

**APPENDIX 4D**  
**For the half-year ended 31 December 2019**

**1. Name of Entity**

K-TIG Limited and its controlled entities (ABN 28 158 307 549)

Reporting Period	Half-year ended 31 December 2019
Previous Corresponding Reporting Period	Half-year ended 31 December 2018

**2. Results for Announcement to Market**

Financial results	Up / Down	% Change	2019	2018
Revenue from ordinary activities	Down	93%	38,293	518,204
Loss after tax from ordinary activities attributable to members	Up	549%	(6,532,280)	(1,007,227)
Loss attributable to members	Up	549%	(6,532,280)	(1,007,227)
Final and interim dividends	It is not proposed that either a final or interim dividend be paid.			
Record date for determining entitlements to the dividend	N/A			
Brief explanation of any of the figures reported above	During the half-year ended 31 December 2019, the Company completed the 100% acquisition of Keyhole TIG Limited.			

**3. Net Tangible Asset Backing per Ordinary Share**

**Cents**

Net tangible asset backing per ordinary share - current reporting period <sup>1</sup>	3.61
Net tangible asset backing per ordinary share - previous reporting period	0.12

<sup>1</sup> The right-of-use assets as it is classified as an intangible asset for the purpose of determining the net tangible asset

**4. Control Gained Over Entities**

Details of entities over which control has been gained or lost

- |  |                     |
|--|---------------------|
| • Name of entity   | Keyhole TIG Limited |
| • Date control gained  | 30 September 2019   |
| • Contribution of such entity to Group's loss before income tax during current reporting period  | \$1,558,138         |
| • Contribution of such entity to Group's loss before income tax during previous reporting period | \$1,007,227         |

**5. Dividends Paid and Payable**

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

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

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

Foreign entities to disclose which accounting standards are used in compiling the report	N/A
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**9. Review Opinion**

Details of any audit dispute or qualification	There are no audit disputes or qualifications to the review opinion.
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Stuart Carmichael  
Chairman

Perth WA  
28 February 2020

**K-TIG LIMITED AND ITS CONTROLLED ENTITIES**

A.B.N. 28 158 307 549

Consolidated Interim Financial Report

For the half-year ended 31 December 2019

**K-TIG LIMITED AND ITS CONTROLLED ENTITIES**  
**ABN 28 158 307 549**

**COMPANY INFORMATION**

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**DIRECTORS**

Stuart Carmichael, Chairman  
Colm O'Brien, Non-executive Director  
Syed Basar Shueb, Non-executive Director  
Mark Twycross, Non-executive Director  
Adrian Smith, Non-executive Director

**COMPANY SECRETARY**

Brett Tucker  
Deborah Ho

**REGISTERED OFFICE**

Ground Floor  
16 Ord Street  
West Perth WA 6005

**PRINCIPAL PLACE OF BUSINESS**

Building 5  
9 William Street  
Mile End South SA 5031

**PRINCIPAL BANKERS**

Westpac Banking Corporation  
275 Kent Street  
Sydney NSW 2000

**AUDITORS**

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

**SOLICITORS**

HWL Ebsworth Lawyers  
Level 20, 240 St Georges Terrace  
Perth WA 6000

**SHARE REGISTRY**

Automic Group  
Level 2, 267 St Georges Terrace  
Perth WA 6000

**STOCK EXCHANGE LISTING**

Shares are listed on the Australian Securities  
Exchange (ASX code: KTG)

**WEBSITE**

[www.k-tig.com](http://www.k-tig.com)

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## DIRECTORS' REPORT

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The Directors of K-TIG Limited (formerly Serpentine Technologies Limited) ("K-TIG" or "the Company") and its controlled entities ("the Group") present the Consolidated Interim Financial Report for the half-year ended 31 December 2019.

### DIRECTORS

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

Stuart Carmichael  
Colm O'Brien  
Syed Basar Shueb (appointed 30 September 2019)  
Kieran Michael Purcell (appointed 30 September 2019, resigned 20 February 2020)  
Mark Twycross (appointed 20 February 2020)  
Adrian Smith (appointed 20 February 2020)  
Michael Edwards (resigned 30 September 2019)

### PRINCIPAL ACTIVITIES

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

### REVIEW OF OPERATIONS AND FINANCIAL RESULTS

The operating result of the Group for the current half-year is a loss of \$6,532,280 (2018: \$1,007,227).

#### *First WAAS milestone achieved*

Since re-listing on the ASX, the Group secured a number of licencing agreements during the quarter with fabricators in the US and SE Asia, across both the small and large stainless-steel vessel market, demonstrating the market's willingness to adopt its technology under licence.

The Company continues to build an extensive sales pipeline in key growth markets, including the US and South East Asia where it intends to increase its market share in both the small and large stainless-steel vessel industry. The Group is also pursuing opportunities in the UK nuclear decommissioning market.

### SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

#### *Acquisition of Keyhole TIG*

In September 2019, the Company acquired 100% of the issued capital of Keyhole TIG Limited and issued the following securities pursuant to its Replacement Prospectus dated 15 August 2019:

1. 35,000,000 Shares at an issue price of \$0.20 each to raise \$7,000,000 under the Public Offer;
2. 80,200,501 Shares to the Vendors (or their nominees) pursuant to the Consideration Offer;
3. 11,250,000 Shares to the holders of the Convertible Notes (or their nominees) pursuant to the conversion of all convertible notes in K-TIG into Shares; and

**DIRECTORS' REPORT**

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**SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS (CONTINUED)**

4. 5,475,000 Shares and 4,331,801 Options exercisable at \$0.30 each and expiring 4 years from the date of Completion to Alto Capital (or its nominees).

The Company's securities were reinstated for trading on the ASX on 9 October 2019.

*General Meeting*

As approved by shareholders at the Company's General Meeting held in August 2019, the Company's capital was consolidated, Mr Kieran Purcell and Mr Syed Shueb were appointed as Non-executive Directors of the Company and Director options were issued.

**EVENTS ARISING SINCE THE END OF THE REPORTING PERIOD**

*Board Changes*

On 20 February 2020, Mr Kieran Purcell resigned as a Non-executive Director and Mr Mark Twycross and Mr Adrian Smith were appointed as Non-executive Directors.

*Options Issued*

On 21 February 2020, the Company issued 600,000 options pursuant to its Employee Securities Incentive Plan and issued 180,000 options each to Mr Twycross and Mr Smith. All options are exercisable at \$0.30 each, expiring on 30 September 2023.

No other matters or circumstances not otherwise dealt with in this report have arisen since the end of the financial year to the date of this report which has significantly affected, or may significantly affect, the operations of the Group, the results of those operations or state of affairs of the Group in subsequent financial years.


**DIVIDENDS**

No dividends were paid or recommended during the half-year.

**AUDITOR'S INDEPENDENCE DECLARATION**

A copy of the Auditor's Independence Declaration as required under section 307C of the Corporations Act 2001 has been included on page 3.

Signed in accordance with a resolution of the Board of Directors.



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Stuart Carmichael  
Chairman  
Perth WA  
28 February 2020

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

As lead auditor for the review of K-TIG Limited for the half-year ended 31 December 2019, I declare that, to the best of my knowledge and belief, there have been:

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

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



G K Edwards  
Director

**BDO Audit (SA) Pty Ltd**

Adelaide, 28 February 2020



**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019**

	Note	31 Dec 2019 \$	31 Dec 2018 \$
Sales revenue	8	38,293	518,204
Cost of sales		(103,419)	(298,321)
Gross profit		(65,126)	219,883
Other income	8	42,139	41,152
Marketing expenses		(127,305)	(94,652)
Corporate expense		(299,303)	(177,063)
Service expense		(65,023)	(68,128)
Employee benefits expense		(857,577)	(731,025)
Office/workshop expense		(116,269)	(73,480)
Travel expense		(91,069)	(76,518)
R&D expense		(76,680)	(37,715)
Reverse acquisition costs	17	(1,853,772)	-
Excess consideration arising on reverse acquisition	16	(3,000,777)	-
Other expenses		(21,518)	(9,681)
Loss before income tax		(6,532,280)	(1,007,227)
Income tax expense		-	-
<b>Loss for the half-year</b>		<b>(6,532,280)</b>	<b>(1,007,227)</b>
Other comprehensive income		-	-
<b>Total comprehensive income</b>		<b>(6,532,280)</b>	<b>(1,007,227)</b>
<b>Loss per share for loss attributable to the owners of the Company (cents)</b>			
Basic and diluted loss per share		(0.067)	(0.022)

*The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes*

CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2019

	Note	31 Dec 2019 \$	30 Jun 2019 \$
<b><u>ASSETS</u></b>			
<b>Current Assets</b>			
Cash and cash equivalents		5,138,374	943,820
Trade and other receivables		302,696	72,695
Inventories		522,382	373,117
		<u>5,963,452</u>	<u>1,389,632</u>
<b>Non-Current Assets</b>			
Property, plant and equipment	2	199,480	129,050
Right-of-use Asset	3	212,113	-
Intangible assets		58,517	64,045
		<u>470,110</u>	<u>193,095</u>
<b>Total Assets</b>		<b><u>6,433,562</u></b>	<b><u>1,582,727</u></b>
<b><u>LIABILITIES</u></b>			
<b>Current Liabilities</b>			
Trade and other payables		443,029	202,407
Employee benefits		114,609	106,231
Borrowings	4	-	1,610,780
Income received in advance		90,695	7,300
Lease liability	5	85,371	-
		<u>733,704</u>	<u>1,926,718</u>
<b>Non-Current Liabilities</b>			
Employee benefits		79,893	84,716
Lease liability	5	129,561	-
		<u>209,454</u>	<u>84,716</u>
<b>Total Liabilities</b>		<b><u>943,158</u></b>	<b><u>2,011,434</u></b>
<b>Net Assets / (Liabilities)</b>		<b><u>5,490,404</u></b>	<b><u>(428,707)</u></b>
<b><u>EQUITY</u></b>			
Issued capital	6	17,703,775	5,327,819
Share based payment reserve	7	679,360	603,925
Accumulated losses		(12,892,731)	(6,360,451)
<b>Total Equity</b>		<b><u>5,490,404</u></b>	<b><u>(428,707)</u></b>

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

	Issued Capital \$	Non- Redeemable Series A Preference Shares \$	Share Based Payments Reserve \$	Accumulated Losses \$	Total \$
<b>Balance at 1 July 2018</b>	2,348,884	2,978,935	347,321	(4,670,264)	1,004,876
Loss for the half-year	-	-	-	(1,007,227)	(1,007,227)
Other comprehensive income	-	-	-	-	-
Total comprehensive loss	-	-	-	(1,007,227)	(1,007,227)
<b>Transactions with owners in their capacity as owners</b>					
Share based payments	-	-	183,107	-	183,107
<b>Balance at 31 December 2018</b>	<b>2,348,884</b>	<b>2,978,935</b>	<b>530,428</b>	<b>(5,677,491)</b>	<b>180,756</b>
<b>Balance at 1 July 2019</b>	2,348,884	2,978,935	603,925	(6,360,451)	(428,707)
Loss for the half-year	-	-	-	(6,532,280)	(6,532,280)
Other comprehensive income	-	-	-	-	-
Total comprehensive loss	-	-	-	(6,532,280)	(6,532,280)
<b>Transactions with owners in their capacity as owners</b>					
Exercise of share options	603,925	-	(603,925)	-	-
Conversion of preference shares	2,978,935	(2,978,935)	-	-	-
Issue of shares - public offer (net of costs)	6,528,788	-	-	-	6,528,788
Issue of shares - advisor	1,095,000	-	-	-	1,095,000
Conversion of borrowings	1,610,780	-	-	-	1,610,780
Issue of options	-	-	679,360	-	679,360
Options exercised	3,792	-	-	-	3,792
Reverse acquisition deemed consideration	2,533,671	-	-	-	2,533,671
<b>Balance at 31 December 2019</b>	<b>17,703,775</b>	<b>-</b>	<b>679,360</b>	<b>(12,892,731)</b>	<b>5,490,404</b>

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

CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

	Note	31 Dec 2019 \$	31 Dec 2018 \$
<b>Cash flows from operating activities</b>			
Receipts from customers		36,115	612,995
Government grants received		40,000	342,807
Payments to suppliers and employees		(2,347,592)	(1,520,705)
Interest received		2,139	1,152
Interest paid		(4,442)	-
<b>Net cash (used in) operating activities</b>	14	<u>(2,273,780)</u>	<u>(563,751)</u>
<b>Cash flows from investing activities</b>			
Cash acquired on acquisition	16	30,670	-
Purchase of property, plant and equipment		(53,585)	-
<b>Net cash (used in) investing activities</b>		<u>(22,915)</u>	<u>-</u>
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares		6,532,315	-
Repayment of borrowings		-	(10,000)
Repayment of lease liabilities		(41,066)	-
<b>Net cash provided by / (used in) financing activities</b>		<u>6,491,249</u>	<u>(10,000)</u>
Net increase / (decrease) in cash and cash equivalents		4,194,554	(573,751)
Cash and cash equivalents at beginning of the half-year		943,820	926,929
<b>Cash and cash equivalents at end of the half-year</b>		<u><b>5,138,374</b></u>	<u><b>353,178</b></u>

*The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Preparation**

The Consolidated Interim Financial Report is a general purpose financial report for the half-year ended 31 December 2019, which has been prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standard 134 Interim Financial Reporting. As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of Keyhole TIG Limited (accounting acquirer) for the year ended 30 June 2019, together with any public announcements made during the following half-year.

The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

The principal accounting policies adopted are consistent with those of the previous financial period and corresponding interim reporting period, unless otherwise stated.

**Reverse Acquisition**

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

Accordingly, the consolidated financial statements of KTG have been prepared as a continuation of the business and operations of Keyhole, with the exception of the capital structure. Keyhole has accounted for the acquisition of KTG from the 30 September 2019. The comparative information for the 6 months ended 31 December 2019 presented in the consolidated financial statements is that of Keyhole. The implications of the acquisition by Keyhole on the financial statements are as follows:

*Statement of Profit or Loss and Other Comprehensive Income*

- The statement of profit or loss and other comprehensive income comprises the total comprehensive income for the 6 months ended 31 December 2019 for the consolidated K-TIG Limited Group.
- The statement of profit or loss and other comprehensive income for the half-year ended 31 December 2018 comprises of Keyhole balances only.

*Statement of Financial Position*

- The statement of financial position as at 31 December 2019 represents the consolidated K-TIG Limited Group.
- The statement of financial position comparative represents Keyhole as at 30 June 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*Statement of Changes in Equity*

- The equity balance of Keyhole as at the beginning of the half-year (1 July 2019).
- The total comprehensive income for the half-year and transactions with equity holders, being 6 months from the consolidated K-TIG Limited Group for the half-year ended 31 December 2019.
- The equity balance of the consolidated K-TIG Limited Group as at 31 December 2019.
- The Statement of Changes in Equity comparatives are for Keyhole for the 6 months ended 31 December 2018.

*Statement of Cash Flows*

- The cash balance of Keyhole at the beginning of the half-year (1 July 2019).
- The cash balance as at 31 December 2019 reflects the consolidated K-TIG Limited Group.
- The transactions for the 6 months ended 31 December 2018 are from Keyhole and the 6 months ended 31 December 2019 are for the consolidated K-TIG Limited Group.

*Equity Structure*

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

*Earnings per Share*

The weighted average number of shares outstanding for the half-year ended 31 December 2019 is based on the combined weighted average number of shares of the K-TIG Limited group outstanding in the half-year.

**New and amended accounting policies adopted by the company**

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board that are mandatory for the current reporting period. Accounting Standards and Interpretations adopted by the Group that are mandatory for the current reporting period.

**AASB 16 Leases**

AASB 16 replaces AASB 117 *Leases* and introduces a single lessee accounting model that requires a lessee to recognise right-of-use assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Right-of-use assets are initially measured at cost and lease liabilities are initially measured on a present value basis.

As described in Note 3, the Group has applied AASB 16 using the modified retrospective approach and therefore comparative information has not been restated. This means comparative information is still reported under AASB 17.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent to initial recognition:

- (a) Right-of-use assets are accounted for on a similar basis to non-financial assets, whereby the right-of-use asset is accounted for on a cost basis unless the underlying asset is accounted for on a revaluation basis, in which case if the underlying asset is:
  - i. Investment property, the lessee applies the fair value model in AASB 140 *Investment Property* to the right-of-use asset; or
  - ii. Property, plant or equipment, the applies the revaluation model in AASB 116 *Property, Plant and Equipment* to all of the right-of-use assets that relate to that class of property, plant and equipment; and
- (b) Lease liabilities are accounted for on a similar basis to other financial liabilities, whereby interest expense is recognised in respect of the lease liability and the carrying amount of the lease liability is reduced to reflect the principal portion of lease payments made.

AASB 16 substantially carries forward the lessor accounting requirements of the predecessor standard, AASB 117. Accordingly, under AASB 16 a lessor continues to classify its leases as operating leases or finance leases subject to whether the lease transfers to the lessee substantially all of the risks and rewards incidental to ownership of the underlying asset, and accounts for each type of lease in a manner consistent with the current approach under AASB 117.

The Group recognises right-of-use assets totalling \$255,998 representing its right to use the underlying asset and lease liabilities representing its obligations to make lease payments with exemptions for short-term leases and leases of low-value items. The recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate of 3.72%. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

The following is a reconciliation of total operating lease commitments at 30 June 2019 to the lease liabilities recognised at 1 July 2019:

	\$
Total operating lease commitments disclosed at 30 June 2019	90,052
Recognition exemptions	
Leases of low value assets	-
Leases with remaining lease term of less than 12 months	-
Variable lease payments not recognised	-
Operating lease liabilities before discounting	90,052
Discounted using incremental borrowing rate	(14,653)
Operating lease liabilities	75,399
Reasonably certain extension options	180,599
Total lease liabilities recognised under AASB 16 at 1 July 2019	255,998

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Group as a lessor***

AASB 16 was applicable from 1 July 2019. The Group's accounting policy under AASB 16 has not changed from the comparative period. As a lessor the Group classifies its leases as either operating or finance leases. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset, and classified as an operating lease if it does not.

**Other Pronouncements**

Other accounting pronouncements which have become effective from 1 July 2019 and have therefore been adopted do not have a significant impact on the Group's financial results or position.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

NOTE 2. PROPERTY, PLANT AND EQUIPMENT

	31 Dec 2019 \$	30 Jun 2019 \$
<i>Leasehold Improvements</i>		
At cost	116,963	89,695
Accumulated depreciation	(57,937)	(50,826)
	<u>59,026</u>	<u>38,869</u>
<i>Plant &amp; Equipment</i>		
At cost	229,406	213,891
Accumulated depreciation	(135,208)	(127,052)
	<u>94,198</u>	<u>86,839</u>
<i>Computer Equipment</i>		
At cost	33,848	23,046
Accumulated depreciation	(21,880)	(19,704)
	<u>11,968</u>	<u>3,342</u>
<i>Lease Equipment (Under Operating Lease Agreement)</i>		
At cost	34,288	-
Accumulated depreciation	-	-
	<u>34,288</u>	<u>-</u>
Total property, plant and equipment	<u>199,480</u>	<u>129,050</u>

*Reconciliation of movement in the carrying amount for property, plant and equipment*

	Leasehold Improvement \$	Plant & Equipment \$	Computer Equipment \$	Lease Equipment \$	Total \$
Carrying amount at the beginning of the half-year	38,869	86,839	3,342	-	129,050
Additions	27,268	15,515	10,802	-	53,585
Transfer from inventory	-	-	-	34,288	34,288
Depreciation expense	(7,111)	(8,156)	(2,176)	-	(17,443)
Carrying amount at the end of the half-year	<u>59,026</u>	<u>94,198</u>	<u>11,968</u>	<u>34,288</u>	<u>199,480</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

**NOTE 2. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**

*Lessor commitments*

Operating lease payments to be received are in relation to 10 year equipment licence agreements. As at 31 December 2019, all operating lease payments to be received are payable in US dollars, and for the purposes of the maturity analysis have been translated at the spot rate at reporting date. Maturity analysis of undiscounted operating lease payments to be received set out below.

	31 Dec 2019 \$	30 Jun 2019 \$
Within 1 year	30,800	-
1 -5 years	123,201	-
After 5 years	154,001	-
	<u>308,003</u>	<u>-</u>

**NOTE 3. RIGHT-OF-USE ASSET**

	31 Dec 2019 \$	30 Jun 2019 \$
Building	255,998	-
Accumulated depreciation	(43,885)	-
	<u>212,113</u>	<u>-</u>

*Reconciliation of movement in the carrying amount for right-of-use asset*

	Right-of-use asset \$	Total \$
Carrying amount at beginning of half-year	-	-
Transition to AASB16	255,998	255,998
Depreciation	(43,885)	(43,885)
Carrying amount at end of half-year	<u>212,113</u>	<u>212,113</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

NOTE 4. BORROWINGS

	31 Dec 2019 \$	30 Jun 2019 \$
Loans with related parties	-	359,740
Convertible notes	-	1,251,040
	<u>-</u>	<u>1,610,780</u>

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

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

NOTE 5. LEASE LIABILITY

	31 Dec 2019 \$	30 Jun 2019 \$
Current	85,371	-
Non-Current	129,561	-

NOTE 6. ISSUED CAPITAL

	31 Dec 2019 Number of Shares	30 Jun 2019 Number of Shares	31 Dec 2019 \$	30 Jun 2019 \$
Ordinary shares - fully paid	144,609,833	96,395,839	17,703,775	2,348,884
Series A preference shares	-	41,322,314	-	2,978,935
	<u>144,609,833</u>	<u>137,718,153</u>	<u>17,703,775</u>	<u>5,327,819</u>

*Capital risk management*

The entity's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital. Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents. In order to maintain or adjust the capital structure, the entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

NOTE 6. ISSUED CAPITAL (CONTINUED)

*Movements in ordinary shares for the half-year*

Date	Details	Number of Shares	\$
1 Jul 2019	Opening balance	96,395,839	2,348,884
1 Jul 2019	Issue of Keyhole shares to repay related party loans	5,677,946	359,740
30 Sep 2019	Conversion of share options	25,058,608	603,925
30 Sep 2019	Conversion of preference shares	41,322,314	2,978,935
30 Sep 2019	Elimination of Keyhole shares	(168,454,707)	-
30 Sep 2019	KTG shares on acquisition	722,096,113	-
30 Sep 2019	KTG shares on acquisition	(709,428,270)	-
30 Sep 2019	Issue of KTG shares on acquisition of Keyhole	80,200,501	-
30 Sep 2019	Deemed consideration on acquisition of Keyhole	-	2,533,671
30 Sep 2019	Issue of shares under public offer	35,000,000	7,000,000
30 Sep 2019	Conversion of convertible note	11,250,000	1,251,040
30 Sep 2019	Issue of shares to advisor	5,475,000	1,095,000
30 Sep 2019	Share issue costs	-	(471,212)
13 Nov 2019	Exercise of options	16,489	3,792
31 Dec 2019	Closing balance	<u>144,609,833</u>	<u>17,703,775</u>

The holders of ordinary shares are entitled to participate in dividends and the proceeds on winding up of the company. On a show of hands at meetings of the company, each holder of ordinary shares has one vote in person or by proxy, and upon a poll each share is entitled to one vote. The company does not have authorised capital or par value in respect of its shares.

As at 31 December 2019, up to 30,075,135 deferred consideration shares to be issued in 3 tranches based on the cumulative revenue over 48 months from 1 January 2020.

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

*Movements in preference shares for the half-year*

Date	Details	Number of Shares	\$
1 Jul 2019	Opening balance	41,322,314	2,978,935
30 Sep 2019	Conversion of preference shares	(41,322,314)	(2,978,935)
31 Dec 2019	Closing balance	<u>-</u>	<u>-</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

NOTE 7. RESERVES

	31 Dec 2019 \$	30 Jun 2019 \$
Share based payment reserve	679,360	603,925

The reserve is used to recognise share based transactions. Amounts will be transferred into share capital upon share options being exercised.

*Movements in share based payment reserve for the half-year*

Date	Details	Number of Options	\$
1 Jul 2019	Opening balance	25,058,608	603,925
30 Sep 2019	Conversion of share options	(25,058,608)	(603,925)
30 Sep 2019	KTG shares on acquisition	2,119,233	-
30 Sep 2019	Expiry of options	(1,316)	-
30 Sep 2019	Issue of options	5,472,152	679,360
13 Nov 2019	Exercise of options	(16,489)	-
31 Dec 2019	Closing balance	7,573,580	679,360

On 30 September 2019, a total of 5,472,152 unlisted options exercisable at \$0.30 each with an expiry date of 30 September 2023, and a subscription price of \$0.0001 each, were issued as advisor and director options. 4,331,801 options related to were issued under the Lead Manager Mandate for advisory services, totalling \$538,087. The related expense is recognised as reverse acquisition costs. 1,140,351 options were issued to Directors for a total consideration of \$141,652. The related expense is recognised as share-based payment in the consolidated statement of profit and loss and other comprehensive income. The fair value of the options was calculated using the Black-Scholes pricing model applying the following inputs:

Grant Date	Share Price	Exercise Price	Expiry Date	Expected Volatility	Risk-Free Interest Rate
30 Sep 2019	\$0.20	\$0.30	30 Sep 2023	100%	0.78%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

**NOTE 8. REVENUE AND OTHER INCOME**

	31 Dec 2019 \$	31 Dec 2018 \$
<b>Revenue from contracts with customers</b>		
- Sale of goods	16,455	469,018
- Rendering of services	20,852	35,400
- Other trading revenue	986	13,786
	<u>38,293</u>	<u>518,204</u>
<b>Other income</b>		
- Interest received	2,139	1,152
- Government grants	40,000	40,000
	<u>42,139</u>	<u>41,152</u>

**NOTE 9. RELATED PARTY TRANSACTIONS**

During the half year ended 31 December 2019, the Group paid company secretarial, accounting and corporate advisory fees in relation to the acquisition of Keyhole TIG, totalling \$14,848 to Ventnor Capital Pty Ltd (director related entity of Mr Stuart Carmichael) (30 June 2019: nil).

Refer to Note 7 for director options issued totalling \$141,652 during the half-year ended 31 December 2019 (30 June 2019: \$nil).

There are no other material changes to the Group's related party transactions to those disclosed in the 30 June 2019 Annual Report.

**NOTE 10. DIVIDENDS**

There were no dividends paid during the half-year ended 31 December 2019 (2018: Nil). Franking credits available for subsequent periods based on a 27.5% tax rate is \$0 (2018: \$0).

**NOTE 11. COMMITMENTS**

No commitments noted as at 31 December 2019 (30 June 2019: \$90,052) as from 1 July 2019, the Group has recognised all operating lease commitments as right of use assets. Refer to Note 3 for right of use assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

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**NOTE 12. CONTINGENT ASSETS AND LIABILITIES**

In the opinion of the Directors, the Group has contingencies of the deferred consideration shares as at 31 December 2019 (30 June 2019: R&D tax examination and CEO incentive).

**Deferred Consideration Shares**

During the half-year ended 31 December 2019, K-TIG Limited completed the 100% acquisition of Keyhole TIG Limited. As part of the acquisition consideration, up to 30,075,135 deferred consideration shares. Refer to Note 6 for terms of consideration shares.

**CEO incentive for sale over \$20M**

At 30 June 2019, a 1.25% Success Fee was payable to the Chief Executive Officer Neil Le Quesne upon the successful sale or IPO of the company for \$20m or greater. Subsequent to 30 June 2019 and during the half-year ended 31 December 2019, this fee was varied to remove the \$20m condition and was satisfied through an issue of fully paid ordinary shares in Keyhole. In the reverse acquisition these shares gave rise to a pro rata entitlement to consideration shares in K-TIG Limited, but not to deferred consideration shares.

**R&D Tax Examination**

During the half-year ended 31 December 2019, the Department of Industry, Innovation and Science ('DIIS') completed an examination of the company's 2017-2018 financial period R&D Tax Incentive registration in October 2019. K-TIG has received confirmation from DIIS that K-TIG's activities have been deemed eligible for the R&D tax rebate and K-TIG is not required to repay the amount received for the 2017-2018 financial period of \$302,807.

**NOTE 13. EVENTS ARISING SINCE THE END OF THE REPORTING PERIOD**

*Board Changes*

On 20 February 2020, Mr Kieran Purcell resigned as a Non-executive Director and Mr Mark Twycross and Mr Adrian Smith were appointed as Non-executive Directors.

*Options Issued*

On 21 February 2020, the Company issued 600,000 options pursuant to its Employee Securities Incentive Plan and issued 180,000 options each to Mr Twycross and Mr Smith. All options are exercisable at \$0.30 each, expiring on 30 September 2023.

No other matters or circumstances not otherwise dealt with in this report have arisen since the end of the financial year to the date of this report which has significantly affected, or may significantly affect, the operations of the Group, the results of those operations or state of affairs of the Group in subsequent financial years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

**NOTE 14. RECONCILIATION OF LOSS AFTER INCOME TAX TO NET CASH FOR OPERATING ACTIVITIES**

	31 Dec 2019 \$	31 Dec 2018 \$
Loss after income tax expense for the half-year	(6,532,280)	(1,007,227)
<i>Adjustments for:</i>		
- Depreciation	61,329	16,955
- Amortisation of trademarks	5,528	5,529
- Share based payment expenses	679,360	183,107
- Advisor shares issued	1,095,000	-
- Reverse acquisition deemed consideration	2,533,671	-
<i>Change in operating assets and liabilities:</i>		
- (Increase)/decrease in trade and other receivables	(264,289)	297,957
- (Increase) in inventories	(149,265)	(99,359)
- Increase in trade and other payables	293,611	26,530
- Increase in employee benefits	3,555	12,757
Net cash to operating activities	<u>(2,273,780)</u>	<u>(563,751)</u>

**NOTE 15. OPERATING SEGMENTS**

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

**NOTE 16. ACQUISITION OF KEYHOLE TIG LIMITED**

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

*Acquisition Consideration*

As consideration for the acquisition of 100% of the issued Keyhole securities, KTG issued 80,200,501 consideration shares and up to 30,075,135 deferred consideration shares. Refer to Note 6 for terms of consideration shares.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

NOTE 16. ACQUISITION OF KEYHOLE TIG LIMITED (CONTINUED)

*Deemed Purchase Consideration*

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

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

NOTE 17. REVERSE ACQUISITION COSTS

	31 Dec 2019 \$	31 Dec 2018 \$
Shares issued to advisor (Note 6)	1,095,000	-
Options issued to advisor (Note 7)	538,087	-
Legal expenses	180,380	-
Other expenses	40,305	-
	<u>1,853,772</u>	<u>-</u>

NOTE 18. CONTROLLED ENTITIES

Details of the Company's subsidiaries at the end of the half-year are as follows:

		Percentage owned	
	Country of incorporation	31 December 2019	30 June 2019
Kabuni USA, Inc.	USA	100%	100%
Stirling Minerals Pty Limited	Australia	100%	100%
Keyhole TIG Limited *	Australia	100%	-
Vessel Tech Pty Ltd *	Australia	100%	-

\* Acquired on the 30 September 2019. Refer to Note 16 on more details of the acquisition.

## DIRECTORS' DECLARATION

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The directors of the company declare that:

- (a) The consolidated financial statements and notes set out on pages 4 to 20 are in accordance with the Corporations Act 2001, including:
  - (i) complying with Accounting Standard AASB 134 Interim Financial Reporting; and
  - (ii) give's a true and fair view of the Group's financial position as at 31 December 2019 and of its performance, as represented by the results of its operations, changes in equity and its cash flows for the period from 1 July 2019 to 31 December 2019.
- (b) At the date of this statement, in the Directors' opinion, there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

This statement is made in accordance with a resolution of the Board of Directors made pursuant to S303(5) of the Corporations Act 2001.



Stuart Carmichael  
Chairman

Perth WA  
28 February 2020

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

### Report on the Half-Year Financial Report

#### Conclusion

We have reviewed the half-year financial report of K-TIG Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year then ended, and notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration.

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

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2019 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

#### Directors' responsibility for the Half-Year Financial Report

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

#### Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2019 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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



### Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Group, would be in the same terms if given to the directors as at the time of this auditor's review report.

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

**BDO Audit (SA) Pty Ltd**

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

G K Edwards

Director

Adelaide, 28 February 2020