment at the end of each reporting year. Such indicators may include an adverse change in business climate, technology, or regulations that impact the industry. The determination of whether such indicators exist requires significant judgment.

If indication of impairment exists, the asset's recoverable amount is estimated to determine the extent of an impairment loss, if any. For an asset that does not generate largely independent cash inflows or for which it is not possible to estimate the recoverable amount, the recoverable amount is determined for the cash-generating unit

(“CGU”) to which the asset belongs. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

The recoverable amount of an asset or CGU is the greater of fair value less costs to sell and value in use. The determination of the recoverable amount in the impairment assessment requires estimates based on quoted market prices, prices of comparable transactions, present value or other valuation techniques or a combination thereof, necessitating management to make subjective judgments and assumptions. When calculating an assets value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the cash flows have not been adjusted.

An impairment loss is recognized when the carrying amount of an asset, or CGU, exceeds its recoverable amount. Impairment losses are recognized in profit or loss for the year. An impairment loss recognized in respect of a CGU is allocated first to reduce the carrying amount of any goodwill allocated to the CGU, if any, and then to reduce the carrying amount of the other assets in the unit on a pro-rata basis. The Company has no goodwill balance for any of the reporting years presented.

An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. The reversal of an impairment loss is recognized immediately in profit or loss.

#### *Financial assets*

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting year. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been negatively affected. The determination of whether such indicators exist requires significant judgment.

Objective evidence of impairment could include the following:

- (A) significant financial difficulty of the issuer or counterparty;
- (B) default or delinquency in interest or principal payments;
- (C) it has become probable that the borrower will enter bankruptcy or financial reorganization;
- (D) the disappearance of an active market for the security; and
- (E) significant or prolonged decline in the fair value of an available for sale equity instrument below its cost.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate. The carrying amount of the asset is directly reduced by the impairment loss with the exception of trade receivables. The carrying amount of trade receivables is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

Impairment losses on available for sale assets are recognized by transferring the cumulative loss that has been recognized in other comprehensive income, and presented in unrealized gains/losses in equity, to profit or loss.

With the exception of available for sale equity instruments, if, in a subsequent year, the amount of the impairment loss decreases and the decrease relates to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss. On the date of impairment reversal, the carrying amount of the financial asset cannot exceed its amortized cost had impairment not been recognized. Impairment losses recognized in profit or loss on available for sale equity instruments cannot be reversed

**(vii) Cash and cash equivalents**

Cash and cash equivalents include cash on hand, deposits held at call with banks and highly liquid investments with maturities of three months or less that are readily convertible to known amounts of cash and which are subject to insignificant risk of change in value and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

**(viii) Trade and other receivables**

Trade and other receivables include amounts due from customers for goods sold in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Trade and other receivables are initially recognised at fair value and subsequently measured at amortized cost using the effective interest method, less any provision for impairment.

Collectability of trade receivables is assessed on an ongoing basis. Debts which are known to be uncollectible are written off. An allowance is made for doubtful debts where there is objective evidence that the Company will not be able to collect all amounts due according to the original terms. On confirmation the trade receivable will not be collectible the gross carrying value of the asset is written off against the associated provision.

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 60 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

(ix) **Employee Benefits**

*Short-term employee benefits*

Provision is made for the Company's obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries, bonuses and annual leave entitlements. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

*Other long-term employee benefits*

Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures, and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Upon the remeasurement of obligations for other long-term employee benefits, the net change in the obligation is recognised in profit or loss as part of employee benefits expense.

The Company's obligations for employee benefits are presented as current liabilities in its statement of financial position, except where the Company has an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as non-current provisions.

*Defined contribution superannuation benefits*

All employees of the Company receive defined contribution superannuation entitlements, for which the Company pays the fixed superannuation guarantee contribution (currently 9.5% of the employee's average ordinary salary) to the employee's superannuation fund of choice. All contributions in respect of employees' defined contribution entitlements are recognised as an expense when they become payable. The Company's obligation with respect to employees' defined contribution entitlements is limited to its obligation for any unpaid superannuation guarantee contributions at the end of the reporting period. All obligations for unpaid superannuation guarantee contributions are measured at the

(undiscounted) amounts expected to be paid when the obligation is settled and are presented as current liabilities in the Company's statement of financial position.

**(x) Income Tax**

*Income tax expense comprises current and deferred tax.*

Current income tax is the amount expected to be recovered from or paid to the taxation authorities based on the taxable income or loss for the year using tax rates enacted or substantively enacted at the reporting date and any adjustment to tax payable from previous years.

Deferred tax assets and liabilities are recognized for tax consequences attributable to unused tax loss carry forwards, unused tax credits and differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled.

The effect on deferred tax assets and liabilities of a change in tax rates is recognized in profit or loss in the year that substantive enactment occurs.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, the deferred tax asset is reduced. Assessing the recoverability of deferred tax assets requires the Company to make significant estimates related to expectations of future taxable income.

The following temporary differences do not result in deferred tax assets or liabilities:

- (A) the initial recognition of assets or liabilities, not arising in a business combination, that does not affect accounting or taxable profit;
- (B) goodwill; and
- (C) investments in subsidiaries, associates and jointly controlled entities where the timing of reversal of the temporary differences can be controlled and reversal in the foreseeable future is not probable.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

**(xi) Leases**

Leases of property, plant and equipment where the Group as lessee has substantially all the risks and rewards of ownership are classified

as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short term and long term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term. Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight line basis over the lease term. The respective leased assets are included in the balance sheet based on their nature. The Group currently has no leases.

(xii) **Revenue and other income**

Revenue is recognised at the fair value of consideration received or receivable after taking into account any trade discounts and volume rebates allowed. The following specific recognition criteria must also be met before revenue is recognised:

*Sale of goods*

Revenue from sale of goods is recognised when the significant risks and rewards of ownership have passed to the buyer and can be reliably measured.

*Interest revenue*

Interest revenue is recognised using the effective interest rate method, which for floating rate financial assets is the rate inherent in the instrument.

*Government Grants*

Grants from the government are recognised at their fair value where there is reasonable assurance the grant will be received and the Company will comply with all the attached conditions.

Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs they are intended to compensate. Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and credited to profit or loss on a straight line basis over the expected lives of the related assets.

### *Membership Subscriptions*

Revenues for membership are paid in advance and will be deferred and recognized as revenue over the subscription period.

#### (xiii) **Foreign Currency Translation**

Foreign exchange gains and losses are presented in profit or loss on a net basis within other income or other expenses.

### *Functional and presentation currency*

Items included in the financial statements of each Group company are measured using the currency of the primary economic environment in which the entity operates (“the functional currency”). The functional and presentation currency of Combined Entity is Australian dollars.

### *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at balance date exchange rates are recognised in profit or loss.

### *Group companies*

On consolidation, the assets and liabilities of foreign operations are translated into Australian dollars at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation purposes are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss. Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

#### (xiv) **Goods and services tax (GST)**

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

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

(xv) **Critical accounting estimates and judgments**

The consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments carried at fair value, and are presented in Australian dollars (“AUD”). The preparation of these consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the year. These estimates are, by their nature, uncertain. The impacts of such estimates are pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the year in which the estimate is revised and future years if the revision affects both current and future years. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the reporting date that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

- (A) the valuation of share-based payments and performance shares issued;
- (B) the recognition and recoverability of deferred tax assets;
- (C) assessment of whether there is an indication that an asset may be impaired and making an estimate of the asset’s recoverable amount; and
- (D) assessment of the recoverability of loans and other receivables.

(xvi) **Provisions**

Provisions for legal claims, service warranties and make good obligations are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management’s best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value

of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

**(xvii) Share-Based Payments**

Share-based compensation benefits are provided to employees of the Company at the Directors' discretion. The fair value of options and performance shares granted by the Company is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options.

The fair value of options at grant date is independently determined using a Black-Scholes option pricing model 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.

The fair value of options granted is adjusted to reflect market vesting conditions, but excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets).

Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each reporting date, the entity revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate. The impact of the revision to original estimates, if any, is recognised in the income statement with a corresponding adjustment to equity.

The fair value of the performance shares is determined based on the spot price on the grant date adjusted to reflect market vesting conditions, but excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets).

**(xviii) Non-current Assets Held for Sale and Discontinued Operations**

Non-current Assets and disposal groups are classified as held for sale and measured at the lower of carrying amount and fair value less costs to sell, where the carrying amount will be recovered principally through sales as opposed to continued use. No depreciation or amortisation is charged against assets classified as held for sale.

Classification as "held for sale" occurs when: management has committed to a plan for immediate sale; the sale is expected to occur within one year from the date of classification; and active marketing of the asset has commenced. Such assets are classified as current assets.

A discontinued operation is a component of an entity, being a cash-generating unit (or a group of cash-generating units), that either has been disposed of, or is classified as held for sale, and: represents a separate major line of business or geographical area of operations; is part of a single coordinated plan to dispose of a separate major line

of business or geographical area of operations; or is a subsidiary acquired exclusively with the view to resale.

Impairment losses are recognised for an initial or subsequent write-down of an asset (or disposal group) classified as held for sale to fair value less costs to sell. Any reversal of impairment recognised on classification as held for sale or prior to such classification is recognised as a gain in profit or loss in the period in which it occurs.

(xix) **New or amended accounting policies adopted**

AASB 15 Revenue from Contracts with Customers and AASB 9 Financial Instruments (2014) became mandatorily effective on 1 January 2018. Accordingly, the Group has adopted all the mandatory standards for the current reporting period as these standards apply for the first time to this set of financial statements. Any other new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted. The Group has considered the implications of these new and amended Accounting Standards and have determined that their application and changes to the Group's accounting policies arising from these standards are summarised below:

*AASB 9 Financial Instruments*

*Recognition and Derecognition*

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument. Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

*Classification and Measurement of Financial Assets*

Financial assets are classified according to their business model and the characteristics of their contractual cash flows. Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with AASB 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

For the purpose of subsequent measurement, financial assets, other than those designated and effective as hedging instruments, are classified into the following four categories: financial assets at amortised cost; financial assets at fair value through profit or loss (FVTPL); debt instruments at fair value through other comprehensive income (FVTOCI); and equity instruments at FVTOCI. All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

### *Financial Assets at Amortised Cost*

Financial assets with contractual cash flows representing solely payments of principal and interest and held within a business model of 'hold to collect' contractual cash flows are accounted for at amortised cost using the effective interest method. The Group's trade and most other receivables fall into this category of financial instruments as well as bonds that were previously classified as held-to-maturity under AASB 139.

### *Impairment of Financial Assets*

AASB 9 new forward-looking impairment model applies to Group's investments at amortised cost and debt instruments at FVTOCI. The application of the new impairment model depends on whether there has been a significant increase in credit risk.

The Group makes use of a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance at the amount equal to the expected lifetime credit losses. In using this practical expedient, the Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix. The Group allows 1% for amounts that are 30 to 60 days past due, 1.5% for amounts that are between 60 and 90 days past due and writes off fully any amounts that are more than 90 days past due.

### *Reconciliation of Financial Instruments on Adoption of AASB 9*

Based on its assessment, the Group does not believe that the new classification requirements will have any material impact on its accounting for trade and other receivable.

### **(xx) New standards not yet adopted**

The following new standards and interpretations are not yet effective and have not been applied in preparing these consolidated financial statements. The Company is currently evaluating the potential impacts of these new standards and does not anticipate any material changes to the consolidated financial statements upon adoption of these new and revised accounting standards.

#### *AASB 16: Leases*

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 Leases and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a "right-of-use" asset will be capitalized in the statement of financial position, measured as the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a "right-of-use" asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalized lease will also be recognized, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration,

removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, earnings before interest, tax, depreciation, and amortisation (“EBITDA”) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. The Company will adopt this standard from 1 July 2019 but the impact of its adoption is yet to be assessed by the Company.

(xxi) **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.

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## 7. INDEPENDENT LIMITED ASSURANCE REPORT

The Directors  
Serpentine Technologies Limited  
Ground Floor, 16 Ord Street  
WEST PERTH WA 6005

2 August 2019

Dear Directors

## **INDEPENDENT LIMITED ASSURANCE REPORT ON HISTORICAL FINANCIAL INFORMATION AND PRO FORMA HISTORICAL FINANCIAL INFORMATION**

### **INTRODUCTION**

BDO Corporate Finance (SA) Pty Ltd (BDO) has been engaged by Serpentine Technologies Limited (**S3R** or the **Company**) to prepare this Investigating Accountant's Report (**Report**) in relation to the Historical and Pro-Forma Financial Information of Serpentine and Keyhole TIG Limited (**K-TIG**), for inclusion in the Prospectus proposed to be issued on 2 August 2019 (**Prospectus**), and the acquisition of K-TIG by S3R.

Unless stated otherwise in this Report, expressions defined in the Prospectus have the same meaning in this Report.

This Report has been prepared for inclusion in the Prospectus. We disclaim any assumption of responsibility for any reliance on this Report or on the Financial Information to which it relates for any purpose other than that for which it was prepared.

### **SCOPE**

You have requested BDO to perform a limited assurance engagement in relation to the financial information described below and disclosed in the Prospectus.

The historical financial information is presented in the Prospectus in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act 2001.

### **SCOPE OF REVIEW OF THE HISTORICAL FINANCIAL INFORMATION**

You have requested BDO to review the following historical financial Information (together the **Historical Financial Information**) as set out in Section 6 of the Prospectus:

- The historical statement of profit or loss and other comprehensive income for the years ended 30 June 2017 (**FY17**), 30 June 2018 (**FY18**) and the half year ended 31 December 2018 (**1HFY19**) of Serpentine;
- The historical statement of financial position as at FY17, FY18 and 1HFY19 of Serpentine;
- The historical statement of cash flows for FY17, FY18 and 1HFY19 of Serpentine;

- The historical statement of profit or loss and other comprehensive income for FY17, FY18 and the year ended 30 June 2019 (FY19) of K-TIG;
- The historical statement of financial position as at FY17, FY18 and FY19 of K-TIG; and
- The historical statement of cash flows for the year ended FY17, FY18 and FY19 of K-TIG.

The Historical Financial Information has been prepared in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting Standards and the company's adopted accounting policies.

The Historical Financial Information of S3R has been extracted from the financial report of S3R for the financial periods ended 30 June 2017, 30 June 2018 (audited by Stantons International Audit and Consulting Pty Ltd (**Stantons**)) and the half year ended 31 December 2018 (reviewed by Stantons). The audit and review were performed in accordance with the Australian Auditing Standards. Stantons included an emphasis of matter in relation the Company's ability to continue as a going concern.

The Historical Financial Information of K-TIG has been extracted from the financial report of K-TIG for the financial periods ended 30 June 2017, 30 June 2018 and 30 June 2019 (audited by BDO Audit (SA) Pty Ltd (BDO Audit)). The audit was performed in accordance with the Australian Auditing Standards. BDO Audit included an emphasis of matter in relation the Company's ability to continue as a going concern for FY19.

#### **SCOPE OF REVIEW OF THE PRO FORMA FINANCIAL INFORMATION**

You have requested BDO to review the pro forma historical Statement of Financial Position of S3R and K-TIG (the Combined Entity) as at 30 June 2019 (the **Pro Forma Historical Financial Information**).

The Pro Forma Historical Financial Information has been derived from the Historical Financial Information of S3R and the Historical Financial Information of K-TIG after adjusting for the effects of pro forma adjustments described in section 6.5 of the Prospectus. The stated basis of preparation is the recognition and measurement principles contained in Australian Accounting Standards applied to the Historical Financial Information and the event(s) or transaction(s) to which the pro forma adjustments relate, as described in section 6 of the Prospectus, as if those event(s) or transaction(s) had occurred as at the date of the Historical Financial Information. Due to its nature, the Pro Forma Historical Financial Information does not represent the company's actual or prospective financial position.

#### **Directors' Responsibility**

The directors of S3R are responsible for the preparation of the historical financial information and pro forma historical financial information, including the selection and determination of pro forma adjustments made to the historical financial information and included in the pro forma historical financial information. This includes responsibility for such internal controls as the directors determine are necessary to enable the preparation of historical financial information and pro forma historical financial information that are free from material misstatement, whether due to fraud or error.

## **Our Responsibility**

Our responsibility is to express a limited assurance conclusion on the financial information based on the procedures performed and the evidence we have obtained. We have conducted our engagement in accordance with the Standard on Assurance Engagement ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*.

A review 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 reasonable 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.

Our engagement did not involve updating or re-issuing any previously issued audit or review report on any financial information used as a source of the financial information.

### ***Review statement on the Historical Financial Information***

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Historical Financial Information, as described in section 6 of the Prospectus, and comprising:

- The statement of profit or loss and other comprehensive income for FY17, FY18 and 1HFY19 for S3R;
- The historical statement of profit or loss and other comprehensive income for FY17, FY18 and FY19 of K-TIG;
- The historical statement of financial position as at FY17, FY18 and 1HFY19 of Serpentine;
- The historical statement of financial position as at FY17, FY18 and FY19 of K-TIG;
- The historical statement of cash flows for FY17, FY18 and 1HFY19 of Serpentine; and
- The historical statement of cash flows for the year ended FY17, FY18 and FY19 of K-TIG.

are not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in section 6 of the document.

### ***Pro Forma historical financial information***

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Pro-Forma Historical Information, as described in section 6 of the Prospectus, and comprising the Pro-Forma Statement of Financial Position as at 30 June 2019 showing the impact of Pro-Forma Adjustments as if they occurred at 30 June 2019, are not presented fairly in all material respects, in accordance with the stated basis of preparation as described in section 6.5 of the Prospectus.

## **SUBSEQUENT EVENTS**

Apart from the matters dealt with in this Report, and having regard to the scope of this Report and the information provided by the Directors, to the best of our knowledge and belief no material transaction or event outside of the ordinary business of S3R and K-TIG not described in the Prospectus, has come to our attention that would require comment on, or adjustment to, the information referred to in our Report or that would cause such information to be misleading or deceptive.

## **INDEPENDENCE**

BDO is a member of BDO International Ltd. BDO does not have any interest in the outcome of the Prospectus other than in connection with the preparation of this Report and participation in due diligence procedures, for which professional fees will be received.

## **GENERAL ADVICE WARNING**

This Report has been prepared, and included in the Prospectus, to provide investors with general information only and does not take into account the objectives, financial situation or needs of any specific investor. It is not intended to be a substitute for professional advice and potential investors should not make specific investment decisions in reliance on the information contained in this Report. Before acting or relying on any information, potential investors should consider whether it is appropriate for their objectives, financial situation or needs.

Without modifying our conclusions, we draw attention to section 6 of the Prospectus, which describes the purpose of the financial information, being for inclusion in the Prospectus. As a result, the financial information may not be suitable for use for another purpose.

BDO has consented to the inclusion of this Report in the Prospectus in the form and context in which it is included. At the date of this Report this consent has not been withdrawn. However, BDO has not authorised the issue of the Prospectus. Accordingly, BDO makes no representation regarding, and takes no responsibility for, any other statements or material in or omissions from the Prospectus.

Signed for and on behalf of

**BDO Corporate Finance (SA) Pty Ltd**

A handwritten signature in blue ink, appearing to read 'D. Fechner', is written over a large, stylized blue circular stamp or seal.

David Fechner  
Director

## FINANCIAL SERVICES GUIDE

Dated: 2 August 2019

This Financial Services Guide ('FSG') helps you decide whether to use any of the financial services offered by BDO Corporate Finance (SA) Pty Ltd ('BDO Corporate Finance, we, us, our').

The FSG includes information about:

- Who we are and how we can be contacted;
- The services we are authorised to provide under our Australian Financial Services Licence, Licence No: 259983
- Remuneration that we and/or our staff and any associates receive in connection with the financial services
- Any relevant associations or relationships we have
- Our complaints handling procedures and how you may access them.

### FINANCIAL SERVICES WE ARE LICENSED TO PROVIDE

We hold an Australian Financial Services Licence which authorises us to provide financial product advice to retail and wholesale clients about securities and certain derivatives (limited to old law securities, options contracts and warrants). We can also arrange for customers to deal in securities, in some circumstances. Whilst we are authorised to provide personal and general advice to retail and wholesale clients, we only provide general advice to retail clients.

Any general advice we provide is provided on our own behalf, as a financial services licensee.

### GENERAL FINANCIAL PRODUCT ADVICE

Our general advice is typically included in written reports. In those reports, we provide general financial product advice that is prepared without taking into account your personal objectives, financial situation or needs. You should consider the appropriateness of the general advice having regard to your own objectives, financial situation and needs before you act on the advice. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain a product disclosure statement relating to the product and consider that statement before making any decision about whether to acquire the product.

### FEES, COMMISSIONS AND OTHER BENEFITS THAT WE MAY RECEIVE

We charge fees for providing reports. These fees are negotiated and agreed to with the person who engages us to provide the report. Fees will be agreed on an hourly basis or as a fixed amount depending on the terms of the agreement. In this instance, the Company has agreed to pay us \$24,500 for preparing the Report.

Except for the fees referred to above, neither BDO Corporate Finance, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of general advice.

All our employees receive a salary. Our employees are eligible for bonuses based on overall company performance but not directly in connection with any engagement for the provision of a report.

### REFERRALS

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

### ASSOCIATIONS AND RELATIONSHIPS

BDO Corporate Finance is a member firm of the BDO network in Australia, a national association of separate entities (each of which has appointed BDO (Australia) Limited ACN 050 110 275 to represent it in BDO International). The general financial product advice in our report is provided by BDO Corporate Finance and not by BDO or its related entities. BDO and its related entities provide services primarily in the areas of audit, tax, consulting and financial advisory services.

We do not have any formal associations or relationships with any entities that are issuers of financial products. However, you should note that we and BDO (and its related entities) might from time to time provide professional services to financial product issuers in the ordinary course of business.

### COMPLAINTS RESOLUTION

#### Internal Complaints Resolution Process

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. Complaints can be in writing, addressed to the Complaints Officer, BDO Corporate Finance, Level 7, 420 King William Street, Adelaide SA 5000, or by telephone or email, using the contact details at the top of this FSG.

When we receive a complaint we will record the complaint, acknowledge receipt of the complaint within 15 days and investigate the issues raised. As soon as practical, and not more than 45 days after receiving the written complaint, we will advise the complainant in writing of our determination.

#### Referral to External Dispute Resolution Scheme

If a complaint relating to general advice to a retail client is not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Australian Financial Complaints Authority (AFCA). AFCA is an independent company that has been established to impartially resolve disputes between consumers and participating financial services providers.

BDO Corporate Finance is a member of AFCA (Member Number 11839).

Further details about AFCA are available at the AFCA website [www.afca.org.au](http://www.afca.org.au) or by contacting them directly via the details set out below.

Australian Financial Complaints Authority  
GPO Box 3  
MELBOURNE VIC 3001  
Toll free: 1800 931 678  
Email: [info@afca.org.au](mailto:info@afca.org.au)

### COMPENSATION ARRANGEMENTS

BDO Corporate Finance and its related entities hold Professional Indemnity insurance for the purpose of compensating retail clients for loss or damage suffered because of breaches of relevant obligations by BDO Corporate Finance or its representatives under Chapter 7 of the Corporations Act 2001. These arrangements and the level of cover held by BDO Corporate Finance satisfy the requirements of section 912B of the Corporations Act 2001.

### CONTACT DETAILS

You may provide us with instructions using the details set out at the top of this FSG or by emailing - [cf.ecp@bdo.com.au](mailto:cf.ecp@bdo.com.au).

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## 8. INTELLECTUAL PROPERTY REPORT



# **Intellectual Property Report**

**Keyhole TIG Limited**



phillips ormonde fitzpatrick  
intellectual property



# INTELLECTUAL PROPERTY REPORT

The Directors  
Serpentine Technologies Limited  
16 Ord Street  
West Perth WA 60005

30 July 2019

Dear Sirs

## **KEYHOLE TIG LIMITED**

We are a firm of Australian patent and trade mark attorneys and we act for Keyhole TIG Limited ("K-TIG") of 5/9 William Street, Mile End, South Australia, Australia.

We have been asked to prepare an Intellectual Property Report that outlines the current IP position of K-TIG and that addresses certain specific queries regarding entitlement and ownership with respect particularly to the registrable forms of IP, in K-TIG's case being granted patents and registered trade marks.

We understand that this report is needed for inclusion in a Prospectus to be issued by Serpentine Technologies Limited ("Serpentine"). In this respect, we have been informed that Serpentine has entered into a binding share sale agreement with the majority shareholders of K-TIG, and separate share sale agreements with each of the remaining K-TIG shareholders, by which it will, subject to certain conditions, acquire 100% of the issued capital of K-TIG. Upon completion of this acquisition, K-TIG will become a 100% owned subsidiary of Serpentine.

**Sections 1.0 and 2.0** provide an overview of the regimes for the granting of patents and the registration of trade marks, together with the system of protection for confidential information (trade secrets) under the common law.

**Section 3.0** provides an overview of the laws relating to entitlement and ownership, particularly for granted patents.

**Sections 4.0 and 5.0** provide a description of K-TIG patent and trade mark properties. There are no K-TIG design registrations.

**Section 6.0** provides a description of K-TIG's entitlement and ownership position in relation to its granted patents and pending patent application.

## Section 1.0 – Overview – Granted Patents, Registered Trade Marks

Patents are a monopoly right granted by the relevant national Patent Office on behalf of the government of a country in return for publication and full disclosure of an invention. The monopoly right enables a patent owner to prevent third parties from exploiting the invention without its consent. The owner of a patent has exclusive rights to manufacture, import, use, keep, sell, offer for sale or otherwise exploit the products or processes protected by the patent in the countries where patent protection has been granted. A third party infringes the patent if it exploits the invention without consent of the owner.

Patents have a limited term, usually 20 years, subject to the payment of maintenance or renewal fees, after which the patented invention is available for others to use without restriction.

The main requirements for patentability are that an invention must be *novel* and *inventive* at the priority date of the patent application. In order for an invention to be “novel”, the invention must merely be different to what was known in the art at the priority date - the invention cannot previously have been made available to the public. For an invention to be “inventive”, the invention needs to be an advance over what was known in the art at the priority date, and the advance must not be one that was obvious to a skilled addressee at the priority date.

There is an international patent application process that is commonly used to initiate patent applications in a large number of countries (including Australia), being members of the Patent Cooperation Treaty (PCT), which is a treaty administered by the World Intellectual Property Organisation (WIPO). Often referred to as a PCT application, these applications are not substantively examined and do not give rise to grant of a patent. They are merely a mechanism for delaying the lodgement of national patent applications for up to 30 months (more in some countries) from an earliest priority date. At the end of this “international phase” of 30 months, applicants must then enter the national or regional phase in any country or region of interest, in order to progress through examination and, hopefully acceptance and patent grant, in that country or region.

A trade mark is any “sign” which is used to distinguish the goods of one business from the goods of any other business. Most trade marks are words or logos, but sounds, shapes, colours and scents are examples of other things which can be trade marks.

In Australia, it is possible for a trader to use and acquire rights to a trade mark without applying for registration of the trade mark (‘common law’ or unregistered trade marks). However, by applying to register a trade mark the various benefits may be obtained, including a reasonable confidence that use of the registered trade mark will not infringe any other trade mark registration, and that it is easier to prevent other traders from using a registered trade mark than it is to prevent them using an unregistered trade mark.

A trade mark application will be rejected if the trade mark, amongst other things, is not ‘distinctive’, but is merely descriptive of a characteristic or quality of the goods, would be likely to deceive or cause confusion when used, or is substantially identical with (or deceptively similar to) a trade mark registered in the name of another person in respect of the same or similar goods.

If a trade mark is registered, the trade mark will remain registered for a period of 10 years. A trade mark registration can then be renewed for a further 10 year period, and can actually continue to be renewed in that manner for an indefinite length of time.

Finally, it is important to note the following:

1. The grant of a patent and the registration of a trade mark do not guarantee the validity or enforceability of the granted patent or the registered trade mark.
2. Enforcement of these rights against infringing third parties is the responsibility of the right's owner, and an infringing third party is able to challenge the validity of the right if sued for infringement by the owner.
3. The grant of a patent does not provide the patent owner with a defence to the infringement of another granted patent - it is possible for the use of an invention protected by a granted patent to infringe the rights in another, earlier, granted patent.
4. The registration of a trade mark does provide the owner with a defence to the infringement of another registered trade mark. However, this defence does not extend to common law enforcement proceedings that raise issues of passing off or breaches of the Consumer Law provisions relating to misleading and deceptive conduct.
5. The grant of a patent in one jurisdiction, and the registration of a trade mark in one jurisdiction, also does not mean that the same patent will be granted, or the same trade mark will be registered, in another jurisdiction.

All of the patent and trade mark requirements mentioned in Section 1.0 are similar in most countries, with the important exception that some countries do not recognise common law trade marks and afford trade mark rights only to those that seek trade mark registration.

## **Section 2.0 – Overview – Trade Secrets**

Broadly speaking, any confidential business information which provides an enterprise a competitive edge may be considered a trade secret. Trade secrets encompass manufacturing or industrial secrets and commercial secrets. The unauthorized use of such information by persons other than the holder is regarded as an unfair practice and a violation of the trade secret. The protection of trade secrets is based on common law rights that relate to the protection of confidential information.

The subject matter of trade secrets is usually defined in broad terms and can include sales methods, distribution methods, consumer profiles, advertising strategies, lists of suppliers and customers, and manufacturing processes.

### Section 3.0 – Overview – Entitlement and Ownership

The Australian *Patents Act 1990* says that a patent for an invention may only be granted to a person who is the inventor, or would on the grant of a patent for the invention be entitled to have the patent assigned to him or her, or derives title to the invention from such a person. This requirement is known as ‘entitlement’.

On the general question of inventorship, while there are rules and guidelines about what qualifies as inventorship, generally an inventor is someone who has contributed materially to the concept of an invention.

An entity that wants to claim ownership of a patent, or of a patentable invention, needs to be able to show a valid chain of legal title originating with the inventor, and ending with itself. If there are multiple inventors, then a chain of title must exist from each one of them to the final owner.





Ideally, the Register of Patents reflects the true situation with regard to inventorship and ownership. But, ultimately, if the Register does not match a provable legal position, then the legal position overrides the Register. Before a patent is actually granted (i.e. when it is still an application) the Australian Patent Office will generally accept the assertions of the applicant as to inventorship and ownership, but these are able to be challenged in the Courts at a later stage.

### Section 4.0 – K-TIG Patents and Trade Marks

Keyhole TIG Limited is recorded on national and international Registers as the owner of the following patent properties:

Country	Number	Title	Earliest Date	Expiry Date	Status
<b>Australia</b>	2008202719	A Welding Purge Apparatus	20 Jun 2007	20 Jun 2028	In force
<b>Australia</b>	2009307037	A Welding Torch	21 Oct 2008	21 Oct 2029	In force
<b>USA</b>	9,180,546	A Welding Torch	21 Oct 2008	21 Oct 2029	In force
<b>International</b>	PCT/AU2018/050269	Wire Guide for Welding Consumable	27 Mar 2017	N/A	Pending

Keyhole TIG Limited is recorded on national and international Registers as the owner of the following trade mark registrations:

Country	Number	Mark	CI	Countries	Reg Date	Status
China	14658905	氮提格	9	China	8 July 2014	In force
China	12169368	<b>K-TIG</b>	9	China	23 Jan 2013	In force
India	2461014	<b>K-TIG</b>	7, 9	India	16 Jan 2013	In force
Australia	1631814	K-TIG	9	Australia	2 July 2014	In force
International	1283391	K-TIG	9	Europe, Norway, India, Oman, USA, UAE, Qatar, Kuwait, Taiwan	27 May 2015	In force
Australia	1632506		9	Australia	2 July 2014	In force
International	1283390		9	Europe, Norway, India, South Korea, Oman, USA, UAE, Qatar, Kuwait, Taiwan	27 May 2015	In force
China	16782798		7	China	23 Apr 2015	In force
China	20826850	 <b>K-TIG</b>	9	China	1 Aug 2016	In force

## Section 5.0 – K-TIG Trade Secrets

K-TIG undertakes considerable research and development activity. This activity gives rise to a pool of knowledge, some of which is retained confidentially for internal use to aid subsequent development activities (being trade secrets).

It is our understanding that K-TIG takes steps to ensure the documentation of this confidential information, and prevent leakage, through a combination of:

- Taking steps within the organisation to ensure that trade secrets are treated and managed as highly confidential information;
- Incorporating confidentiality clauses into employment agreements to ensure the information stays within K-TIG; and
- Entering into confidentiality agreements with potential collaborators, partners and other third parties prior to any disclosure of technical information.

## Section 6.0 – K-TIG Entitlement and Ownership

We have reviewed the inventorship and entitlement position for all four patent properties identified in Section 4.0 above and confirm as follows:

A. Rights for Australian patent 2008202719 transferred as follows:

- Step 1 – Inventors (Jarvis, Bandiera, Lantzke) to Score Practical Welding Solutions Pty Ltd
- Step 2 – Score Practical Welding Solutions Pty Ltd to Equipment and Plant Pty Ltd
- Step 3 – Equipment and Plant Pty Ltd to Score Practical Welding Solutions Pty Ltd
- Step 4 – Score Practical Welding Solutions Pty Ltd to Keyhole TIG Limited

B. Rights for Australian patent 2009307037 and US patent 9,180,546 transferred as follows:

- Step 1 – Inventor (Jarvis) to Key Welding Products Australia Pty Ltd
- Step 2 – Key Welding Products Australia Pty Ltd to Keyhole TIG Limited

C. Rights for International patent application PCT/AU2018/050269 transferred as follows:

- Step 1 – Inventors (Sanghani, Poole) to Keyhole TIG Limited

It should be noted that we have copies of agreements relevant to all of these steps, with the exception of Step 1 for patent 2008202719. This step occurred prior to June 2007 and while we have copies of documents that refer to agreements for this step, we do not have copies of the agreements themselves.

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This report does not provide any comment on the validity of any granted patent, pending patent application, or registered trade mark. Moreover, this report does not provide any comment on the likelihood of infringement of third party rights in the event of the commercial exploitation of any of the inventions or any of the trade marks identified in Section 4.0 above.

We have given our consent to this report appearing in the Prospectus. We have been involved only in the preparation of this report and have not been involved in the preparation of any other part of the Prospectus, and specifically disclaim liability to any person in respect of statements included elsewhere in the Prospectus. We have not, other than set out above, been involved in the preparation of, or authorised or caused, the issue of the Prospectus.

**Greg Bartlett**  
Partner

Phillips Ormonde Fitzpatrick  
Level 5/75 Hindmarsh Square  
Adelaide SA 5000  
AUSTRALIA

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## **9. DIRECTORS, KEY MANAGEMENT AND CORPORATE GOVERNANCE**

### **9.1 BOARD OF DIRECTORS**

As at the date of this Prospectus, the Board comprises:

- (a) Mr Stuart Carmichael - Non-Executive Chairman;
- (b) Mr Colm O'Brien - Non-Executive Director; and
- (c) Mr Michael Edwards - Non-Executive Director.

It is intended that Mr Michael Edwards will resign at completion of the Offers and Acquisition.

In accordance with the terms of the Acquisition Agreement, with effect from completion of the Acquisition and subject to Shareholder approval, the Board will be comprised of:

- (a) Mr Stuart Carmichael - Non-Executive Chairman;
- (b) Mr Colm O'Brien - Non-Executive Director;
- (c) Mr Kieran Purcell - Non-Executive Director; and
- (d) Mr Syed Shueb - Non-Executive Director.

### **9.2 DIRECTOR PROFILES OF EXISTING BOARD**

Details of the Directors comprising the Board until completion of the Acquisition are set out below.

#### **(a) Mr Stuart Carmichael - Non-Executive Chairman**

Mr Carmichael has extensive international corporate advisory, M&A 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, Middle East and Australia. Mr Carmichael's sector experience includes industrial, technology 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.

Mr Carmichael is also a non-executive director of ASX listed Swick Mining Services Ltd (ASX:SWK), De.mem Limited (ASX: DEM), ClearVue Technologies Limited (ASX:CPV) and is the non-executive chairman of Schrole Limited (ASX:SCL).

**(b) Mr Colm O'Brien - Non-Executive Director**

Mr O'Brien has over 20 years' executive level experience in financial services, tier one management consulting and media industries. He led ASX listed company Aspermont Limited (ASX: ASP) as chief executive officer and transformed that business from a local mining publication to a global, digitally led resources media business including world leading events.

Prior to that, Mr O'Brien graduated with a Bachelor of Law, from University College Cork, Ireland and worked extensively within financial services in Europe and Australia with Barclays Bank and Andersen Consulting (Accenture).

Currently, Mr O'Brien is a founding director of Carrington Partners, a management consultancy firm focused on providing practical strategic and board/executive support, including business/technology growth, turnarounds, transformational change, acquisition/partnership structures and funding introductions. Mr. O'Brien also acts as non-executive director of Pacific Star Network Limited (ASX: PNW), an ASX listed media company with market leading assets in broadcasting and publishing, including Crocmedia, SEN Radio, and the AFL Record.

**(c) Mr Michael Edwards - Non-Executive Director**

Mr Edwards is a Geologist and Economist with over 20 years of experience in Senior Management in both the private and public sector. He has a Bachelor of Business (Economics and Finance) from Curtin University of Technology and a Bachelor of Science (Geology) from the University of Western Australia.

Mr Edwards spent three years with Barclays Australia in their corporate finance department and then eight years as an exploration and mine geologist with companies such as Gold Mines of Australia, Eagle Mining and International Mineral Resources. Mr Edwards also acts as a non-executive director of ASX listed companies Norwood Systems Ltd (ASX:NOR), Dawine Limited (ASX:DWI) and De.mem Limited (ASX:DEM). Mr Edwards has been involved in numerous ASX listings and reverse takeovers across a range of industries including technology.

### **9.3 DIRECTOR PROFILES OF PROPOSED BOARD**

Details of the Directors who will comprise the Board upon completion of the Acquisition are set out below.

**(a) Mr Stuart Carmichael - Non-Executive Chairman**

Please refer to Section 9.2(a) above for Mr Carmichael's profile.

**(b) Mr Colm O'Brien - Non-Executive Director**

Please refer to Section 9.2(b) above for Mr O'Brien's profile.

**(c) Mr Kieran Purcell - Non-Executive Director**

Mr Kieran Purcell is the chairman of K-TIG and on Completion will be a Non-Executive Director of the Company. Mr Purcell is also the General Manager of Morgans Exchange Place and Chairman of the International Musculoskeletal Research Institute.

Mr Purcell was previously State Manager of Macquarie Private Wealth, Victorian State Manager of Smith Barney Citigroup, Administration Manager of Merrill Lynch and Executive Officer of ASX.

Mr Purcell has extensive financial management, compliance, structuring and corporate governance experience, together with exceptional private and public sector networks.

**(d) Mr Syed Shueb - Non-Executive Director**

Mr Syed Shueb is a non-executive director of K-TIG and on Completion will be a Non-Executive Director of the Company.

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.

## **9.4 OTHER KEY MANAGEMENT PERSONNEL**

**(a) Mr David Williams**

Mr Williams is the chief executive officer of K-TIG. David is a highly experienced executive and has been the Managing Director or Executive Director of a number of ASX listed companies, principally in the resources and oil and gas industries, including research and development of new technology. Mr Williams has also been an Executive Director in a number of private and pre-IPO companies, including President of Heathgate Resources Pty Ltd, the owner and operator of the Beverley uranium mine in South Australia.

Mr Williams brings over 20 years of experience in the energy and resource industry and managing companies. David has extensive experience in the development and implementation of major strategic directional changes including capital raising, mergers and acquisitions.

**(b) Mr Neil Le Quesne**

Mr Le Quesne is K-TIG's President Market Development and led K-TIG's commercialisation as its chief executive officer until July 2019. Mr Le Quesne has more than 25 years of experience in international development, commercialisation, strategic sales, business development, corporate strategy, investment attraction, mergers and acquisitions and executive leadership on four continents spanning the private sector, public sector and state-owned corporations.

Mr Le Quesne has more than 20 years of involvement in emerging markets including the Middle East, Far East, South Asia, South East Asia, Africa and Commonwealth of Independent States regions.

**(c) Mr Adam Poole**

Mr Poole is K-TIG's director of Distribution and Product Development. Adam has over 20 years' experience in the welding and fabrication industry, with extensive experience in installation and commissioning of industrial equipment, welding technologies, and automation systems.

Mr Poole also has more than 10 years' experience in managing engineering workshops and building robust quality assurance systems and processes. Mr Poole has exceptional knowledge of the K-TIG process combined with in-field commissioning and installation experience on five continents.

**(d) Ms Belinda Latz**

Ms Latz is director of K-TIG's Marketing and Operations. Ms Latz has over 10 years of experience in all facets of corporate services including finance, human resources, logistics, marketing, administration and customer service.

Ms Latz holds a BA in Business Management and brings a diverse range of skills spanning organisational management, marketing, procurement, logistics, finance, IP portfolio management, project management and governance.

Ms Latz has extensive implementation knowledge of financial management, customer relationship management, supply chain and inbound marketing systems and is responsible for driving continuous process improvement at K-TIG.

## **9.5 DIRECTORS' INTERESTS**

Other than as disclosed in this Prospectus, no Director or Proposed Director holds at the date of this Prospectus or held at any time during the last 2 years, any interest in:

- (a) the formation or promotion of the Company;
- (b) property acquired or proposed to be acquired by the Company in connection with its formation or promotion, or the Offers; and
- (c) the Offers.

Further, other than as disclosed in this Prospectus, the Company has not paid any amount or provided any benefit, or agreed to do so, to any Director or Proposed Director, either to induce that Director to become, or to qualify them as a Director, or otherwise, for services rendered by them in connection with the formation or promotion of the Company or the Offers.

## **9.6 DIRECTORS' SECURITY HOLDINGS**

Directors are not required to hold any Shares under the Constitution of the Company.

Set out in the table below are details of the anticipated relevant interests of the Existing Directors and Proposed Directors in the Shares of the Company upon completion of the Offers and the Acquisition:

Director	Existing Shares <sup>1</sup>	% interest - existing	Shares at Completion	% interest at Completion <sup>2</sup>	% interest at Completion <sup>3</sup>
Stuart Carmichael	175,438	1.38	175,438	0.13	0.10
Colm O'Brien	115,263	0.91	115,263	0.09	0.06

Director	Existing Shares <sup>1</sup>	% interest - existing	Shares at Completion	% interest at Completion <sup>2</sup>	% interest at Completion <sup>3</sup>
Michael Edwards	176,549	1.39	176,549	0.13	0.10
Kieran Purcell	-	-	9,972,888	7.41	5.47
Syed Shueb	-	-	2,528,155	1.88	1.39

**Notes:**

1. Assumes that no existing Options are exercised prior to completion of the Offers and the Acquisition.
2. Assumes that the Minimum Subscription is met, that there are 134,593,854 Shares on issue at completion of the Offers and the Acquisition and no Deferred Consideration Shares are issued or Options exercised.
3. Assumes that the Maximum Subscription is met, that there are 182,260,504 Shares on issue at completion of the Offers and the Acquisition, that 30,075,135 Deferred Consideration Shares are issued and 7,591,515 Options are exercised.

Set out in the table below are details of the anticipated relevant interests of the Directors and Proposed Directors in other Securities of the Company upon completion of the Offers and the Acquisition:

Director	Options <sup>6</sup>	Deferred Consideration Shares <sup>7</sup>
Stuart Carmichael <sup>1</sup>	440,175	-
Colm O'Brien <sup>2</sup>	356,543	-
Michael Edwards <sup>3</sup>	185,736	-
Kieran Purcell <sup>4</sup>	180,000	3,453,904
Syed Shueb <sup>5</sup>	180,000	-

**Notes:**

1. Mr Stuart Carmichael currently holds 70,175 Options with an exercise price of \$0.23 each and an expiry date of 30 April 2021. Subject to Shareholder approval at the General Meeting, Mr Stuart Carmichael (or his nominees) will receive 370,000 Director Options.
2. Mr Colm O'Brien currently holds 61,543 options with an exercise price of \$0.23 each and an expiry date of 30 April 2021. Subject to Shareholder approval at the General Meeting, Mr Colm O'Brien (or his nominees) will receive 295,000 Director Options.
3. Mr Michael Edwards currently holds 70,385 Options with an exercise price of \$0.23 each and an expiry date of 30 April 2021. Subject to Shareholder approval at the General Meeting, Mr Michael Edwards (or his nominees) will receive 115,351 Director Options.
4. Subject to Shareholder approval at the General Meeting, Mr Kieran Purcell (or his nominees) will receive 180,000 Director Options.
5. Subject to Shareholder approval at the General Meeting, Mr Syed Shueb (or his nominees) will receive 180,000 Director Options).
6. The full terms and conditions of the Director Options are set out in Section 11.2.

7. Deferred Consideration Shares to be issued to the Vendors (or their respective nominees), upon satisfaction of certain milestones (refer to Sections 2.2(d) and 10.3(a)(i)).

## 9.7 DIRECTORS' REMUNERATION

The Constitution provides that each Director is entitled to such remuneration from the Company as the Directors decide, but the total amount provided to all non-executive Directors must not exceed in aggregate the amount fixed by the Company in a general meeting. The current maximum amount of remuneration that may be paid to all non-executive Directors has been set at \$200,000 per annum.

The remuneration of the executive Directors will be determined by the Board. Summaries of Mr Kieran Purcell and Mr Syed Shueb's employment agreements are set out in Section 10.3(d)(ii).

The Directors received the following remuneration for the financial years ended 30 June 2017 and 30 June 2018:

Director	Year	Cash salary and fees	Non-monetary benefits	Superannuation	Share-based payments	Total
Stuart Carmichael <sup>1</sup>	2018	24,500	-	2,328	6,000	32,828
	2017	-	-	-	-	-
Colm O'Brien <sup>2</sup>	2018	14,000	-	1,349	12,000	27,349
	2017	33,401	-	-	13,267	46,668
Michael Edwards <sup>3</sup>	2018	14,000	-	1,330	-	15,330
	2017	-	-	-	-	-

### Notes:

1. Mr Carmichael was appointed on 30 June 2017.
2. Mr O'Brien was appointed on 18 July 2016.
3. Mr Edwards was appointed on 3 November 2017.

## 9.8 RELATED PARTY TRANSACTIONS

The Company or K-TIG (as applicable) has entered into the following related party transactions:

- (a) letters of appointment with each of the Directors on standard terms (refer to Section 10.3(d) for details);
- (b) deeds of indemnity, insurance and access with each of the Directors on standard terms (refer to Section 10.3(e) for details);
- (c) Distribution Agreements between K-TIG and each of PCT Group Limited and WB Alloy Welding Products Limited (Mr William Wilson, a director of K-TIG, is a director and shareholder of PCT Group Limited, and WB Alloy Welding Products Limited is an entity associated with PCT Group Limited) (refer to Section 10.2(a) for details); and

- (d) Company Secretarial Mandate with Ventnor Capital, a business controlled by Director Stuart Carmichael (refer to Section 10.3(c) for details).

At the date of this Prospectus, no other material transactions with related parties and Directors' interests exist that the Directors are aware of, other than those disclosed in the Prospectus.

## 9.9 CORPORATE GOVERNANCE

The Board is responsible for establishing the Company's corporate governance framework, the key features of which are set out in this Section 9.9. In establishing its corporate governance framework, the Board has referred to the 3rd edition of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (**Recommendations**). To the extent applicable, commensurate with the Company's size and nature, the Company has adopted the Recommendations.

The Board seeks, where appropriate, to provide accountability levels that meet or exceed the Recommendations.

The Company's main corporate governance policies and practices as at the date of this Prospectus are outlined below and further details on the Company's corporate governance procedures, policies and practices can be obtained from the Company website at [www.serpentinetechologies.com.au](http://www.serpentinetechologies.com.au).

### (a) Board of Directors

The Board is responsible for corporate governance of the Company. The Board develops strategies for the Company, reviews strategic objectives and monitors performance against those objectives. The goals of the corporate governance processes are to:

- (i) maintain and increase Shareholder value;
- (ii) ensure a prudential and ethical basis for the Company's conduct and activities; and
- (iii) ensure compliance with the Company's legal and regulatory objectives.

Consistent with these goals, the Board assumes the following responsibilities:

- (i) appointment, and where necessary, the replacement, of the Chief Executive Officer/Managing Director and other senior executives and the determination of their terms and conditions including remuneration and termination;
- (ii) driving the strategic direction of the Company, ensuring appropriate resources are available to meet objectives and monitoring management's performance;
- (iii) reviewing and ratifying systems of risk management and internal compliance and control, codes of conduct and legal compliance;
- (iv) approving and monitoring the progress of major capital expenditure, capital management and significant acquisitions and divestitures;

- (v) approving and monitoring the budget and the adequacy and integrity of financial and other reporting;
- (vi) approving the annual, half yearly and quarterly accounts;
- (vii) approving significant changes to the organisational structure;
- (viii) approving the issue of any Shares, Options, equity instruments or other Securities in the Company (subject to compliance with the Listing Rules if applicable);
- (ix) procuring appropriate professional development opportunities for Directors to develop and maintain the skills and knowledge needed to perform their role as Directors effectively;
- (x) approving the Company's remuneration framework;
- (xi) ensuring a high standard of corporate governance practice and regulatory compliance and promoting ethical and responsible decision making;
- (xii) recommending to Shareholders the appointment of the external auditor as and when their appointment or re-appointment is required to be approved by them (in accordance with the Listing Rules if applicable); and
- (xiii) meeting with the external auditor, at their request, without management being present.

The Company is committed to the circulation of relevant materials to Directors in a timely manner to facilitate Directors' participation in the Board discussions on a fully-informed basis.

In light of the Company's size and nature, the Board considers that the proposed board is a cost effective and practical method of directing and managing the Company. If the Company's activities develop in size, nature and scope, the size of the Board and the implementation of additional corporate governance policies and structures will be reviewed.

**(b) Composition of the Board**

Election of Board members is substantially the province of the Shareholders in general meeting. However, subject thereto, the Company is committed to the following principles:

- (i) the Board is to comprise Directors with a blend of skills, experience and attributes appropriate for the Company and its business; and
- (ii) the principal criterion for the appointment of new Directors is their ability to add value to the Company and its business.

The Board currently consists of 3 members. Following completion of the Offers and the Acquisition, the Board will consist of 4 members. The Company has adopted a Nomination Committee Charter, but has not formally appointed a Nomination and Remuneration Committee. The Directors consider that the Company is currently not of a size, nor are its affairs of such complexity, to justify the formation of a Nomination and Remuneration Committee. The

responsibilities of a Nomination and Remuneration Committee are currently carried out by the Board.

Where a casual vacancy arises during the year, the Board has procedures to select the most suitable candidate with the appropriate experience and expertise to ensure a balanced and effective Board. Any Director appointed during the year to fill a casual vacancy or as an addition to the current Board, holds office until the next general meeting and is then eligible for re-election by the Shareholders.

**(c) Identification and management of risk**

The Board has not established a risk management committee and the full Board is responsible for overseeing the risk management function. The Board is responsible for ensuring the risks and opportunities are identified on a timely basis.

**(d) Ethical standards**

The Board is committed to the establishment and maintenance of appropriate ethical standards.

**(e) Independent professional advice**

Subject to prior consultation with the Chairman, the Directors, at the Company's expense, may obtain independent professional advice on issues arising in the course of their duties.

**(f) Remuneration arrangements**

The total maximum remuneration of Non-Executive Directors is initially set by the Constitution and subsequent variation is by ordinary resolution of Shareholders in general meeting in accordance with the Constitution, the Corporations Act and the Listing Rules, as applicable. The determination of Non-executive Directors' remuneration within that maximum will be made by the Board having regard to the inputs and value to the Company of the respective contributions by each Non-Executive Director.

Directors are also entitled to be paid reasonable travelling, hotel and other expenses incurred by them respectively in or about the performance of their duties as Directors.

The Board reviews and approves the remuneration policy to enable the Company to attract and retain Directors who will create value for Shareholders having consideration to the amount considered to be commensurate for a company of its size and level of activity as well as the relevant Directors' time, commitment and responsibility.

**(g) Trading policy**

The Board has adopted a policy that sets out the guidelines on the sale and purchase of securities in the Company by its key management personnel (i.e. Directors and, if applicable, any employees reporting directly to the managing director). The policy generally provides that prior written approval of the Chairman or the Board must be obtained prior to trading.

(h) **External audit**

The Company in general meetings is responsible for the appointment of the external auditors of the Company, and the Board from time to time will review the scope, performance and fees of those external auditors.

(i) **Audit committee**

The Company does not have an audit committee. The full Board fulfils the Company's corporate governance and monitoring responsibilities in relation to the Company's risks associated with the integrity of the financial reporting, internal control systems and the independence of the external audit function.

(j) **Diversity Policy**

The Board has adopted a diversity policy which provides a framework for the Company to achieve, amongst other things, a diverse and skilled workforce, a workplace culture characterised by inclusive practices and behaviours for the benefit of all staff, improved employment and career development opportunities for women and a work environment that values and utilises the contributions of employees with diverse backgrounds, experiences and perspectives.

(k) **Departures from Recommendations**

The Company will be required to report any departures from the Recommendations in its annual financial report.

(l) **Dividend Policy**

The Company does not expect to pay dividends in the near future as its focus will primarily be on growing the K-TIG business.

Any future determination as to the payment of dividends by the Company will be at the discretion of the Directors and will depend upon matters such as the availability of distributable earnings, the operating results and financial condition of the Company, future capital requirements, general business and other factors considered relevant by the Directors. No assurances are given in relation to the payment of dividends, or that any dividends may attach franking credits.

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## 10. MATERIAL CONTRACTS

### 10.1 INTRODUCTION

The Directors consider that certain contracts entered into by the Company are material to the Company or are of such a nature that an investor may wish to have particulars of them when making an assessment of whether to apply for Securities under the Offers. The provisions of such material contracts are summarised in this Section.

### 10.2 K-TIG AGREEMENTS

#### (a) Distribution Agreements

K-TIG is a party to a number of distribution agreements (**Distribution Agreements**). Under each Distribution Agreement, K-TIG has appointed a distributor to exclusively market, promote and distribute K-TIG's products within a specified territory. Each Distribution Agreement is for a specified term (ranging between 2 and 5 years), which is subject to renewal for an additional period upon mutual written agreement by the parties.

Each Distribution Agreement provides for the purchase by the distributor of a certain quantity of K-TIG's products during the term in order to meet its sales targets (as applicable). All purchase orders are made in writing to K-TIG and pursuant to the purchase price stated in each Distribution Agreement

Provided that the distributor meets its sales targets, any new products which K-TIG at its sole discretion decides to market and sell in the territory must first be offered to the distributor. If the distributor does not agree to sell these new products on the terms proposed by K-TIG, then K-TIG may make such other arrangements as it sees fit for the marketing and sale of any new products in the territory.

Some K-TIG distributors are appointed on a non-exclusive basis and some on an exclusive basis. K-TIG undertakes to each exclusive distributor that, for so long as the distributor is the exclusive distributor in the territory, K-TIG will not directly or indirectly market, sell or distribute K-TIG's products in that territory other than through the distributor.

Each distributor is entitled to use K-TIG's intellectual property (including trade marks) for the sole purpose of selling, marketing and distributing K-TIG's products in the territory. Each Distribution Agreement acknowledges that K-TIG is the exclusive owner of all intellectual property rights in its products.

Each distributor may appoint sub-distributors, agents, licensees, franchisees and other representatives to market, sell and distribute K-TIG's products in the relevant territory.

Each distributor is solely responsible for obtaining all necessary approvals, licences, permits, authorisations and certifications to enable it to market and sell K-TIG's products in the territory, as well as obtaining any required registration of K-TIG's products in the relevant territory.

Each Distribution Agreement may be terminated by K-TIG or the distributor by giving the other party 14 days' written notice where that party:

- (i) fails to pay any amount owing under the Distribution Agreement within 14 days of a written request for such payment;
- (ii) becomes insolvent;
- (iii) commits any breach of the Distribution Agreement and fails to remedy that breach within 14 days of receiving notice of the breach;
- (iv) ceases to carry on its business in the territory; or
- (v) fails to follow any reasonable and lawful direction given by the other party for the purposes of safe guarding its intellectual property or confidential information.

Each Distribution Agreement may be terminated by K-TIG by giving the distributor 14 days' written notice where the distributor:

- (i) fails to meet its sales target for any year during the term; or
- (ii) ceases to use commercially reasonable efforts to market, distribute and sell K-TIG's products in the territory.

Each Distribution Agreement may be terminated by the distributor by giving K-TIG 14 days' written notice where:

- (i) K-TIG fails to deliver its products to the distributor within 30 days of the time specified in the relevant order for delivery;
- (ii) there is a substantial product recall of any of K-TIG's products in the territory; or
- (iii) it becomes unlawful to sell any of K-TIG's products in the territory.

The Distribution Agreements contain additional provisions considered standard for agreements of this nature.

K-TIG is a party to a Distribution Agreement with PCT Group Limited dated 21 February 2012 (and amended on 17 December 2014). Mr William Wilson, a director of K-TIG, is a director and shareholder of PCT Group Limited.

K-TIG is also a party to a Distribution Agreement with WB Alloy Welding Products Limited dated 21 February 2012 (and amended on 17 December 2014 and 22 June 2016). WB Alloy Welding Products Limited is an entity associated with PCT Group Limited.

Each of the Distribution Agreements with PCT Group Limited and WB Alloy Welding Products Limited were negotiated on an arm's length basis and are on terms consistent with the other Distribution Agreements.

(b) **Intermediary Agreements**

K-TIG is a party to a number of intermediary agreements (**Intermediary Agreements**). Under each Intermediary Agreement, K-TIG has engaged an intermediary to utilise that intermediary's contacts and relationships to

identify and solicit suitable customers, distributors or investors for K-TIG (**Intermediary Services**).

Each intermediary is remunerated for the Intermediary Services by an entitlement to a percentage (typically ranging from 4% to 6%) of the sales order value of products sold by K-TIG to a customer or distributor where the relationship between K-TIG and the customer or distributor (as applicable) has been facilitated by the intermediary.

Each Intermediary Agreement is for a specified term (ranging between 2 and 3 years), which is subject to renewal for an additional period upon mutual written agreement by the parties. Each Intermediary Agreement may be terminated by either party providing one month's written notice to the other party.

The Intermediary Agreements contain additional provisions considered standard for agreements of this nature.

(c) **Standard conditions of sale**

K-TIG issues each of its customers an invoice in respect of each transaction concerning the supply of K-TIG's products (**Invoice**). Invoices are payable by the buyer on or before the due date and in accordance with the payment terms shown on the Invoice.

The following terms and conditions are contained in each Invoice:

- (i) **(Deposit)** each quotation in an Invoice is valid upon receipt by K-TIG of a 50% deposit of the total amount indicated in the Invoice;
- (ii) **(Shipping)** K-TIG's pricing is quoted on the basis of the shipping terms stated each in Invoice (if applicable);
- (iii) **(Payment)** unless otherwise agreed by K-TIG in writing, invoices are payable by the buyer on or before the due date and in accordance with the payment terms shown on the Invoice. K-TIG reserves the right to terminate any credit account or payment arrangements at any time and any monies owing to K-TIG will then become immediately due and payable by the buyer. In all other circumstances terms of payment are cash with purchase order or cash prior to delivery;
- (iv) **(Limited Warranty)** K-TIG warrants all new machinery and equipment manufactured by K-TIG against defects in workmanship and material subject to certain limitations. K-TIG will assume both the parts and labour expense of correcting defects during the applicable warranty period;
- (v) **(Return of goods)** returned goods claims will not be recognised after 14 days from delivery;
- (vi) **(Risk)** the risk in the goods purchased shall unless otherwise agreed in writing pass to the buyer in accordance with the terms of delivery; and
- (vii) **(Copying and reverse engineering)** by placing an order with K-TIG, the buyer agrees not to reverse engineer, disassemble, duplicate or

distribute copies of, or derivatives from, the K-TIG system, any K-TIG component, K-TIG software or firmware.

The Invoices are otherwise on terms considered standard for agreements of this nature.

**(d) Convertible Note Agreements**

K-TIG is a party to a number of convertible note agreements (**Convertible Note Agreements**), with certain sophisticated and professional investors (unrelated to the Company), dated on or about 1 April 2019, which were entered into in connection with K-TIG's capital raising of \$1,350,000 via the issue of convertible notes (**Convertible Notes**). The Convertible Notes are convertible into Shares in the Company at a deemed issue price of \$0.12 each on Completion into a maximum of 11,250,000 Shares, being the Shares the subject of the Conversion Offer (**Convertible Note Shares**). The issue of the Convertible Note Shares is subject to Shareholder approval at the General Meeting.

The Convertible Note Agreements are otherwise on terms considered to be standard for agreements of this nature.

**(e) Executive Services Agreement - David Williams**

K-TIG entered into an executive services agreement with Mr David Williams on 18 July 2019, pursuant to which Mr Williams serves as Chief Executive Officer responsible for the overall management and supervision of the activities, operations and affairs of K-TIG, subject to the overall control and direction of the Board of K-TIG (**Williams Services**).

The remuneration payable to Mr Williams for the Williams Services is \$300,000 per annum (including superannuation), which is payable:

- (i) on a pro-rated basis for Mr Williams' part time employment as Chief Executive Officer from 1 August 2019 until 21 August 2019; and
- (ii) in full for Mr Williams' full-time employment as Chief Executive Officer on and from 21 August 2019.

The board of K-TIG may, in its absolute discretion, invite Mr Williams to participate in bonus and/or other incentive schemes in the Company that it may implement from time to time, subject to Shareholder approval.

The Williams Agreement is for an indefinite term, continuing until terminated by either K-TIG or Mr Williams giving not less than three months' written notice of termination to the other party (or shorter period in limited circumstances).

Mr Williams is also subject to restrictions in relation to the use of intellectual property and confidential information during and after his employment with K-TIG ceases and being directly or indirectly involved in a competing business during the continuance of his employment with K-TIG and for a period of twelve months after his employment with K-TIG ceases, on terms which are otherwise considered standard for agreements of this nature.

The Williams Agreement contains additional provisions considered standard for agreements of this nature.

(f) **Executive Services Agreement - Neil Le Quesne**

K-TIG has entered into an amended and re-stated executive services agreement with Mr Neil Le Quesne (**Le Quesne Agreement**) on 31 July 2019, pursuant to which Mr Le Quesne serves as President, Market Development responsible for the overall management and supervision of the activities, operations and affairs of the market development division of K-TIG, subject to the overall control and direction of the chief executive officer of K-TIG (**Le Quesne Services**).

The remuneration payable to Mr Le Quesne for the Le Quesne Services is \$297,000 per annum (plus applicable GST and superannuation), which is payable on and from 1 August 2019.

During the period between 1 August 2019 and 30 June 2020, Mr Le Quesne will be entitled to receive bonus payments up to a maximum of \$200,000 (**Milestone Payment**) based on the achievements of specific milestones set and approved by the board of K-TIG.

On and from 30 June 2020, the Milestone Payment shall cease to be payable, and Mr Le Quesne will instead be entitled to variable commission-based compensation linked to sales achievements.

The board of K-TIG may, in its absolute discretion, invite Mr Le Quesne to participate in bonus and/or other incentive schemes in the Company that it may implement from time to time, subject to shareholder approval.

The Le Quesne Agreement is for an indefinite term, continuing until terminated by either K-TIG or Mr Le Quesne giving not less than four months' written notice of termination to the other party (or shorter period in limited circumstances).

Mr Le Quesne is also subject to restrictions in relation to the use of intellectual property and confidential information during and after his employment with K-TIG ceases and being directly or indirectly involved in a competing business during the continuance of his employment with K-TIG and for a period of twelve months after his employment with K-TIG ceases, on terms which are otherwise considered standard for agreements of this nature.

The Le Quesne Agreement contains additional provisions considered standard for agreements of this nature.

### 10.3 COMPANY AGREEMENTS

(a) **Acquisition Agreement**

The Acquisition Agreement was entered into on 29 April 2019 between the Company, K-TIG and Messrs Kieran Purcell and Neil Le Quesne (**Signing Sellers**). Pursuant to the Acquisition Agreement, the Company agreed to acquire 100% of the fully paid issued capital of K-TIG.

In conjunction with the Acquisition Agreement, the Company will enter into a separate short form share sale agreement (**Short Form Share Sale Agreement**) with each shareholder of K-TIG other than the Signing Sellers (**Minority Seller**) whereby each of the Minority Sellers will sell its shares in K-TIG to the Company.

The material terms and conditions of the Acquisition Agreement are as follows:

(i) **Consideration**

Subject to the satisfaction of the conditions precedent set out in paragraph (ii) below, the Company will issue to the Signing Sellers and the Minority Sellers (the **Vendors**) (or their nominees) a total of up to 80,200,501 Consideration Shares at Completion and up to 30,075,135 Deferred Consideration Shares.

The Deferred Consideration Shares will be issued to the Vendors (or their nominees) upon satisfaction of the following milestones:

Tranche	Number	Milestone
1	10,025,045	K-TIG achieves \$30,000,000 of cumulative revenue within 36 months from 1 January 2020.
2	10,025,045	K-TIG achieves \$60,000,000 of cumulative revenue within 48 months from 1 January 2020.
3	10,025,045	K-TIG achieves \$15,000,000 cumulative EBITDA within 48 months from 1 January 2020.

Pursuant to the Acquisition Agreement, the Company will issue:

- (A) 11,962,407 Consideration Shares and 4,372,401 Deferred Consideration Shares to Mr Le Quesne (or his nominee(s)); and
- (B) 9,972,888 Consideration Shares and 3,453,904 Deferred Consideration Shares to Mr Purcell (or his nominee(s)).

The Company has applied for (and expects to receive) a waiver of Listing Rule 7.3.2 to allow it to issue the Deferred Consideration Shares to the Vendors upon satisfaction of the milestones set out above and without having to obtain Shareholder approval. Refer to Section 2.2(d) for further details.

(ii) **Conditions Precedent**

Completion of the Acquisition Agreement remains conditional upon the satisfaction (or waiver) of the following material conditions precedent as at the date of this Prospectus:

- (A) completion of the Consolidation;
- (B) each Minority Seller providing the Company with an executed Short Form Share Sale Agreement;
- (C) the Company obtaining all necessary Shareholder approvals required by the Corporations Act and the Listing Rules in respect of the Acquisition;

- (D) completion of the Public Offer;
- (E) execution of all necessary restriction agreements required by ASX or the Listing Rules imposing such restrictions on dealings of Securities as mandated by the Listing Rules;
- (F) the Company obtaining all regulatory approvals (as required) in order to undertake the Acquisition, in a form satisfactory to the parties;
- (G) the parties obtaining all third-party consents, including the consent of any counterparties to any agreements, that the parties require to give effect to the Acquisition as a result of any change of control restrictions; and
- (H) the Company re-complying with the requirements of Chapters 1 and 2 of the Listing Rules in connection with the Acquisition.

The obligations of the parties to complete the Acquisition are subject to and do not become binding unless each of the conditions precedent are satisfied (or waived) on or before 5pm (WST) on 30 September 2019 (or such later date as the parties may agree in writing).

(iii) **Warranties and indemnities**

The Acquisition Agreement contains additional provisions, including warranties and indemnities in respect of the status of K-TIG which are considered standard for agreements of this kind.

(b) **Lead Manager Mandate**

On 11 December 2017, the Company entered into a mandate to appoint Alto Capital as Lead Manager to the Company (**Lead Manager Mandate**). The Lead Manager Mandate was subsequently extended on 29 January 2019 and 1 August 2019. Pursuant to the Lead Manager Mandate, Alto Capital is engaged to provide lead manager services in connection with the Public Offer. As at the date of this Prospectus, the Company has not paid Alto Capital any fees for lead manager services provided under the Lead Manager Mandate.

The following fees are payable by the Company to Alto Capital pursuant to the Lead Manager Mandate:

- (i) **(Capital Raising Fee):** a fee equal to 4% of all funds raised in connection with the Public Offer by Alto Capital;
- (ii) **(Lead Manager Fee):** a fee equal to 2% of all capital raised in connection with the Public Offer (excluding GST);
- (iii) **(Advisor Offer):** 5,475,000 Advisor Shares and up to 4,331,801 Advisor Options exercisable at \$0.30 each, expiring 4 years from the date of Completion, these being the Advisor Securities the subject of the Advisor Offer (see Section 11.2 for the full terms and conditions of the Advisor Options). The total number of Advisor Shares to be issued under the Lead Manager Mandate is 5,475,000 Advisor Shares. The total number of Advisor Options to be issued under the Lead Manager Mandate is 4,331,801 Advisor Options. The actual number of Advisor Options to be issued under the Lead Manager shall be

equivalent to approximately 3% of the issued capital of the Company on Completion. That is, if a lesser amount to the Maximum Subscription is raised, the Advisor Options will be reduced accordingly.

The Lead Manager Mandate contains additional provisions considered standard for agreements of this nature.

**(c) Company Secretarial Mandate**

The Company entered into an agreement with Ventnor Capital on or about 1 December 2017 to provide company secretarial and financial accounting and bookkeeping services.

The Company agreed to pay Ventnor Capital a monthly fee of \$6,000 in consideration for the provision of these services. For services provided by Ventnor Capital to the Company that are outside of this scope, Ventnor Capital is entitled to be paid additional fees, calculated on an hourly basis at commercial rates.

Ventnor Capital has provided services to the Company with respect to the preparation of this Prospectus and the Acquisition, and is expected to be paid \$45,000 (plus GST) in respect of those services.

Mr Stuart Carmichael, a Director of the Company, is also a director and shareholder of Ventnor Capital.

**(d) Non-Executive Letters of Appointment**

The Company has entered into separate non-executive director letter agreements with Messrs Carmichael, O'Brien, Purcell and Shueb.

Pursuant to these letter agreements, the Company has agreed:

- (i) to pay Mr Carmichael (on and from Completion) a director's fee of \$60,000 (plus applicable GST or superannuation) per year for services provided to the Company and issue Mr Carmichael (or his nominee) 370,000 Director Options on the terms and conditions set out in Section 11.2; and
- (ii) to pay Messrs O'Brien, Purcell and Shueb (on and from Completion) each a director's fee of \$35,000 (plus applicable GST or superannuation) per year for services provided to the Company as Non-Executive Directors and issue each of Messrs O'Brien, Purcell and Shueb (or their respective nominees) 295,000 Director Options, 180,000 Director Options and 180,000 Director Options respectively on the terms and conditions set out in Section 11.2. The appointment of Messrs Purcell and Shueb was effective from Completion.

**(e) Deeds of indemnity, insurance and access**

The Company has entered into deeds of indemnity, insurance and access with each of its Directors, the Proposed Directors and the company secretary.

Under these deeds, the Company agrees to indemnify each officer to the extent permitted by the Corporations Act against any liability arising as a result of the officer acting as an officer of the Company or a related body corporate (subject to customary exceptions). The Company is also required to

maintain insurance policies for the benefit of the relevant officer and must also allow the officers to inspect board papers and other documents provided to the Board in certain circumstances.

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## 11. ADDITIONAL INFORMATION

### 11.1 RIGHTS AND LIABILITIES ATTACHING TO SHARES

The following is a general description of the more significant rights and liabilities attaching to the Shares. This summary is not exhaustive. Full details of provisions relating to rights attaching to the Shares are contained in the Corporations Act, Listing Rules and the Company's Constitution, a copy of which is available for inspection at the Company's registered office during normal business hours.

- (a) **(Ranking of Shares):** At the date of this Prospectus, all Shares are of the same class and rank equally in all respects. Specifically, the Shares issued pursuant to this Prospectus will rank equally with existing Shares.
- (b) **(Voting rights):** Subject to any rights or restrictions, at general meetings:
  - (i) every Shareholder present and entitled to vote may vote in person or by attorney, proxy or representative;
  - (ii) has one vote on a show of hands; and
  - (iii) has one vote for every Share held, upon a poll.
- (c) **(Dividend rights):** Shareholders will be entitled to dividends, distributed among members in proportion to the capital paid up. No dividend carries interest against the Company and the declaration of Directors as to the amount to be distributed is conclusive.

Shareholders may be paid interim dividends or bonuses at the discretion of the Directors. The Company must not pay a dividend unless the Company's assets exceed its liabilities immediately before the dividend is declared and the excess is sufficient for the payment of the dividend.

- (d) **(Variation of rights):** The rights attaching to the Shares may only be varied by the consent in writing of the holders of three-quarters of the Shares, or with the sanction of a special resolution passed at a general meeting.
- (e) **(Transfer of Shares):** Shares can be transferred upon delivery of a proper instrument of transfer to the Company or by a transfer in accordance with the ASX Settlement Operating Rules. The instrument of transfer must be in writing, in the approved form, and signed by the transferor and the transferee. Until the transferee has been registered, the transferor is deemed to remain the holder, even after signing the instrument of transfer.

In some circumstances, the Directors may refuse to register a transfer if upon registration the transferee will hold less than a marketable parcel. The Board may refuse to register a transfer of Shares upon which the Company has a lien.

- (f) **(General meetings):** Shareholders are entitled to be present in person, or by proxy, attorney or representative to attend and vote at general meetings of the Company.

The Directors may convene a general meeting at their discretion. General meetings shall also be convened on requisition of Shareholders as provided for by the Corporations Act.

- (g) **(Unmarketable parcels):** The Company's Constitution provides for the sale of unmarketable parcels subject to any applicable laws and provided a notice is given to the minority Shareholders stating that the Company intends to sell their relevant Shares unless an exemption notice is received by a specified date.
- (h) **(Rights on winding up):** If the Company is wound up, the liquidator may with the sanction of special resolution, divide the assets of the Company amongst members as the liquidator sees fit. If the assets are insufficient to repay the whole of the paid-up capital of members, they will be distributed in such a way that the losses borne by members are in proportion to the capital paid up.

## 11.2 TERMS AND CONDITIONS OF ADVISOR OPTIONS AND DIRECTOR OPTIONS

- (a) **(Entitlement):** Each Advisor Option and Director Option (**Option**) entitles the holder to subscribe for one fully paid ordinary share in the capital of the Company (**Share**) upon exercise of the Option.
- (b) **Issue Price**  
  
The Director Options and the Advisor Options will be issued for \$0.0001 each.
- (c) **(Exercise Price and Expiry Date):** The Options have an exercise price of \$0.30 per Option (**Exercise Price**) and will expire on the earlier to occur of at 5:00pm (WST) on the date that is 4 years from Completion (**Expiry Date**). An Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.
- (d) **(Exercise Period):** Each vested Option is exercisable at any time and from time to time on or prior to the Expiry Date.
- (e) **(Quotation of the Options):** Unless determined otherwise by the Board in its absolute discretion, the Options will be unquoted.
- (f) **(Transferability of the Options):** The Options are not transferable unless they have vested and only with the prior written approval of the Company and subject to compliance with the Corporations Act.
- (g) **(Notice of Exercise):** The Options may be exercised by notice in writing to the Company in the manner specified on the Option certificate or as otherwise agreed with the Company (**Notice of Exercise**) and payment of the Exercise Price for each Option being exercised in Australian currency by electronic funds transfer or other means of payment acceptable to the Company (acting reasonably). Any Notice of Exercise of an Option received by the Company will be deemed to be a notice of the exercise of that Option as at the date of receipt.
- (h) **(Lodgement instructions):** Cheques shall be in Australian currency made payable to the Company and crossed "Not Negotiable". The application for Shares on exercise of the Options with the appropriate remittance should be lodged at the Company's Share Registry.
- (i) **(Shares issued on exercise):** Shares issued on exercise of the Options rank equally with the then Shares of the Company.

- (j) **(Quotation of Shares on exercise):** If admitted to the Official List of ASX at the time, application will be made by the Company to ASX for quotation of the Shares issued upon the exercise of the Options in accordance with the Listing Rules.
- (k) **(Timing of issue of Shares):** Within 15 business days after the later of the following:
  - (i) receipt of a Notice of Exercise given in accordance with these terms and conditions and payment of the Exercise Price for each Option being exercised; and
  - (ii) when excluded information in respect to the Company (as defined in section 708A(7) of the Corporations Act) (if any) ceases to be excluded information,
 the Company will:
  - (iii) issue the Shares pursuant to the exercise of the Options;
  - (iv) if required, give ASX a notice that complies with section 708A(5)(e) of the Corporations Act; and
  - (v) apply for official quotation on ASX of Shares issued pursuant to the exercise of the Options.
- (l) **(Participation in new issues):** There are no participation rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options.
- (m) **(Adjustment for bonus issues of Shares):** If the Company makes a bonus issue of Shares or other securities to existing Shareholders (other than an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment):
  - (i) the number of Shares which must be issued on the exercise of an Option will be increased by the number of Shares which the Option holder would have received if the Option holder had exercised the Option before the record date for the bonus issue; and
  - (ii) no change will be made to the Exercise Price.
- (n) **(Adjustment for entitlements issue):** If the Company makes an issue of Shares pro rata to existing Shareholders (other than as a bonus issue, to which paragraph (m) will apply) there will be no adjustment of the Exercise Price of an Option or the number of Shares over which the Options are exercisable.
- (o) **(Adjustments for reorganisation):** If there is any reorganisation of the issued share capital of the Company, the rights of the Option holders will be varied in accordance with the Listing Rules.
- (p) **(Change in control):** If a change of control event occurs, or the Board determines that such an event is likely to occur, the Board may in its discretion determine the manner in which any or all of the Options will be dealt with, including, without limitation, in a manner that allows the holder of the Options to participate in and/or benefit from any transaction arising from or in connection with the change of control event.

### 11.3 SUMMARY OF THE COMPANY'S EMPLOYEE SECURITIES INCENTIVE PLAN

The K-TIG Limited Employee Incentive Plan (**Plan**) is being considered for approval by Shareholders at the General Meeting. The full terms of the Plan may be inspected at the registered office of the Company during normal business hours. A summary of the terms of the Plan is set out below:

- (a) **(Eligible Participant):** Eligible Participant means a person that:
  - (i) is an "eligible participant" (as that term is defined in ASIC Class Order [CO 14/1000]) in relation to the Company or an Associated Body Corporate (as that term is defined in ASIC Class Order [14/1000]); and
  - (ii) has been determined by the Board to be eligible to participate in the Plan from time to time.
- (b) **(Purpose):** The purpose of the Plan is to:
  - (i) assist in the reward, retention and motivation of Eligible Participants;
  - (ii) link the reward of Eligible Participants to Shareholder value creation; and
  - (iii) align the interests of Eligible Participants with shareholders of the Group (being the Company and each of its Associated Bodies Corporate), by providing an opportunity to Eligible Participants to receive an equity interest in the Company in the form of Securities.
- (c) **(Plan administration):** The Plan will be administered by the Board. The Board may exercise any power or discretion conferred on it by the Plan rules in its sole and absolute discretion. The Board may delegate its powers and discretion.
- (d) **(Eligibility, invitation and application):** The Board may from time to time determine that an Eligible Participant may participate in the Plan and make an invitation to that Eligible Participant to apply for Securities on such terms and conditions as the Board decides. On receipt of an invitation, an Eligible Participant may apply for the Securities the subject of the invitation by sending a completed application form to the Company. The Board may accept an application from an Eligible Participant in whole or in part. If an Eligible Participant is permitted in the invitation, the Eligible Participant may, by notice in writing to the Board, nominate a party in whose favour the Eligible Participant wishes to renounce the invitation.
- (e) **(Grant of Securities):** The Company will, to the extent that it has accepted a duly completed application, grant the Participant the relevant number of Securities, subject to the terms and conditions set out in the invitation, the Plan rules and any ancillary documentation required.
- (f) **(Terms of Convertible Securities):** Each 'Convertible Security' represents a right to acquire one or more Shares (for example, under an Option or performance right), subject to the terms and conditions of the Plan. Prior to a Convertible Security being exercised a Participant does not have any interest (legal, equitable or otherwise) in any Share the subject of the Convertible Security by virtue of holding the Convertible Security. A Participant may not sell, assign, transfer, grant a security interest over or otherwise deal with a Convertible Security that has been granted to them. A Participant must not

enter into any arrangement for the purpose of hedging their economic exposure to a Convertible Security that has been granted to them.

- (g) **(Vesting of Convertible Securities):** Any vesting conditions applicable to the grant of Convertible Securities will be described in the invitation. If all the vesting conditions are satisfied and/or otherwise waived by the Board, a vesting notice will be sent to the Participant by the Company informing them that the relevant Convertible Securities have vested. Unless and until the vesting notice is issued by the Company, the Convertible Securities will not be considered to have vested. For the avoidance of doubt, if the vesting conditions relevant to a Convertible Security are not satisfied and/or otherwise waived by the Board, that Convertible Security will lapse.
- (h) **(Exercise of Convertible Securities):** To exercise a Convertible Security, the Participant must deliver a signed notice of exercise and pay the exercise price (if any) to or as directed by the Company, at any time prior to the earlier of any date specified in the vesting notice and the expiry date as set out in the invitation. An invitation may specify that at the time of exercise of the Convertible Securities, the Participant may elect not to be required to provide payment of the exercise price for the number of Convertible Securities specified in a notice of exercise, but that on exercise of those Convertible Securities the Company will transfer or issue to the Participant that number of Shares equal in value to the positive difference between the Market Value of the Shares at the time of exercise and the exercise price that would otherwise be payable to exercise those Convertible Securities.

'Market Value' means, at any given date, the volume weighted average price per Share traded on the ASX over the 5 trading days immediately preceding that given date, unless otherwise specified in an invitation.

A Convertible Security may not be exercised unless and until that Convertible Security has vested in accordance with the Plan rules, or such earlier date as set out in the Plan rules.

- (i) **(Delivery of Shares on exercise of Convertible Securities):** As soon as practicable after the valid exercise of a Convertible Security by a Participant, the Company will issue or cause to be transferred to that Participant the number of Shares to which the Participant is entitled under the Plan rules and issue a substitute certificate for any remaining unexercised Convertible Securities held by that Participant.
- (j) **(Forfeiture of Convertible Securities):** Where a Participant who holds Convertible Securities ceases to be an Eligible Participant or becomes insolvent, all unvested Convertible Securities will automatically be forfeited by the Participant, unless the Board otherwise determines in its discretion to permit some or all of the Convertible Securities to vest. Where the Board determines that a Participant has acted fraudulently or dishonestly, or wilfully breached his or her duties to the group, the Board may in its discretion deem all unvested Convertible Securities held by that Participant to have been forfeited.

Unless the Board otherwise determines, or as otherwise set out in the Plan rules:

- (i) any Convertible Securities which have not yet vested will be forfeited immediately on the date that the Board determines (acting

reasonably and in good faith) that any applicable vesting conditions have not been met or cannot be met by the relevant date; and

- (ii) any Convertible Securities which have not yet vested will be automatically forfeited on the expiry date specified in the invitation.
- (k) **(Change of control):** If a change of control event occurs in relation to the Company, or the Board determines that such an event is likely to occur, the Board may in its discretion determine the manner in which any or all of the Participant's Convertible Securities will be dealt with, including, without limitation, in a manner that allows the Participant to participate in and/or benefit from any transaction arising from or in connection with the change of control event.
- (l) **(Rights attaching to Plan Shares):** All Shares issued under the Plan, or issued or transferred to a Participant upon the valid exercise of a Convertible Security, **(Plan Shares)** will rank pari passu in all respects with the Shares of the same class. A Participant will be entitled to any dividends declared and distributed by the Company on the Plan Shares and may participate in any dividend reinvestment plan operated by the Company in respect of Plan Shares. A Participant may exercise any voting rights attaching to Plan Shares.
- (m) **(Disposal restrictions on Plan Shares):** If the invitation provides that any Plan Shares are subject to any restrictions as to the disposal or other dealing by a Participant for a period, the Board may implement any procedure it deems appropriate to ensure the compliance by the Participant with this restriction.

For so long as a Plan Share is subject to any disposal restrictions under the Plan, the Participant will not:

- (i) transfer, encumber or otherwise dispose of, or have a security interest granted over that Plan Share; or
- (ii) take any action or permit another person to take any action to remove or circumvent the disposal restrictions without the express written consent of the Company.
- (n) **(Adjustment of Convertible Securities):** If there is a reorganisation of the issued share capital of the Company (including any subdivision, consolidation, reduction, return or cancellation of such issued capital of the Company), the rights of each Participant holding Convertible Securities will be changed to the extent necessary to comply with the Listing Rules applicable to a reorganisation of capital at the time of the reorganisation. If Shares are issued by the Company by way of bonus issue (other than an issue in lieu of dividends or by way of dividend reinvestment), the holder of Convertible Securities is entitled, upon exercise of the Convertible Securities, to receive an allotment of as many additional Shares as would have been issued to the holder if the holder held Shares equal in number to the Shares in respect of which the Convertible Securities are exercised. Unless otherwise determined by the Board, a holder of Convertible Securities does not have the right to participate in a pro rata issue of Shares made by the Company or sell renounceable rights.
- (o) **(Participation in new issues):** There are no participation rights or entitlements inherent in the Convertible Securities and holders are not entitled to participate in any new issue of Shares of the Company during the currency of the Convertible Securities without exercising the Convertible Securities.

- (p) **(Amendment of Plan):** Subject to the following paragraph, the Board may at any time amend any provisions of the Plan rules, including (without limitation) the terms and conditions upon which any Securities have been granted under the Plan and determine that any amendments to the Plan rules be given retrospective effect, immediate effect or future effect. No amendment to any provision of the Plan rules may be made if the amendment materially reduces the rights of any Participant.

## 11.4 SUBSTANTIAL SHAREHOLDERS

As at the date of this Prospectus the following Shareholders (and their associates) hold 5% or more of the total number of Shares on issue in the Company:

Shareholder/ Associates	Existing Shares	Existing % <sup>1</sup>
Ferguson Superannuation Pty Ltd	701,724	5.54

**Notes:**

1. Based on 12,668,353 Shares being on issue at the date of this Prospectus, and assuming no Options are converted into Shares.

Following the completion of the Offers and the Acquisition, the Substantial Shareholders of the Company will be as set out below:

Shareholder	Shares <sup>1</sup>	(min) % <sup>2</sup>	(max) % <sup>3</sup>	Shares <sup>4</sup>	(min) % <sup>5</sup>	(max) % <sup>6</sup>
Advanced Science & Innovation Company LLC	19,717,068	14.65	13.64	27,902,089	16.20	15.31
Neil Gary Le Quesne (combined holding)	11,962,406	8.89	8.27	16,334,807	9.48	8.96
Kieran Michael Purcell	9,972,888	7.41	6.90	13,426,792	7.79	7.37

**Notes:**

1. Consideration Shares to be issued pursuant to the Acquisition Agreement.
2. Based on 134,593,854 Shares being on issue (Minimum Subscription).
3. Based on 144,593,854 Shares being on issue (Maximum Subscription)
4. Consideration Shares and Deferred Consideration Shares to be issued pursuant to the Acquisition Agreement.
5. Based on 172,260,504 Shares being on issue, and assuming the Minimum Subscription is raised, 30,075,135 Deferred Consideration Shares are issued and 7,591,515 Options are exercised.
6. Based on 182,260,504 Shares being on issue, and assuming the Maximum Subscription is raised, 30,075,135 Deferred Consideration Shares are issued and 7,591,515 Options are exercised.

## **11.5 INTERESTS OF EXPERTS AND ADVISERS**

### **(a) No interest except as disclosed**

Other than as set out below or elsewhere in this Prospectus, no persons or entity named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus holds at the date of this Prospectus, or held at any time during the last 2 years, any interest in:

- (i) the formation or promotion of the Company;
- (ii) property acquired or proposed to be acquired by the Company in connection with its formation or promotion, or the Offers; or
- (iii) the Offers,

and the Company has not paid any amount or provided any benefit, or agreed to do so, to any of those persons for services rendered by them in connection with the formation or promotion of the Company or the Offers.

### **(b) Share Registry**

Automatic Registry Services has been appointed to conduct the Company's share registry functions and to provide administrative services in respect to the processing of Applications received pursuant to this Prospectus, and will be paid for these services on standard industry terms and conditions.

### **(c) Auditor to the Company**

Stantons International Audit has been appointed as auditor of the Company. The Company estimates it will pay Stantons International Audit a total of \$16,000 (excluding GST) for these services. The Company has paid Stantons International Audit fees of \$133,595 (excluding GST) during the 24 months preceding lodgement of this Prospectus with ASIC.

### **(d) Legal Advisers**

Bellanhuse has acted as the solicitors to the Company in relation to the Offers. The Company estimates it will pay Bellanhuse \$85,000 (excluding GST) for these services. The Company has paid Bellanhuse legal fees of \$16,905 (excluding GST) during the 24 months preceding lodgement of this Prospectus with ASIC.

### **(e) Intellectual Property**

Phillips Ormonde Fitzpatrick has acted as the patent and trade mark attorneys for K-TIG and has prepared the Intellectual Property Report in Section 8 at the request of the Company. The Company estimates it will pay Phillips Ormonde Fitzpatrick a total of \$5,000 for these services. During the 24 months preceding lodgement of this Prospectus with ASIC, Phillips Ormonde Fitzpatrick has not provided services to the Company.

### **(f) Auditor to K-TIG**

BDO Audit (SA) Pty Ltd has acted as auditor of K-TIG. K-TIG estimates it will pay BDO Audit (SA) Pty Ltd a total of \$24,500 (excluding GST) for these

services. K-TIG has not paid BDO Audit (SA) Pty Ltd any fees during the 24 months preceding lodgement of this Prospectus with ASIC.

**(g) Investigating Accountants**

BDO Corporate Finance (SA) Pty Ltd has acted as Investigating Accountant and has prepared the Independent Limited Assurance Report which is included in Section 7 of this Prospectus. The Company estimates it will pay BDO Corporate Finance (SA) Pty Ltd a total of \$24,500 (excluding GST) for these services. During the 24 months preceding lodgement of this Prospectus with ASIC, BDO Corporate Finance (SA) Pty Ltd has not provided services to the Company.

**(h) Lead Manager and Corporate Advisor**

Alto Capital is acting as the lead manager to the Public Offer and as corporate advisor to the Company and for this is entitled to be paid fees in accordance with the Lead Manager Mandate summarised at Section 10.3(b). The Company has paid Alto Capital fees of \$25,390 (excluding GST) during the 24 months preceding lodgement of this Prospectus with ASIC.

## **11.6 CONSENTS**

**(a) General**

Chapter 6D of the Corporations Act imposes a liability regime on the Company (as the offeror of Securities under this Prospectus), the Directors, the Proposed Directors, any persons named in the Prospectus with their consent having made a statement in the Prospectus and persons involved in a contravention in relation to the Prospectus, with regard to misleading and deceptive statements made in the Prospectus. Although the Company bears primary responsibility for the Prospectus, the other parties involved in the preparation of the Prospectus can also be responsible for certain statements made in it.

In light of the above, each of the parties referred to below:

- (i) does not make the Offers;
- (ii) does not make, or purport to make, any statement that is included in this Prospectus, or a statement on which a statement made in this Prospectus is based, other than as specified below or elsewhere in this Prospectus;
- (iii) only to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Prospectus other than a reference to its name and a statement contained in this Prospectus with the consent of that party as specified below; and
- (iv) has given and has not, prior to the lodgement of this Prospectus with ASIC, withdrawn its consent to the inclusion of the statements in this Prospectus that are specified below in the form and context in which the statements appear.

**(b) Share Registry**

Automic Registry Services has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to being named in

this Prospectus as share registry to the Company in the form and context in which it is named.

**(c) Auditor to the Company**

Stantons International Audit has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to being named in this Prospectus as auditor of the Company in the form and context in which it is named and references to its audit reports in the text of this Prospectus.

**(d) Legal Advisers**

Bellanhouse has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to being named in this Prospectus as legal adviser to the Company in the form and context in which it is named.

**(e) Patent and Trade Mark Attorneys for K-TIG**

Phillips Ormonde Fitzpatrick has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to being named in this Prospectus as the patent and trade mark attorneys for K-TIG in the form and context in which it is named and has given and not withdrawn its consent to the inclusion of the Intellectual Property Report in the form and context in which it is included.

**(f) Auditor to K-TIG**

BDO Audit (SA) Pty Ltd has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to being named in this Prospectus as the Auditor to K-TIG in the form and context in which it is named.

**(g) Investigating Accountant**

BDO Corporate Finance (SA) Pty Ltd has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to being named in this Prospectus as the Investigating Accountant to the Company in the form and context in which it is named and has given and not withdrawn its consent to the inclusion of the Independent Limited Assurance Report in the form and context in which it is included.

**(h) Lead Manager and Corporate Advisor**

Alto Capital has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as the Lead Manager to the Public Offer and the Corporate Advisor to the Company in the form and context in which it is named, together with all references to it in this Prospectus.

**(i) Proposed Directors**

The Proposed Directors have each given their written consent to being named as the proposed directors of the Company in the form and context in which they are named, and to all other information relevant to them in this Prospectus.

## 11.7 EXPENSES OF THE OFFERS

The estimated expenses of the Offers (excluding GST) are as follows:

Items of expenditure	Minimum Subscription (\$)	Maximum Subscription (\$)
Capital raising fees <sup>1</sup>	300,000	420,000
Legal and Intellectual Property Report fees	90,000	90,000
Accounting and Independent Limited Assurance Report	24,500	24,500
Company secretarial transaction management fees <sup>2</sup>	45,000	45,000
ASIC fees	3,500	3,500
ASX fees	96,000	98,000
Printing and other expenses	11,000	12,000
<b>Total estimated expenses</b>	<b>570,000</b>	<b>693,000</b>

**Notes:**

1. Refer to Section 10.3(b) for further details in respect to fees payable to the Lead Manager.
2. Refer to Section 10.3(c) for further details in respect to company secretarial and transaction management fees payable to Ventnor Capital.

## 11.8 ASX WAIVERS

The Company has applied for (and expects to receive) a waiver from:

- (a) Listing Rule 7.3.2 to allow it to issue the Deferred Consideration Shares to the Vendors upon satisfaction of the milestones set out in Section 1.5(d) without having to obtain Shareholder approval;
- (b) Listing Rule 9.1.3 to permit the Company to apply 'look through relief' to the Consideration Shares and the Convertible Note Shares; and
- (c) Listing Rule 10.13.3 to permit the notice of meeting for the General Meeting not to state that the Director Options will be issued within 1 month after the date of the General Meeting.

## 11.9 CONTINUOUS DISCLOSURE OBLIGATIONS

As the Company is admitted to the Official List of ASX, the Company is a "disclosing entity" for the purposes of the Corporations Act. As such, it is subject to regular reporting and disclosure obligations. Specifically, like all listed companies, the Company is required to continuously disclose to the market any information it has which a reasonable person would expect to have a material effect on the price or the value of the Company's Securities.

Price sensitive information is publicly released through ASX before it is disclosed to Shareholders and market participants. Distribution of other information to Shareholders and market participants is also managed through disclosure to ASX. In addition, the Company posts information on its website after the ASX confirms an announcement has been made, with the aim of making the information readily accessible to the widest audience.

#### **11.10 LITIGATION**

As at the date of this Prospectus, neither the Company nor K-TIG is involved in any material legal proceedings nor are the Directors aware of any material legal proceedings pending or threatened against the Company or K-TIG or any of their respective subsidiaries.

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## 12. DIRECTORS' AUTHORISATION

The Prospectus is issued by the Company and its issue has been authorised by a resolution of the Directors.

In accordance with section 720 of the Corporations Act, each Director and Proposed Director has consented to the lodgement of this Prospectus with ASIC and has not withdrawn that consent.

Signed for and on behalf of the Company.

A handwritten signature in blue ink, appearing to read 'Stuart Carmichael', with a long horizontal line extending to the right.

**Stuart Carmichael**  
**Non-Executive Chairman**

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## 13. DEFINITIONS

**\$** means Australian Dollars.

**Acquisition** means the acquisition of 100% of the fully paid issued capital of K-TIG by the Company in accordance with the Acquisition Agreement.

**Acquisition Agreement** means the conditional share sale and purchase agreement between the Company, K-TIG and the Signing Sellers dated 26 April 2019 for the sale by the Vendors and the purchase by the Company of 100% of the issued capital of K-TIG.

**Advisor Offer** means the offer of the Advisor Securities under this Prospectus to Alto Capital (or its nominees) for part services provided to the Company in relation to the Acquisition.

**Advisor Offer Application Form** means the Application Form in respect of the Advisor Offer.

**Advisor Options** means up to 4,331,801 Options to be issued to Alto Capital (or its nominees) on the terms set out in Section 11.2.

**Advisor Securities** means the Advisor Shares and Advisor Options.

**Advisor Shares** means up to 5,475,000 Shares to be issued to Alto Capital (or its nominees).

**Alto Capital** means ACNS Capital Markets Pty Ltd as trustee for the ACNS Unit Trust trading as Alto Capital (ACN 088 503 208).

**Application Form** means the Public Offer Application Form, the Consideration Offer Application Form, the Conversion Offer Application Form or the Advisor Offer Application Form, as the context requires.

**Application Monies** means the amount of money in dollars and cents payable for Shares at the Offer Price per Share pursuant to the Public Offer. No application monies will be payable pursuant to the Secondary Offers.

**Article** means an article of the Constitution.

**ASIC** means the Australian Securities and Investments Commission.

**ASX** means ASX Limited (ACN 008 624 691) or the Australian Securities Exchange, as the context requires.

**ASX Settlement** means ASX Settlement Pty Limited (ACN 008 504 532).

**ASX Settlement Operating Rules** means the settlement and operating rules of ASX Settlement.

**Board** means the board of Directors.

**Business Day** means Monday to Friday except for any day that ASX declares is not a business day.

**CAGR** means the compound annual growth rate.

**CHESS** means the Clearing House Electronic Sub-register System operated by ASX Settlement.

**Closing Date** means the date that the Offers close which is 5.00pm (WST) on 30 August 2019 or such other time and date as the Board determines.

**Company** means Serpentine Technologies Limited (to be renamed "K-TIG Limited") (ACN 158 307 549).

**Completion** means completion of the Acquisition in accordance with the Acquisition Agreement.

**Consideration Offer** means the offer of the Consideration Shares to the Vendors (or their nominees) under this Prospectus in the respective proportions set out in the Acquisition Agreement.

**Consideration Offer Application Form** means the Application Form in respect of the Consideration Offer.

**Consideration Shares** means up to 80,200,501 Shares to be issued to the Vendors (or their nominees) as part consideration for the Acquisition pursuant to the Acquisition Agreement.

**Consolidation** means the consolidation of the issued capital of the Company on a 57 for 1 basis.

**Constitution** means the constitution of the Company.

**Conversion Offer** means the offer of 11,250,000 Convertible Note Shares to the holders of the Convertible Notes under this Prospectus.

**Conversion Offer Application Form** means the Application Form in respect of the Conversion Offer.

**Convertible Note Shares** has the meaning given in Section 10.2(d).

**Convertible Notes** has the meaning given in Section 10.2(d).

**Corporations Act** means the *Corporations Act 2001* (Cth).

**CSIRO** means the Commonwealth Scientific and Industrial Research Organisation, an independent agency of the Commonwealth of Australia (ABN 41 687 119 230).

**Deferred Consideration Shares** means up to 30,075,135 Shares to be issued to the Vendors (or their nominees) as part consideration for the Acquisition.

**Director** means a director of the Company.

**Director Options** means up to 1,140,351 Options exercisable at \$0.30 each and expiring 4 years from the date of Completion, issued on the terms set out in Section 11.2 .

**EBITDA** means earnings before interest, tax, depreciation and amortization.

**Essential Resolutions** has the meaning set out in Section 1.5.

**Equity Security** has the same meaning as in the Listing Rules.

**Exposure Period** means the period of 7 days after the date of lodgement of this Prospectus, which period may be extended by the ASIC by not more than 7 days pursuant to section 727(3) of the Corporations Act.

**General Meeting** means the general meeting of Shareholders to be held on 15 August 2019.

**GST** means Goods and Services Tax.

**GTAW** means gas tungsten arc welding.

**Investigating Accountant** means BDO Corporate Finance (SA) Pty Ltd (ACN 008 181 379).

**K-TIG** means Keyhole TIG Limited (ACN 147 805 490).

**KTIG Savings Assessment** has the meaning given in Section 3.2.

**K-TIG System** has the meaning given Section 3.1(a).

**Lead Manager** means ACNS Capital Markets Pty Ltd as trustee for the ACNS Unit Trust trading as Alto Capital (ACN 088 503 208).

**Le Quesne Services** has the meaning given in Section 10.2(f).

**Listing Rules** means the listing rules of ASX.

**Merged Company** means the Company and K-TIG after Completion.

**Maximum Subscription** means the raising of \$7,000,000 by the acceptance of applications for 35,000,000 Shares at \$0.20 each pursuant to the Public Offer.

**Minimum Subscription** means the raising of \$5,000,000 by the acceptance of applications for 25,000,000 Shares at \$0.20 each pursuant to the Public Offer.

**Minority Sellers** means all shareholders of K-TIG except for the Signing Sellers.

**Official List** means the official list of ASX.

**Offer Price** means \$0.20 per Share under the Public Offer.

**Offers** means the Public Offer and the Secondary Offers.

**Opening Date** means the first date for acceptance of completed Application Forms under the Offers, being 10 August 2019.

**Option** means an option to acquire a Share.

**Plan** means the K-TIG Limited Employee Incentive Plan, a summary of which is set out in Section 11.3.

**Proposed Directors** means Mr Kieran Michael Purcell and Mr Syed Shueb.

**Prospectus** means this prospectus dated 2 August 2019.

**Public Offer** means the public offer of up to 35,000,000 Shares at the Offer Price pursuant to this Prospectus to raise up to \$7,000,000 before costs.

**Public Offer Application Form** means the Application Form in respect of the Public Offer.

**Secondary Offers** means the Consideration Offer, the Conversion Offer and/or the Advisor Offer, as the context requires.

**Section** means a section of this Prospectus.

**Securities** means any Equity Securities of the Company (including Shares and Options).

**Share** means a fully paid ordinary share in capital of the Company.

**Share Registry** means Automic Pty Ltd (ACN 152 260 814).

**Shareholder** means a holder of one or more Shares.

**Short Form Share Sale Agreement** means a separate sale agreement to be entered into between the Company and each of the Minority Sellers in conjunction with the Acquisition Agreement, whereby each of the Minority Sellers will sell its shares in K-TIG to the Company.

**Signing Sellers** means Mr Kieran Michael Purcell and Mr Neil Garry Le Quesne.

**US\$** means US Dollars.

**Vendors** means the Signing Sellers and Minority Sellers.

**Ventnor Capital** means Ventnor Capital Pty Ltd (ACN 111 543 741).

**WaaS** means K-TIG's 'Welding-as-a-Service' business model as described in Section 3.2.

**Williams Services** has the meaning given in Section 10.2(e).

**WST** means Western Standard Time, being the time in Perth, Western Australia.