

**SERPENTINE TECHNOLOGIES LIMITED
(TO BE RENAMED "K-TIG LIMITED")**

ACN 158 307 549

NOTICE OF GENERAL MEETING

**The General Meeting of the Company will be held at
Ground Floor, 16 Ord Street, West Perth, Western Australia
on Thursday, 15 August 2019 at 9.30am (WST).**

The Notice of General Meeting should be read in its entirety. If Shareholders are in doubt as to how to vote, they should seek advice from their accountant, solicitor or other professional advisor prior to voting.

Should you wish to discuss any matter, please do not hesitate to contact the Company Secretary by telephone on (08) 9482 0500.

Shareholders are urged to attend or vote by lodging the proxy form attached to the Notice

SERPENTINE TECHNOLOGIES LIMITED (TO BE RENAMED "K-TIG Limited")

ACN 158 307 549

NOTICE OF GENERAL MEETING

Notice is hereby given that a general meeting of Shareholders of Serpentine Technologies Limited (to be renamed "K-TIG Limited")

(Company) will be held at Ground Floor, 16 Ord St, West Perth, Western Australia on Thursday, 15 August 2019 at 9.30am (WST) (Meeting).

The Explanatory Memorandum provides additional information on matters to be considered at the Meeting. The Explanatory Memorandum and the Proxy Form form part of the Notice.

The Directors have determined pursuant to regulation 7.11.37 of the *Corporations Regulations 2001* (Cth) that the persons eligible to vote at the Meeting are those who are registered as Shareholders on Tuesday, 13 August 2019 at 5:00pm (WST).

Terms and abbreviations used in the Notice are defined in Schedule 1.

ASX takes no responsibility for the contents of this Notice or the Explanatory Memorandum.

AGENDA

1. Resolution 1 - Consolidation of capital

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an ordinary resolution:

"That, subject to each of the other Acquisition Resolutions being passed and pursuant to and in accordance with section 254H of the Corporations Act and for all other purposes, the issued capital of the Company be consolidated on the terms and conditions in the Explanatory Memorandum, on the basis that:

(a) *every 57 Shares be consolidated into 1 Share; and*

(b) *all Options on issue be adjusted in accordance with Listing Rule 7.22,*

and, where this Consolidation results in a fraction of a security being held, the Company be authorised to round that fraction down to the nearest whole security."

2. Resolution 2 - Approval to change in nature and scale of activities

To consider and, if thought fit, to pass with or without amendment, as an ordinary resolution the following:

"That, subject to each of the other Acquisition Resolutions being passed and pursuant to and in accordance with Listing Rule 11.1.2 and for all other purposes, Shareholders approve the significant change in the nature and scale of the Company's activities

resulting from the Acquisition and the Capital Raising, on the terms and conditions set out in the Explanatory Memorandum."

Voting Exclusion

The Company will disregard any votes cast in favour of this Resolution by or on behalf of a person who might obtain a benefit (except a benefit solely by reason of being a Shareholder) if the Resolution is passed, or any of their respective associates.

However, the Company need not disregard a vote if:

- (a) it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- (b) it is cast by the Chair as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

3. Resolution 3 - Approval to issue Consideration Shares

To consider and, if thought fit, to pass with or without amendment, as an ordinary resolution the following:

"That, subject to each of the other Acquisition Resolutions being passed and pursuant to and in accordance with Listing Rule 7.1 and for all other purposes, Shareholders approve the issue of up to 80,200,501 Consideration Shares (on a post-Consolidation basis) to the Vendors (or their respective nominees) on the terms and conditions in the Explanatory Memorandum."

Voting Exclusion

The Company will disregard any votes cast in favour of this Resolution by or on behalf of the Vendors (and their respective nominees), any person who will obtain a material benefit as a result of, the proposed issue (except a benefit solely by reason of being a Shareholder), or any of their respective associates.

However, the Company need not disregard a vote if:

- (a) it is cast by the person as proxy for a person who is entitled to vote, in accordance with directions on the Proxy Form; or
- (b) it is cast by the Chair as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

4. Resolution 4 - Approval to issue Deferred Consideration Shares

To consider and, if thought fit, to pass with or without amendment, as an ordinary resolution the following:

"That, subject to each of the other Acquisition Resolutions being passed and pursuant to and in accordance with Listing Rule 7.1 and for all other purposes, Shareholders approve the issue of up to 30,075,135 Deferred Consideration Shares (on a post-Consolidation basis) to the Vendors (or their respective nominees) on the terms and conditions in the Explanatory Memorandum."

Voting Exclusion

The Company will disregard any votes cast in favour of this Resolution by or on behalf of the Vendors (and their respective nominees), any person who will obtain a material benefit as a result of, the proposed issue (except a benefit solely by reason of being a Shareholder), or any of their respective associates.

However, the Company need not disregard a vote if:

- (a) it is cast by the person as proxy for a person who is entitled to vote, in accordance with directions on the Proxy Form; or
- (b) it is cast by the Chair as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

5. Resolution 5 - Approval to issue Capital Raising Shares

To consider and, if thought fit, to pass with or without amendment, as an ordinary resolution the following:

"That, subject to each of the other Acquisition Resolutions being passed and pursuant to and in accordance with Listing Rule 7.1 and for all other purposes, Shareholders approve the issue of up to 35,000,000 Shares (on a post-Consolidation basis) at \$0.20 each to raise up to \$7,000,000 (before costs) on the terms and conditions in the Explanatory Memorandum."

Voting Exclusion

The Company will disregard any votes cast in favour of this Resolution by or on behalf of any person who is expected to participate in, or who will obtain a material benefit as a result of, the proposed issue (except a benefit solely by reason of being a Shareholder) or any of their respective associates.

However, the Company need not disregard a vote if:

- (a) it is cast by the person as proxy for a person who is entitled to vote, in accordance with directions on the Proxy Form; or
- (b) it is cast by the Chair as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

6. Resolution 6 - Approval to issue Convertible Note Shares

To consider and, if thought fit, to pass with or without amendment, as an ordinary resolution the following:

"That, subject to each of the other Acquisition Resolutions being passed and pursuant to and in accordance with Listing Rule 7.1 and for all other purposes, Shareholders approve the issue of up to 11,250,000 Convertible Note Shares, upon conversion of the Convertible Notes, on the terms and conditions in the Explanatory Memorandum."

Voting Exclusion Statement

The Company will disregard any votes cast in favour of this Resolution by or on behalf of the subscribers for the Convertible Notes (and their respective nominees), or any

person who will obtain a material benefit as a result of, the proposed issue (except a benefit solely by reason of being a Shareholder), or any of their respective associates.

However, the Company need not disregard a vote if:

- (a) it is cast by the person as proxy for a person who is entitled to vote, in accordance with directions on the Proxy Form; or
- (b) it is cast by the Chair as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

7. Resolution 7 - Approval to issue Advisor Securities

To consider and, if thought fit, to pass with or without amendment, as an ordinary resolution the following:

"That, subject to each of the other Acquisition Resolutions being passed and pursuant to and in accordance with Listing Rule 7.1 and for all other purposes, Shareholders approve the issue of:

- (a) *up to 5,475,000 Advisor Shares; and*
- (b) *4,331,801 Advisor Options,*

(on a post-Consolidation basis) to Alto Capital (or its nominees) on the terms and conditions in the Explanatory Memorandum."

Voting Exclusion

The Company will disregard any votes cast in favour of this Resolution by or on behalf of Alto Capital (and its nominees), and any person who is expected to participate in, or who will obtain a material benefit as a result of, the proposed issue (except a benefit solely by reason of being a Shareholder) or any of their respective associates.

However, the Company need not disregard a vote if:

- (a) it is cast by the person as proxy for a person who is entitled to vote, in accordance with directions on the Proxy Form; or
- (b) it is cast by the Chair as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

8. Resolution 8 - Election of Directors

To consider and, if thought fit, to pass with or without amendment, each as a **separate** ordinary resolution the following:

"That, subject to each of the other Acquisition Resolutions being passed and Completion, and pursuant to and in accordance with Clause 7.4 of the Constitution and for all other purposes, the following persons, being eligible and having consented to act, be elected as Directors on and from Completion:

- (a) *Mr Kieran Purcell; and*
- (b) *Mr Syed Shueb.*

9. Resolution 9 -Approval of Employee Securities Incentive Plan

To consider and, if thought fit, to pass with or without amendment, as an ordinary resolution the following:

"That, subject to each of the other Acquisition Resolutions being passed and pursuant to and in accordance with exception 9(b) of Listing Rule 7.2 and for all other purposes, Shareholders approve the establishment of the employee incentive scheme of the Company known as the "K-TIG Limited Employee Securities Incentive Plan" and the issue of Securities under that plan, on the terms and conditions in the Explanatory Memorandum."

Voting Exclusion

The Company will disregard any votes cast in favour of this Resolution by or on behalf of any Director (except one who is ineligible to participate in any employee incentive scheme in relation to the Company) or any of their respective associates.

However, the Company need not disregard a vote if:

- (a) it is cast by the person as proxy for a person who is entitled to vote, in accordance with directions on the Proxy Form; or
- (b) it is cast by the Chair as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

10. Resolution 10 - Approval to issue Options to Messrs Carmichael, O'Brien, Edwards, Purcell and Shueb

To consider and, if thought fit, to pass with or without amendment, each as a **separate** ordinary resolution the following:

"That, subject to each of the other Acquisition Resolutions being passed and pursuant to and in accordance with Listing Rule 10.11, section 208 of the Corporations Act and for all other purposes, Shareholders approve the issue of up to a total of 1,140,351 Options (on a post-Consolidation basis) to the Directors (or their nominees) as follows:

- (a) up to 370,000 Options to Mr Stuart Carmichael;
- (b) up to 295,000 Options to Mr Colm O'Brien;
- (c) up to 115,351 Options to Mr Michael Edwards;
- (d) up to 180,000 Options to Mr Kieran Purcell; and
- (e) up to 180,000 Options to Mr Syed Shueb,

*(together the **Director Options**) on the terms and conditions in the Explanatory Memorandum."*

Voting Exclusion

The Company will disregard any votes cast in favour of:

- (a) Resolution 10(a) by Mr Stuart Carmichael (and his nominees), or any of their respective associates;
- (b) Resolution 10(b) by Mr Colm O'Brien (and his nominees), or any of their respective associates;
- (c) Resolution 10(c) by Mr Michael Edwards (and his nominees), or any of their respective associates;
- (d) Resolution 10(d) by Mr Kieran Purcell (and his nominees), or any of their respective associates;
- (e) Resolution 10(e) by Mr Syed Shueb (and his nominees), or any of their respective associates.

However, the Company need not disregard a vote if:

- (a) it is cast by the person as proxy for a person who is entitled to vote, in accordance with directions on the Proxy Form; or
- (b) it is cast by the Chair as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Voting Prohibitions

In accordance with section 250BD of the Corporations Act, a person appointed as a proxy must not vote, on the basis of that appointment, on these Resolutions if:

- (a) the proxy is either a member of the Key Management Personnel or a Closely Related Party of such member; and
- (b) the appointment does not specify the way the proxy is to vote on the Resolutions.

However, the above prohibition does not apply if:

- (a) the proxy is the Chair; and
- (b) the appointment expressly authorises the Chair to exercise the proxy even though the Resolutions are connected directly or indirectly with remuneration of a member of the Key Management Personnel.

Further, in accordance with section 224 of the Corporations Act, a vote on these Resolutions must not be cast (in any capacity) by or on behalf of a related party of the Company to whom the Resolutions would permit a financial benefit to be given, or an associate of such a related party.

However, the above prohibition does not apply if:

- (a) it is cast by a person as a proxy appointed by writing that specifies how the proxy is to vote on the Resolutions; and

- (b) it is not cast on behalf of a related party of the Company to whom the Resolutions would permit a financial benefit to be given, or an associate of such a related party.

Please note: If the Chair is a person referred to in the section 224 Corporations Act voting prohibition statement above, the Chair will only be able to cast a vote as proxy for a person who is entitled to vote if the Chair is appointed as proxy in writing and the Proxy Form specifies how the proxy is to vote on the Resolutions.

If you purport to cast a vote other than as permitted above, that vote will be disregarded by the Company (as indicated above) and you may be liable for breaching the voting restrictions that apply to you under the Corporations Act.

11. Resolution 11 - Approval to change Company name

To consider and, if thought fit, to pass with or without amendment, as a **special resolution** the following:

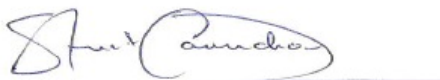
"That, subject to each of the Acquisition Resolutions being passed, and pursuant to and in accordance with section 157 of the Corporations Act and for all other purposes, approval is given for the name of the Company to be changed to "K-TIG Limited" with effect from the date that ASIC alters the details of the Company's registration."

12. Resolution 12 - Replacement of constitution

To consider and, if thought fit, to pass with or without amendment, as a **special resolution** the following:

"That, subject to each of the Acquisition Resolutions being passed and Completion occurring, and pursuant to and in accordance with section 136(2) of the Corporations Act and for all other purposes, approval is given for the Company to repeal its existing constitution and adopt the Constitution in its place in the form of the document tabled at the Meeting and signed by the Chair for the purposes of identification, with effect from 15 August 2019."

BY ORDER OF THE BOARD



Stuart Carmichael
Chairman

Serpentine Technologies Limited

Dated: 15 July 2019

SERPENTINE TECHNOLOGIES LIMITED (TO BE RENAMED "K-TIG LIMITED")

A C N 1 5 8 3 0 7 5 4 9

EXPLANATORY MEMORANDUM

1. Introduction

The Explanatory Memorandum has been prepared for the information of Shareholders in connection with the business to be conducted at the Meeting to be held at Ground Floor, 16 Ord St, West Perth, Western Australia on Thursday, 15 August 2019 at 9.30 am (WST).

The Explanatory Memorandum forms part of the Notice which should be read in its entirety. The Explanatory Memorandum contains the terms and conditions on which the Resolutions will be voted.

The Explanatory Memorandum includes the following information to assist Shareholders in deciding how to vote on the Resolutions:

Section 2	Action to be taken by Shareholders
Section 3	Conditional Acquisition Resolutions
Section 4	Background to the proposed acquisition of K-TIG
Section 4.21	Risks associated with the Acquisition
Section 5	Resolution 1 - Consolidation of capital
Section 6	Resolution 2 - Approval to change in nature and scale of activities
Section 7	Resolution 3 - Approval to issue Consideration Shares
Section 8	Resolution 4 - Approval to issue Deferred Consideration Shares
Section 9	Resolution 5 - Approval to issue Capital Raising Shares
Section 10	Resolution 6 - Approval to issue Convertible Note Shares
Section 11	Resolution 7 - Approval to issue Advisor Securities
Section 12	Resolution 8 - Election of Directors
Section 13	Resolution 9 -Approval of Employee Securities Incentive Plan
Section 14	Resolution 10 - Approval to issue Options to Messrs Carmichael, O'Brien, Edwards, Purcell and Shueb
Section 15	Resolution 11 - Approval to change Company name

Section 16	Resolution 12 - Replacement of constitution
Schedule 1	Definitions
Schedule 2	Pro forma balance sheet
Schedule 3	Summary of Employee Securities Incentive Plan
Schedule 4	Terms and conditions of the Advisor Options and Director Options
Schedule 5	K-TIG Audited Accounts for the financial year ending 30 June 2017
Schedule 6	K-TIG Audited Accounts for the financial year ending 30 June 2018
Schedule 7	K-TIG Audited Accounts for the 9 months ending 31 March 2019

A Proxy Form is located at the end of the Explanatory Memorandum.

2. Action to be taken by Shareholders

Shareholders should read the Notice including the Explanatory Memorandum carefully before deciding how to vote on the Resolutions.

2.1 Voting in person

To vote in person, attend the Meeting on the date and at the place set out above.

2.2 Proxies

(a) Voting by proxy

A Proxy Form is attached to the Notice. This is to be used by Shareholders if they wish to appoint a representative (a 'proxy') to vote in their place. All Shareholders are invited and encouraged to attend the Meeting or, if they are unable to attend in person, sign and return the Proxy Form to the Company in accordance with the instructions thereon. Lodgement of a Proxy Form will not preclude a Shareholder from attending and voting at the Meeting in person.

Please note that:

- (i) a member of the Company entitled to attend and vote at the Meeting is entitled to appoint a proxy;
- (ii) a proxy need not be a member of the Company; and
- (iii) a member of the Company entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise, but where the proportion or number is not specified, each proxy may exercise half of the votes.

The enclosed Proxy Form provides further details on appointing proxies and lodging Proxy Forms.

(b) Proxy vote if appointment specifies way to vote

Section 250BB(1) of the Corporations Act provides that an appointment of a proxy may specify the way the proxy is to vote on a particular resolution and, if it does:

- (i) the proxy need not vote on a show of hands, but if the proxy does so, the proxy must vote that way (i.e. as directed);
- (ii) if the proxy has 2 or more appointments that specify different ways to vote on the resolution - the proxy must not vote on a show of hands;
- (iii) if the proxy is the chair of the meeting at which the resolution is voted on - the proxy must vote on a poll, and must vote that way (i.e. as directed); and
- (iv) if the proxy is not the chair - the proxy need not vote on the poll, but if the proxy does so, the proxy must vote that way (i.e. as directed).

(c) Transfer of non-chair proxy to chair in certain circumstances

Section 250BC of the Corporations Act provides that, if:

- (i) an appointment of a proxy specifies the way the proxy is to vote on a particular resolution at a meeting of the Company's members;
- (ii) the appointed proxy is not the chair of the meeting;
- (iii) at the meeting, a poll is duly demanded on the resolution; and
- (iv) either the proxy is not recorded as attending the meeting or the proxy does not vote on the resolution,

the chair of the meeting is taken, before voting on the resolution closes, to have been appointed as the proxy for the purposes of voting on the resolution at the meeting.

2.3 Voting Prohibition by Proxy Holders (Remuneration of Key Management Personnel)

In accordance with sections 250BD and 250R of the Corporations Act, votes on Resolution 9 must not be cast (in any capacity) by, or on behalf of:

- (a) a member of the Key Management Personnel; or
- (b) a Closely Related Party of such member.

However, a person described above may cast a vote on Resolution 9 if the vote is not cast on behalf of a person who is excluded from voting on the relevant Resolution and:

- (a) the person is appointed as proxy by writing that specifies the way the proxy is to vote on the Resolution; or
- (b) the person is the Chair and the appointment of the Chair as proxy does not specify the way the proxy is to vote on the resolution, but expressly authorises

the Chair to exercise the proxy even if the Resolution is connected with the remuneration of a member of the Key Management Personnel.

2.4 Chair's voting intentions

The Chair intends to exercise all available proxies in favour of all Resolutions, unless the Shareholder has expressly indicated a different voting intention.

If the Chair is appointed as your proxy and you have not specified the way the Chair is to vote on Resolution 9 by signing and returning the Proxy Form, you are considered to have provided the Chair with an express authorisation for the Chair to vote the proxy in accordance with the Chair's intention, even though the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel of the Company.

3. Conditional Acquisition Resolutions

The Acquisition Resolutions (Resolutions 1 to 10, inclusive) are inter-conditional, meaning that each of them will only take effect if all of them are approved by the requisite majority of Shareholders' votes at the Meeting. If any of the Acquisition Resolutions are not approved at the Meeting, none of the Acquisition Resolutions will take effect and the Acquisition Agreement and other matters contemplated by the Acquisition Resolutions will not be completed.

4. Background to the proposed acquisition of K-TIG

4.1 Existing activities of the Company

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

The Company operates a 'Design Campus' business, which is a database of professional designers and online education platform.

On 4 March 2019, the Company's Securities were voluntarily suspended from quotation under Listing Rule 17.2.

On 14 March 2019, the Company announced that it had signed a non-binding term sheet pursuant to which it has agreed, subject to the satisfaction of certain conditions precedent, to acquire 100% of the issued capital of Keyhole TIG Limited (**K-TIG**) (**Term Sheet**).

In the event the Company does not acquire a new project or projects in the near term, it is likely that ASX will consider that the Company does not have sufficient operations to continue to satisfy Listing Rule 12.1 and the Company's Securities will continue to be suspended from trading. In this instance, the Company's Securities are likely to stay suspended until such time as the Company is able to demonstrate to ASX that it complies with Chapters 1 and 2 of the Listing Rules, including but not limited to the Company demonstrating that it has operations sufficient to warrant the quotation of its Securities.

4.2 The Acquisition

(a) Change in the nature and scale of activities

Further to the Term Sheet as announced on 14 March 2019, a binding share sale agreement between the Company, K-TIG and its majority vendors (**Acquisition Agreement**) was entered into and announced on 29 April 2019, whereby the Company has agreed to acquire 100% of the fully paid issued capital of K-TIG (**Acquisition**).

K-TIG is a transformative, industry disrupting welding technology that seeks to change the economics of fabrication. See Section 4.3 for further information about K-TIG.

A summary of the material terms and conditions of the Acquisition Agreement is set out in Section 4.2(b) below. Pursuant to the Acquisition, 100% of the issued capital of K-TIG will be transferred to the Company.

ASX has determined the Acquisition comprises 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. Resolution 2 seeks Shareholder approval for a change in the scale of the activities of the Company pursuant to Listing Rule 11.1.2 and 11.1.3.

The Company proposes to, subject to the receipt of Shareholders' approval of the Acquisition Resolutions and the terms of the Acquisition Agreement (including the conditions precedent summarised in Section 4.2(b)(ii) below):

- (i) complete the Consolidation (Resolution 1);
- (ii) proceed to Completion of the Acquisition Agreement, pursuant to which the Company will issue:
 - (A) up to 80,200,501 Consideration Shares (on a post-Consolidation basis) to the Vendors (or their respective nominees) at Completion (Resolution 3); and
 - (B) up to 30,075,135 Deferred Consideration Shares (on a post-Consolidation basis) to the Vendors (or their respective nominees), upon satisfaction of the following milestones (Resolution 4):
 - (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 (**Tranche 1**);
 - (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 (**Tranche 2**); and
 - (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 (**Tranche 3**),

in consideration for 100% of the issued shares of K-TIG;

- (iii) raise up to \$7,000,000 (before costs) via a public offer of up to 35,000,000 Capital Raising Shares (Resolution 5);
- (ii) issue up to 11,250,000 Convertible Note Shares convertible at a proposed post-Consolidation conversion price of \$0.12 per Share (Resolution 6);
- (iii) issue up to 5,475,000 Advisor Shares and up to 4,331,801 Advisor Options exercisable at \$0.30 and expiring 4 years from the date of Completion (together, **Advisor Securities**) to advisors and brokers in lieu of fees in relation to the Acquisition (Resolution 7);
- (iv) appoint Messrs Kieran Purcell and Syed Shueb (**Proposed Directors**) to the Board at Completion (Resolution 8); and
- (v) issue up to a total of 1,140,351 Director Options exercisable at \$0.30 and expiring 4 years from the date of Completion to Messrs Carmichael, O'Brien, Edwards, Purcell and Shueb (Resolutions 10(a) to 10(e));
- (vi) approve the change of Company name to "K-TIG Limited" (Resolution 11); and
- (vii) repeal its existing constitution and adopt the proposed Constitution in its place, from 15 August 2019 (Resolution 12).

Other information considered material to the Shareholders' decision on whether to pass the Acquisition Resolutions is set out in this Explanatory Memorandum, and Shareholders are advised to read this information carefully.

(b) **Key terms of the Acquisition Agreement**

(i) **Consideration**

In consideration for the acquisition 100% of the issued capital of K-TIG and subject to the satisfaction of the conditions precedent set out in section 4.2(b)(ii) below, the Company will issue to the Vendors a total of up to 80,200,501 Consideration Shares at Completion and up to 30,075,135 Deferred Consideration Shares (on a post-Consolidation basis).

The Deferred Consideration Shares will convert into Shares on a one for one basis 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.
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(ii) **Conditions Precedent**

Completion of the Acquisition Agreement remains conditional upon the satisfaction (or waiver) of the following material conditions precedent:

- (A) completion of Consolidation;
- (B) each Minority Shareholder providing the Company with an executed Short Form Sale Agreement;
- (C) the completion of due diligence by the Company;
- (D) the Company obtaining all necessary Shareholder approvals required by the Corporations Act and the Listing Rules in respect of the Acquisition;
- (E) completion of the Capital Raising;
- (F) the Company entering into employment and/or services agreements (in a form satisfactory to the Company, acting reasonably) with the Proposed Directors;
- (G) execution of all necessary restriction agreements required by ASX or the Listing Rules imposing such restrictions on trading of Shares as mandated by the Listing Rules;
- (H) the Company obtaining all regulatory approvals (as required) in order to undertake the Acquisition, in a form satisfactory to the parties;
- (I) 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
- (J) 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.

(c) **Proposed corporate structure**

Following completion of the transaction, K-TIG will become a wholly owned subsidiary of the Company.

4.3 About K-TIG

(a) **Overview**

K-TIG was incorporated in 2010 in Adelaide and has been operational since this date. K-TIG's manufacturing site and operations all take place from Adelaide.

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

(b) **Current corporate structure**

The corporate group structure of K-TIG comprises Keyhole TIG Limited and a recently created wholly owned subsidiary, Vessel Tech Pty Ltd.

(c) **Financial history since incorporation**

K-TIG generated \$1,239,710 of revenue in 2017 and \$2,236,196 of revenue in 2018.

K-TIG's audited accounts for the financial year ending 30 June 2017 and 30 June 2018 are set out in Schedule 5 and Schedule 6 of this Notice.

(d) **Sources of revenue and expenses**

K-TIG's revenue model to date has been based on sales of a K-TIG welding system. A K-TIG welding system is delivered 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.

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 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.

The licencing model will be based on linear metres welded on rates to be agreed with the customer. The Company will initially target the vessel and piping industry (which are industries that K-TIG currently sells K-TIG welding systems in). Once the Company has established recurring revenues and relationships globally, it then intends to target the nuclear storage container market.

K-TIG is confident that the K-TIG technology is ideally suited to these high value market sectors.

K-TIG intends for the licences to be available to fabricators globally as a turn-key solution. The Company is currently in discussion with a number of potential customers. The licencing model once refined is expected to

generate higher margins for K-TIG (as opposed to direct unit sales of the K-TIG welding system with a one-off purchase price) and provide returns for the customer with limited incremental cost.

(e) **Assets and intellectual property**

K-TIG does not need to acquire any material land, plant and equipment or intellectual property rights or obtain any material licences, permits or other government authorisations to conduct its existing business following Completion.

Originally developed by the CSIRO, K-TIG owns all rights, title and interest in and to its proprietary and patented technology, which won the Australian Industrial product of the year award in 2014 and the DTC Defence Industry Member Award in 2015.

(i) A summary of patents held by K-TIG is summarised below:

Country	Number	Title	Filing Date	Status
Australia	2008292719	A Welding Purge Apparatus	20 June 2008	Granted
Australia	2009307037	A Welding Torch	21 October 2009	Granted
USA	13/125,558	A Welding Torch	21 October 2009	Granted
Australia	1080357	Wire Guide for welding consumable	27 March 2017	In progress
International	PCT/AU2018 /050269	Wire Guide for welding consumable	27 March 2017	In progress

(ii) A summary of trademarks held by K-TIG is summarised below:

Country	Number	Mark	Class	Filing Date	Status
Australia	1631814	K-TIG	9	2 July 2014	Registered
Madrid Protocol	1283391	K-TIG (Plain Text)	9	27 May 2015	Registered
European Union IPO	1283391	K-TIG (Plain Text)	9	27 May 2015	Registered
India	1283391	K-TIG (Plain Text)	9	27 May 2015	Under Exam

Norway	1283391	K-TIG (Plain Text)	9	27 May 2015	Registered
Sultanate of Oman	1283391	K-TIG (Plain Text)	9	19 January 2017	Registered
USA	5,097,842	K-TIG (Plain Text)	9	27 May 2015	Registered
UAE	239036	K-TIG (Plain Text)	9	20 August 2015	Registered
Qatar	99634	K-TIG (Plain Text)	9	26 August 2015	Registered
Kuwait	141734	K-TIG (Plain Text)	9	3 January 2015	Registered
Taiwan (ROC)	01766863	K-TIG (Plain Text)	9	4 June 2015	Registered
PR of China	14658905	K-TIG (Chinese characters)	9	8 January 2014	Registered
India	24461014	K-TIG (logo)	7,9	16 January 2013	Registered
PR of China	12169368	K-TIG (logo)	9	23 January 2013	Registered
PR of China	20826850	K-TIG and Weld Device (Logo)	9	1 August 2016	Accepted
Australia	1632506	Weld Device (logo)	9	4 July 2014	Registered
PR of China	16782798	Weld Device (logo)	7	23 April 2015	Registered
Madrid Protocol	1283390	Weld Device (logo)	9	27 May 2015	Registered
European Union IPO	1283390	Weld Device (logo)	9	21 January 2016	Registered
India	1283390	Weld Device (logo)	9	27 May 2015	Registered
Republic of Korea	1283390	Weld Device (logo)	9	2 September 2016	Registered
Norway	1283390	Weld Device (logo)	9	26 August 2016	Registered

Sultanate of Oman	1283390	Weld Device (logo)	9	27 May 2015	Registered
USA	5097841	Weld Device (logo)	9	27 May 2015	Registered
UAE	239037	Weld Device (logo)	9	20 August 2015	Registered
Qatar	99635	Weld Device (logo)	9	26 August 2015	Registered
Taiwan (ROC)	01766864	Weld Device (logo)	9	4 June 2016	Registered
Kuwait	143331	Weld Device (logo)	9	3 June 2015	Registered

(f) **Key management personnel**

As at the date of this notice, K-TIG currently has 7 employees. Key management personnel are noted below:

(i) **Mr Neil Le Quesne**

K-TIG is led by Chief Executive Officer and Executive Director, Mr Neil Le Quesne. As part of the Acquisition Agreement, Ms Le Quesne will be appointed Chief Executive Officer of the Company, post-Completion.

Mr Le Quesne has more than 25 years of experience in international development, commercialisation, strategic sales, business development, corporate strategy, investment attraction, M&A and executive leadership on four continents spanning the private sector, public sector & 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 & CIS regions.

(ii) **Mr Kieran Purcell**

Mr Kieran Purcell is the Chairman of K-TIG, the General Manager of Morgans Financial and Chairman of the International Musculoskeletal Research Institute.

Mr Purcell was previously State Manager of Macquarie Wealth Management SA, 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.

(iii) **Mr Syed Shueb**

Mr Syed Shueb is a Non-Executive Director of K-TIG.

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.

(iv) **Mr Adam Poole**

Mr Adam Poole is K-TIG's Director Distribution & 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.

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

(v) **Ms Belinda Latz**

Ms Belinda Latz is Director Marketing & Operations. Belinda has over 10 years of experience in all facets of corporate services including finance, human resources, logistics, marketing, administration and customer service.

Belinda 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.

Belinda 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.

4.4 K-TIG operations

(a) **Background**

K-TIG is commercially proven technology with approximately 40 customers in 20 countries using the K-TIG technology in production. Based off product trials and customer engagement, the K-TIG technology has the ability to complete a conventional weld with a cost and time reduction typically between 60-95%.



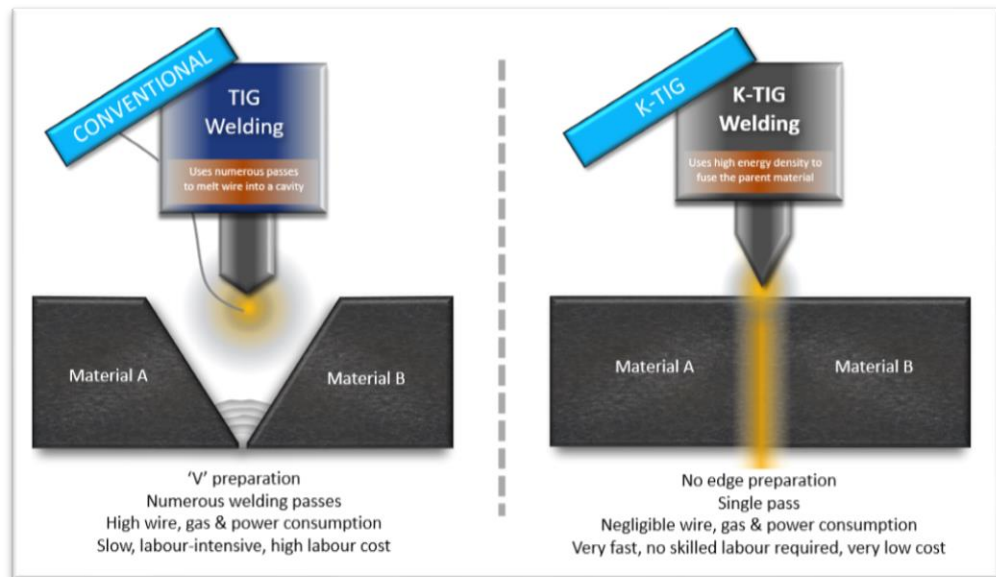
(b) **How it works**

K-TIG's technology currently welds to US, European and Australasian welding standards, including the American Society of Mechanical Engineers (ASME) Boiler & Pressure Vessel Code, Section IX. K-TIG welds are equivalent to an X-Ray quality.

K-TIG is a high-speed, single pass, full penetration welding technology that reduces (and in some instances, eliminates) the need for filler wire, edge bevelling or highly skilled operators and produces exceptional quality welds up to 100x faster than conventional welding based on K-TIG's product testing to date.

K-TIG's patented technology is based on extensive, scientific study of the gas-tungsten-arc process, and is the result of many innovations relating to arc characteristics, weld pool stabilisation, heat removal and process efficiency.

K-TIG combines the high quality and cleanliness of gas-tungsten arc welding (GTAW) with a depth of penetration that to K-TIG's knowledge is unmatched by conventional gas-tungsten arc, gas metal arc or plasma welding processes.



(c) Services Offered

The K-TIG team has technical and functional experience in all aspects of Keyhole GTAW technology, providing expert support on the K-TIG system, installation and automation. The cloud-based control mechanism provides the customer and K-TIG team with state-of-the-art insight into each weld performed with extensive quality assurance reporting a wide range of critical variables including travel speed, current, voltage and heat input.

The system is equipped to record and monitor all activities providing a complete support ecosystem to its partners and licensees; and a transparent reporting environment for licensing arrangements.

This enables K-TIG to go to market with a software-as-a-service style model.



(d) **Clients and key contracts**

K-TIG currently has approximately 40 customers across 20 countries with blue-chip customers including GE, Siemens, Nuclear Advanced Manufacturing Research Centre, Titan and Tricor.

Planning for the rollout of the licencing model is well advanced 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 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.

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



4.5 **Business model and development and commercialisation objectives**

K-TIG has successfully completed its pilot phase of commercialisation deploying and commissioning its technology to customers in 20 countries across numerous application and industries.

In the short term, K-TIG will pursue licensing opportunities in the vessel and piping industries (which are industries that K-TIG currently sells K-TIG welding systems) with a number of commercial pilots to refine the licensing and fees structure before deploying to the industry at large.

In the medium term, K-TIG intends to pursue the nuclear storage container fabrication market with a number of commercial pilots to refine the service delivery and licensing fees structure before deploying K-TIG technology to the industry at large.

4.6 **Competitive strengths and key dependencies**

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

The K-TIG variant of the GTAW process is the solution to the weld pool instabilities which are characteristic of higher current GTAW welding. The K-TIG keyhole is unique because it does not rely on the very high energy densities of other keyhole processes such as laser and plasma, resulting in a wider fusion zone at the front face.

Based off product trials performed by K-TIG, a K-TIG system is able to perform a traditional 6-hour TIG weld in 3 minutes, and to a quality standard which meets the most demanding requirements of the nuclear, aerospace & defence industries.

During the pilot phase of commercialisation, K-TIG's high speed precision technology was able to perform welds up to 100 times faster than traditional TIG welding, achieving full penetration in a single pass in materials up to 16mm in thickness and typically operating at twice the speed of plasma welding.

In addition to speed advantages over TIG/GTAW, during the pilot phase of commercialisation the K-TIG technology was able to reduce power and gas consumption by up to 95% and dramatically reduce labour costs at the client site.

Further, the cloud-based software control platform allows K-TIG to remotely monitor, support, control and record operational performance and output.

The benefits of the K-TIG system compared to conventional arc welding include:

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

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

4.7 Industry overview

- (a) Market size of the fabrication market

The global metal fabrication equipment market size was valued by Grand View Research at \$68.36 billion US dollars in 2017. It is anticipated to expand at a compound annual growth rate (**CAGR**) of 3.90% over the forecast period.

Increasing demand for machining and metal processing in the developing countries is expected to drive the market. Asia Pacific is expected to lead the market over the forecast period.¹

- (b) Welding market²

The global welding products market size was estimated by Grandview Research at \$13.27 billion US dollars in 2017, projected to expand at a CAGR of 5.6% from 2017 to 2025.

¹ Grand View Research, Dec 2018, www.grandviewresearch.com/industry-analysis/metal-fabrication-equipment-market

² <https://www.grandviewresearch.com/industry-analysis/global-welding-products-market>

These products find widespread application in industries such as aviation and marine, oil and gas, metals and materials, automotive, and construction and development. Robust growth in the building and construction industry all over the world is likely to propel growth in the upcoming years.

In addition, increasing demand for advanced welding technology from automotive industry is anticipated to further drive the market over the forecast period.

(c) Key market segments:

K-TIG has identified the following market segments for customer adoption:

- (i) global pressure vessel market
- (ii) ISO Tank Container market;
- (iii) stainless steel pipe market; and
- (iv) nuclear decommissioning.

Each of the market segments are discussed in greater detail below.

(d) Global pressure vessel market³

The global pressure vessel market is expected to reach \$225.8 billion US dollars by 2024, according to Grand View Research, Inc. Increasing investment in the energy sector is anticipated to be the major driving factor for the industry growth.

Pressure vessels are containers designed to hold liquids or gases at high pressure. They have wide applications across various industries including chemicals, oil & gas, petrochemicals, power in the form of compressed air receivers, distillation towers, hot water storage tanks, nuclear reactor vessels, and natural gas storage systems.

Pressure vessels form an integral part of industry infrastructure for safe handling of gases and liquids. Increasing investment to build high performance-infrastructure for oil exploration activities is expected to drive the industry. The tanks are also used to store propane which is a by-product of liquefied gas processing.

Their application as boilers in thermal energy production is further anticipated to augment the industry volume in near future. These boilers are also used for the domestic hot water system. Many companies need water in the purest form and use fractional distillation.

Overall product usage in distillation towers is anticipated to provide great opportunities for overall industry growth.

(e) ISO Tank Container market⁴

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

Grandview Research has not provided its consent to be named in this document and this information has not been independently verified by the Company.

⁴ <https://www.tanknewsinternational.com/global-iso-container-market-forecast-to-reach-2-6bn-by-2023/>

The global ISO modal container market is forecast to reach \$2.6 billion US dollars by 2023 according to Tank News International.

Anticipated growth in the market can be attributed to increasing government initiatives towards using natural gas and growth in steel industry and refinery throughput.

Asia-Pacific is the major demand generator for ISO modal containers, globally, followed by Europe and North America.

(f) Stainless steel pipe market⁵

The global stainless-steel market size is forecast by Future Market Insights to reach \$20.6 billion US dollars by 2028. Rising demand from end-use industries such as automotive, oil and gas, and construction is anticipated to propel the growth. Moreover, increasing investments in R&D for steel manufacturing is projected to contribute to the growth.

(g) Nuclear decommissioning market⁶

The global nuclear decommissioning services market size is forecast by Grand View Research to reach \$8.90 billion US dollars 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.

4.8 Annexure A Disclosure

ASX Guidance Note 12 - Annexure A (**Annexure A**) sets out various disclosure requirements that an entity must satisfy prior to its securities being reinstated to trading. The Company will seek reinstatement of its Shares following completion of the Acquisition and subject to its re-compliance with Chapters 1 and 2 of the Listing Rules, and provides the following disclosure in accordance with Annexure A, to the extent that the information has not been provided elsewhere in this Notice.

(a) Appropriate Enquiries

The Company has undertaken appropriate enquiries into the assets and liabilities, financial position and performance, profits and losses and prospects of K-TIG to be satisfied that the Acquisition is in the interests of the Company and its security holder, subject to it completing the various conditions precedent of the Acquisition Agreement to its satisfaction.

As part of its enquiries, the Company has commenced legal and financial due diligence of K-TIG's operations and at the date of this Notice has concluded 7 due diligence committee meetings. The Company notes that the Acquisition Agreement contains a condition precedent that the Company completes due diligence to its satisfaction. The Company has not yet satisfied or waived this condition precedent, but intends to complete due diligence prior to lodging the Prospectus and seeking reinstatement of its Shares to official quotation.

(b) Listing Rule 11.1.2 and ASX Discretion

⁵ <https://honestversion.com/revenues-from-stainless-steel-welded-pipes-market-will-surpass-the-value-us-20-9-bn-by-2028-end/>

Listing Rule 11.1.2 applies to the Acquisition, which requires Shareholder approval. The Company has sought Shareholder approval under Resolution 2 of this Notice. If Shareholder approval is not received, the Acquisition will not progress.

In order to be reinstated to trading, the Company is required to re-comply with ASX's requirements for admission and quotation and therefore the Acquisition may not proceed if those requirements are not met.

ASX has an absolute discretion in deciding whether or not to re-admit the entity to the official list and quote its securities and therefore the transaction may not proceed if ASX exercises that discretion. Investors should take account of these uncertainties in deciding whether or not to buy the Company's securities, which are currently suspended from trading.

(c) **ASX No Responsibility**

ASX takes no responsibility for the contents of this Notice or the Explanatory Memorandum.

4.9 ASX Waivers

The Company has applied for waivers from Listing Rules:

- (a) 7.3.2 to permit the Notice to state that the Company will issue the Deferred Consideration Shares in accordance with the dates set out in Section 8.2 of the Explanatory Memorandum;
- (b) 9.1.3 to permit the Company to apply 'look through relief to the Consideration Shares and Convertible Note Shares; and
- (c) 10.13.3 to permit the Notice to state that the Director Options will be issued in accordance with Section 14.4.

4.10 Board of Directors

- (a) The Board currently comprises:
 - (i) Mr Stuart Carmichael - Non-Executive Chairman;
 - (ii) Mr Colm O'Brien - Non-Executive Director; and
 - (iii) Mr Michael Edwards - Non- Executive Director.
- (b) The Company will appoint the following persons as Directors at Completion, subject to prior Shareholder approval:
 - (i) Mr Kieran Purcell as Non-Executive Director; and
 - (ii) Mr Syed Shueb as Non-Executive Director,

See Sections 4.3(f)(ii) and 4.3(f)(iii) for further information on the Proposed Directors.

- (c) At the conclusion of the Acquisition, Mr Michael Edwards will resign.
- (d) At Completion, the Board will comprise:

- (i) Mr Kieran Purcell;
- (ii) Mr Syed Shueb;
- (iii) Mr Stuart Carmichael; and
- (iv) Mr Colm O'Brien.

4.11 Capital Raising

As set out in Section 4.2(b)(ii) above, one of the conditions precedents to Completion is the completion of the Capital Raising.

The Capital Raising will have a minimum subscription of 25,000,000 Capital Raising Shares (on a post-Consolidation basis) at an issue price of \$0.20 each to raise a minimum of \$5,000,000 (before costs) and a maximum subscription of up to 35,000,000 Capital Raising Shares (on a post-Consolidation basis) at an issue price of \$0.20 each to raise a maximum of \$7,000,000 (before costs).

No oversubscriptions of the maximum subscription will be accepted and the Directors reserve the right to scale back applications under the Capital Raising at their discretion, subject to the terms of any allocation policy disclosed in the Prospectus.

4.12 Pro forma balance sheet

A reviewed pro forma statement of financial position of the Company as at 31 December 2018 based on the audited accounts of the Company is set out in Schedule 2.

4.13 Pro forma capital structure

The pro forma capital structure of the Company following completion of the Acquisition and a Capital Raising of \$5,000,000 (Minimum Subscription) is set out below:

	Shares	Options
Securities currently on issue (pre-Consolidation)	722,096,113	120,803,708 ¹
Securities currently on issue (post-Consolidation 57:1) (Resolution 1)	12,668,353	2,119,363
Consideration Shares (post-Consolidation 57:1) (Resolution 3)	80,200,501	-
Deferred Consideration Shares (post-Consolidation 57:1) (Resolution 4)	30,075,135	-
Capital Raising (post-Consolidation 57:1) (Resolution 5)	25,000,000	-
Convertible Note Shares (post-Consolidation 57:1) (Resolution 6)	11,250,000	
Advisor Securities (post-Consolidation 57:1) (Resolution 7)	5,475,000	4,031,801 ²
Director Options (post-Consolidation 57:1) (Resolution 9)	-	1,140,351 ³
TOTAL	164,668,989	7,291,515

Notes:

1. Comprising:
 - a. 120,728,708 quoted options with an exercise price of \$0.004 expiring on 30 April 2021, which will have a post-Consolidation exercise price of \$0.228; and
 - b. 75,000 unquoted options exercisable at \$0.05 on or before 30 September 2019, which will have a post-Consolidation exercise price of \$2.85.
2. Advisor Options exercisable at \$0.30 (on a post-Consolidation basis) each expiring 4 years from the date of Completion.
3. Director Options exercisable at \$0.30 (on a post-Consolidation basis) each expiring 4 years from the date of Completion.

The pro forma capital structure of the Company following completion of the Acquisition and a Capital Raising of \$7,000,000 (Maximum Subscription) is set out below:

	Shares	Options
Securities currently on issue (pre-Consolidation)	722,096,113	120,803,708 ¹
Securities currently on issue (post-Consolidation 57:1) (Resolution 1)	12,668,353	2,119,363
Consideration Shares (post-Consolidation 57:1) (Resolution 3)	80,200,501	-
Deferred Consideration Shares (post-Consolidation 57:1) (Resolution 4)	30,075,135	-
Capital Raising (post-Consolidation 57:1) (Resolution 5)	35,000,000	-
Convertible Note Shares (post-Consolidation 57:1) (Resolution 6)	11,250,000	
Advisor Securities (post-Consolidation 57:1) (Resolution 7)	5,475,000	4,331,801 ²
Director Options (post-Consolidation 57:1) (Resolution 9)	-	1,140,351 ³
TOTAL	174,668,989	7,291,515

Notes:

1. Comprising:
 - a. 120,728,708 quoted options with an exercise price of \$0.004 expiring on 30 April 2021, which will have a post-Consolidation exercise price of \$0.228; and
 - b. 75,000 unquoted options exercisable at \$0.05 on or before 30 September 2019, which will have a post-Consolidation exercise price of \$2.85.
2. Advisor Options exercisable at \$0.30 (on a post-Consolidation basis) each expiring 4 years from the date of Completion.
3. Director Options exercisable at \$0.30 (on a post-Consolidation basis) each expiring 4 years from the date of Completion.

4.14 Voting power of Vendors

The following substantial shareholders of K-TIG currently do not have any voting power in the Company.

The following substantial shareholders of K-TIG will have the following voting power in the Company on completion of the Acquisition (on a post-Consolidation basis) and assuming all of the Securities set out in the table in Section 4 are issued and no other Shares are issued (whether by new issue or to satisfy conversion of the Options):

Vendor	Considerati on Shares	Voting power (min)	Voting power (max)	Considerati on and Deferred Considerati on Shares	Voting power (min)	Voting power (max)
Advanced Science & Innovation Company (ASIC) LLC	19,717,068	11.97%	11.29%	27,902,089	16.94%	15.97%
Neil Le Quesne (combined holding)	11,962,406	7.26%	6.85%	16,334,807	9.92%	9.35%
Kieran Purcell (combined holding)	9,972,888	6.06%	5.71%	13,426,792	8.15%	7.69%
David James Wood	4,404,219	2.67%	2.52%	6,232,515	3.78%	3.57%
Karen Christine Jarvis	3,412,808	2.07%	1.95%	4,829,545	2.93%	2.76%
Total	49,469,388	30.04%	28.32%	68,725,748	41.74%	39.35%

No person will acquire control of, or voting power of, 20% or more as a result of the Acquisition.

4.15 Proposed use of funds

The Company intends to use the funds raised under the Capital Raising, together with the Company's estimated existing cash reserves post-Acquisition following the reinstatement of the Company's Securities to quotation on the Official List of ASX as follows:

Allocation of funds	Minimum Subscription (\$5m)		Maximum Subscription (\$7m)	
	Amount (\$)	%	Amount (\$)	%
Sales & Marketing Costs	425,000	8.5	1,500,000	21.4
Long Lead Capital Items ¹	2,655,000	53.1	2,655,000	37.9
Research and development	680,000	13.6	946,000	13.5
Working capital	710,000	14.2	1,279,000	18.4
Listing Costs / Costs of capital raise	530,000	10.6	620,000	8.8
TOTAL	5,000,000	100.0	7,000,000	100.0

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).

The above table is a statement of current intentions as at the date of this Notice. 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 Capital Raising, the Company will have sufficient working capital to meet its stated objectives.

The Company is not aware of any regulatory approvals that are required in order for the Company to expend the funds as set out in this Section 4.15.

4.16 Indicative timetable

Event		Indicative timing
1.	Lodgement of Prospectus	July 2019
2.	K-TIG Shareholder Meeting	July 2019
3.	Prospectus offer closes	August 2019
4.	Completion	August 2019
5.	Commencement of trading of Buyer Shares on ASX (subject to the Company re-complying with Chapters 1 and 2 of the Listing Rules and subject to ASX agreeing to reinstate the Buyer Shares to quotation)	August 2019

4.17 Board intentions if Completion occurs

In the event that the conditions precedent to the Acquisition are satisfied (including successful completion of the Capital Raising), the Company intends to refine K-TIG's business model and expand its operations.

The Company intends to allocate the funds raised from the Capital Raising and existing cash reserves as set out in Section 4.15 above.

4.18 Taxation

The Acquisition may give rise to income tax implications for the Company and Shareholders.

Existing Shareholders are advised to seek their own taxation advice on the effect of the Resolutions on their personal taxation position and neither the Company, nor any existing Director or advisor to the Company accepts any responsibility for any individual Shareholder's taxation consequences on any aspect of the Acquisition or the Resolutions.

4.19 Plans for the Company if the Acquisition Resolutions are not passed or if the Acquisition does not proceed

If the Acquisition Resolutions are not passed or if the Acquisition is otherwise not completed, the Company will continue to seek potential acquisitions across all industries.

4.20 Directors' interests in the Acquisition Agreement

None of the Company's existing Directors have any interest in the proposed Acquisition pursuant to the Acquisition Agreement, other than as disclosed in this Notice. Risks associated with the Acquisition

This Section identifies the major areas of risk associated with 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 the below Sections 4.21 and 4.22 include the K-TIG post-Completion.

4.21 Risks relating to the change in nature and scale of activities

(a) Sales and Marketing Success

While K-TIG is already revenue generating, its ability to sell its products at a larger scale still needs to be proven. 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) Product quality risks

The products and technology supplied by K-TIG may not be functional, may be faulty, or not meet customers' expectations. This may lead to requirements for K-TIG to improve or refine its products, which may diminish operating margins or lead to losses.

(c) Manufacturing risks

K-TIG's products may be subject to product quality risks. Risks are involved in the ability to translate the technology 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.

(d) Licensing risks

K-TIG intends to transition to a licencing model for its technology. 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 model does not change the core business of K-TIG, it simply adds an additional recurring revenue stream for K-TIG.

(e) Supplier risk

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.

(f) Key personnel risk

The Company depends on certain key personnel and the departure of any of them may lead to disruptions of customer relationships or delays in the manufacturing and product development efforts.

(g) Development 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.

(h) **Intellectual property risks**

The success of K-TIG's proprietary technology 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 the technology.

There is no assurance that others will not be able to copy the technology. Further, unauthorised use of the Company's brand in counterfeit products or services could not only result in potential revenue loss, but also have an adverse impact on its brand value and perceptions of its product qualities.

4.22 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 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.

(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) Terrorism or Other Hostilities

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 Notice or otherwise.

5. Resolution 1 - Consolidation of capital

5.1 General

Resolution 1 seeks Shareholder approval for the Company to undertake a consolidation of its capital on a 57 for 1 basis (**Consolidation**).

Resolution 1 is an ordinary resolution.

Resolution 1 is an Acquisition Resolution and is subject to Shareholders passing each of the Acquisition Resolutions.

The Board recommends that Shareholders vote in favour of Resolution 1.

5.2 Legal requirements

Section 254H of the Corporations Act provides that a company may, by resolution passed in a general meeting, convert all or any of its shares into a larger or smaller number.

Listing Rule 7.22.1 requires that when a listed entity undertakes a consolidation of capital, the number of its Options must be consolidated in the same ratio as the ordinary capital and the exercise price must be amended in inverse proportion to that ratio.

5.3 Fractional entitlements

Not all Security holders will hold that number of Securities (as the case may be) which can be evenly divided by 57. Where a fractional entitlement occurs, the Company will round that fraction down to the nearest whole Security.

5.4 Taxation

It is not considered that any taxation implications will exist for Security holders arising from the Consolidation. However, Security holders are advised to seek their own tax advice on the effect of the Consolidation and the Company accepts no responsibility for the individual taxation implications arising from the Consolidation.

5.5 Holding statements

From the date of the Consolidation, all holding statements for Securities will cease to have any effect, except as evidence of entitlement to a certain number of Securities on a post-Consolidation basis.

After the Consolidation becomes effective, the Company will arrange for new holding statements for Securities to be issued to holders of those Securities.

It is the responsibility of each Security holder to check the number of Securities held prior to disposal or exercise (as the case may be).

5.6 Effect on capital structure

The approximate effect which the Consolidation will have on the Company's current capital structure is set out in the tables below. All numbers are subject to rounding and assume the maximum number of Capital Raising Shares are issued.

Security	Pre-Consolidation	Post-Consolidation
Shares	722,096,113	12,668,353
Quoted Options	191,295,854	3,356,068
Unquoted Options	4,075,000	71,491

5.7 Consolidation timetable

If the Acquisition Resolutions are passed, the Consolidation will take effect following the receipt by the Company of a re-instatement letter from ASX. The Company will release a timetable in accordance with the Listing Rules following satisfaction of this condition.

6. Resolution 2 - Approval to change in nature and scale of activities

6.1 General

Resolution 2 seeks the approval of Shareholders for a change in the nature and scale of the Company's activities via the Acquisition.

A detailed description of the Acquisition is outlined in Section 4.2 above.

Resolution 2 is an Acquisition Resolution and is subject to Shareholders passing each of the Acquisition Resolutions.

Resolution 2 is an ordinary resolution.

The Board recommends that Shareholders vote in favour of Resolution 2.

6.2 Listing Rule 11.1

Listing Rule 11.1 provides that where an entity proposes to make a significant change, either directly or indirectly, to the nature and/or scale of its activities, it must provide full details to ASX as soon as practicable and comply with the following:

- provide to ASX information regarding the change and its effect on future potential earnings, and any information that ASX asks for;
- if ASX requires, obtain the approval of holders of its shares and any requirements of ASX in relation to the notice of meeting; and
- if ASX requires, meet the requirements of Chapters 1 and 2 of the Listing Rules as if the company were applying for admission to the Official List of ASX.

ASX has advised that it requires the Company to:

- obtain the approval of its Shareholders for the proposed change of activities pursuant to Listing Rule 11.1.2; and
- re-comply with the admission requirements set out in Chapters 1 and 2 of the Listing Rules.

For this reason, the Company is seeking Shareholder approval for the Company to change the nature and scale of its activities under Listing Rule 11.1.2 and pursuant to Listing Rule 11.1.3 in order to re-comply with Chapters 1 and 2 of the Listing Rules.

Details of the assets to be acquired by the Company and the proposed changes to the structure and operations of the Company are provided throughout this Explanatory Memorandum.

7. Resolution 3 - Approval to issue Consideration Shares

7.1 General

Resolution 3 seeks Shareholder approval for the issue of up to 80,200,501 Consideration Shares (on a post-Consolidation basis) to the Vendors (or their respective nominees).

The Consideration Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares.

Refer to Section 4 for further details regarding the background to Resolution 3.

Resolution 3 is an Acquisition Resolution and is subject to Shareholders passing each of the Acquisition Resolutions.

Resolution 3 is an ordinary Resolution.

The Board recommends that Shareholders vote in favour of Resolution 3.

7.2 Listing Rule 7.1

Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more Equity Securities during any 12-month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12-month period.

The effect of Resolution 3 will be to allow the Company to issue the Consideration Shares during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity under Listing Rule 7.1.

7.3 Chapter 2E of the Corporations Act

For a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

- (a) obtain the approval of the public company's members in the manner set out in sections 217 to 227 of the Corporations Act; and
- (b) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in sections 210 to 216 of the Corporations Act.

The Directors consider that Shareholder approval pursuant to Chapter 2E of the Corporations Act is not required in respect of the issue of the Consideration Shares to the Vendors (including incoming Directors and entities associated with incoming

Directors) because the agreement to grant the Consideration Shares reached as part of the Acquisition Agreement was negotiated on an arm's length basis.

7.4 Listing Rule 10.11

Listing Rule 10.11 requires shareholder approval to be obtained where an entity issues, or agrees to issue, securities to a related party, or a person whose relationship with the entity or a related party is, in ASX's opinion, such that approval should be obtained unless an exception in Listing Rule 10.12 applies.

The Directors consider that Listing Rule 10.12 exception 6 applies to the proposed issue of the Consideration Shares to the Vendors and consequently Shareholders' approval is not sought under Listing Rule 10.11.

7.5 Specific information required by Listing Rule 7.3

Pursuant to and in accordance with Listing Rule 7.3, the following information is provided in relation to the issue of the Consideration Shares:

- (a) the maximum number of Shares to be issued is as Consideration Shares is 80,200,501;
- (b) the Consideration Shares will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the Listing Rules);
- (c) the Consideration Shares will be issued for nil cash consideration as part consideration for the Acquisition;
- (d) the Consideration Shares will be issued to the Vendors (or their nominees), who are not related parties of the Company. The Directors consider that Listing Rule 10.12 exception 6 applies to the proposed issue of the Consideration Shares to the Vendors and consequently Shareholder's approval is not sought under Listing Rule 10.11;
- (e) the Consideration Shares will be fully paid ordinary shares in the capital of the Company and will rank equally in all respects with the Company's existing Shares on issue;
- (f) no funds will be raised from the Consideration Shares as they will be issued for nil cash consideration as part consideration for the Acquisition. Further information regarding the Acquisition in general is outlined in Section 4 above;
- (g) it is intended that the Consideration Shares will be issued on the same date, being the date of Completion; and
- (h) a voting exclusion statement is included in the Notice.

8. Resolution 4 - Approval to issue Deferred Consideration Shares

8.1 General

Resolution 4 seeks Shareholder approval for the issue of up to 30,075,135 Deferred Consideration Shares (on a post-Consolidation basis) to the Vendors (or their respective nominees).

The Deferred Consideration Shares will convert into Shares on a one for one basis upon satisfaction of the following milestones:

- (a) **(Tranche 1)** if K-TIG achieves \$30,000,000 of cumulative revenue within 36 months from 1 January 2020, the Company must issue 10,025,045 Deferred Consideration Shares (on a post-Consolidation basis) to the Vendors;
- (b) **(Tranche 2)** if K-TIG achieves \$60,000,000 of cumulative revenue within 48 months from 1 January 2020, the Company must issue 10,025,045 Deferred Consideration Shares (on a post-Consolidation basis) to the Vendors; and
- (c) **(Tranche 3)** if K-TIG achieves \$15,000,000 cumulative EBITDA within 48 months from 1 January 2020, the Company must issue 10,025,045 Deferred Consideration Shares (on a post-Consolidation basis) to the Vendors,

(collectively, the **Milestones**).

Refer to Section 4 for further details regarding the background to Resolution 4.

Resolution 4 is an Acquisition Resolution and is subject to Shareholders passing each of the Acquisition Resolutions.

Resolution 4 is an ordinary Resolution.

The Board recommends that Shareholders vote in favour of Resolution 4.

8.2 ASX Waiver Application

The Company has applied to ASX for, and expects to receive, a waiver from Listing Rule 7.3.2 to enable the Company to issue (subject to satisfaction of the Milestones) the Deferred Consideration Shares later than 3 months after the date of the Meeting, specifically:

- (a) Tranche 1 no later than 1 April 2023; and
- (b) Tranches 2 and 3 no later than 1 April 2024,

(**Milestone Periods**).

8.3 Listing Rule 7.1

A summary of Listing Rule 7.1 is set out in Section 7.2 above.

The effect of Resolution 4 will be to allow the Company to issue the Deferred Consideration Shares upon satisfaction of the Milestones and in accordance with the Milestone Periods (if allowed by ASX), without using the Company's 15% placement capacity.

8.4 Chapter 2E of the Corporations Act

For a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

- (a) obtain the approval of the public company's members in the manner set out in sections 217 to 227 of the Corporations Act; and
- (b) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in sections 210 to 216 of the Corporations Act.

The Directors consider that Shareholder approval pursuant to Chapter 2E of the Corporations Act is not required in respect of the issue of the Deferred Consideration Shares to the Vendors (including incoming Directors and entities associated with incoming Directors) because the agreement to grant the Deferred Consideration Shares reached as part of the Acquisition Agreement was negotiated on an arm's length basis.

8.5 Listing Rule 10.11

A summary of Listing Rule 7.1 is set out in Section 7.4 above.

The Directors consider that Listing Rule 10.12 exception 6 applies to the proposed issue of the Deferred Consideration Shares to the Vendors and consequently Shareholders' approval is not sought under Listing Rule 10.11.

8.6 Specific information required by Listing Rule 7.3

Pursuant to and in accordance with Listing Rule 7.3, the following information is provided in relation to the issue of the Deferred Consideration Shares:

- (a) the maximum number of Shares to be issued is as Deferred Consideration Shares is 30,075,135;
- (b) subject to receipt of the ASX waiver outlined at 8.2, the Deferred Consideration Shares will be issued to the Vendors at the time the Milestones are achieved, in accordance with the Milestone Periods;
- (c) the Deferred Consideration Shares will be issued for nil cash consideration and as part consideration for the Acquisition;
- (d) the Deferred Consideration Shares will be issued to the Vendors (or their nominees), who are not related parties of the Company. The Directors consider that Listing Rule 10.12 exception 6 applies to the proposed issue of the Deferred Consideration Shares to the Vendors and consequently Shareholder's approval is not sought under Listing Rule 10.11;
- (e) the Deferred Consideration Shares will be fully paid ordinary shares in the capital of the Company and will rank equally in all respects with the Company's existing Shares on issue;
- (f) no funds will be raised from the Deferred Consideration Shares as they will be issued for nil cash consideration as part consideration for the Acquisition. Further information regarding the Acquisition in general is outlined in Section 4 above; and
- (g) a voting exclusion statement is included in the Notice.

9. Resolution 5 - Approval to issue Capital Raising Shares

9.1 General

Resolution 5 seeks Shareholder approval for the issue of up to 35,000,000 Capital Raising Shares at an issue price of \$0.20 each to raise up to \$7,000,000 (before costs).

The Capital Raising Shares will be issued under a Prospectus to be issued by the Company in order to re-comply with Chapters 1 and 2 of the Listing Rules.

Resolution 5 is an Acquisition Resolution and is subject to Shareholders passing each of the Acquisition Resolutions.

Resolution 5 is an ordinary resolution.

The Board recommends that Shareholders vote in favour of Resolution 5.

9.2 Listing Rule 7.1

A summary of Listing Rule 7.1 is set out in Section 7.2 above.

The effect of Resolution 5 will be to allow the Company to issue the Capital Raising Shares during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% placement capacity.

9.3 Specific information required by Listing Rule 7.3

Pursuant to and in accordance with Listing Rule 7.3, the following information is provided in relation to the issue of the Capital Raising Shares:

- (a) the maximum number of Shares to be issued as Capital Raising Shares is 35,000,000;
- (b) the Capital Raising Shares will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the Listing Rules);
- (c) the issue price of the Capital Raising Shares will be \$0.20 per Share;
- (d) the Capital Raising Shares are proposed to be issued at the Board's discretion in consultation with the proposed Directors and Alto Capital, pursuant to a public offer via a Prospectus for the purpose of Listing Rule 1.1 condition 3. None of the subscribers for the Capital Raising will be related parties of the Company;
- (e) the Capital Raising Shares to be issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;
- (f) the Company's intended use of the funds raised from the issue of the Capital Raising Shares is set out in Section 4.15 above. Further information regarding the proposed Acquisition in general is outlined in Section 4 above;
- (g) it is intended that the Capital Raising Shares will be issued on the same date, being the date of Completion; and
- (h) a voting exclusion statement is included in the Notice.

10. Resolution 6 - Approval to issue Convertible Note Shares

10.1 General

On 1 April 2019 K-TIG undertook a capital raising of \$1,350,000 via the issue of convertible notes (**Convertible Notes**), convertible at an issue price of \$0.12 (post-Consolidation) into a maximum of 11,250,000 Shares in the Company (**Convertible Note Shares**).

K-TIG has not issued any K-TIG Shares in the past 6 months.

Resolution 6 seeks Shareholder approval for the issue of the Convertible Note Shares upon conversion of the Convertible Notes in full satisfaction of the amounts owing to the holders of the Convertible Notes.

Resolution 6 is an Acquisition Resolution and is subject to Shareholders passing each of the Acquisition Resolutions.

Resolution 6 is an ordinary resolution.

The Board recommends that Shareholders vote in favour of Resolution 6.

10.2 Listing Rule 7.1

A summary of Listing Rule 7.1 is set out in Section 7.2 above.

The effect of Resolution 6 will be to allow the Company to issue the Convertible Notes Shares during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% placement capacity.

10.3 Specific information required by Listing Rule 7.3

Pursuant to and in accordance with Listing Rule 7.3, the following information is provided in relation to the issue of the Convertible Note Shares:

- (a) the maximum number of Shares to be issued as Convertible Note Shares is 11,250,000;
- (b) the Convertible Note Shares will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the Listing Rules);
- (c) the issue price of the Convertible Note Shares will be \$0.12 each (post Consolidation);
- (d) the Convertible Note Shares will be issued to the holders of the Convertible Notes, who are professional and sophisticated investors. At the date of this Notice, there are 52 Convertible Note holders. The allocation of the Convertible Notes was managed by Alto Capital. None of the subscribers for the Convertible Notes are related parties of the Company;
- (e) the Convertible Note Shares will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;

- (f) the Company's intended use of the funds raised from the issue of the Convertible Notes is set out in Section 4.15 above. Further information regarding the proposed Acquisition in general is outlined in Section 4 above;
- (g) it is intended that the Convertible Note Shares will be issued on the same date, being the date of Completion; and
- (h) a voting exclusion statement is included in the Notice.

11. Resolution 7 - Approval to issue Advisor Securities

11.1 General

Resolution 7 seeks Shareholder approval for the issue of up to 5,475,000 Shares (**Advisor Shares**) and up to 4,331,801 Options exercisable at \$0.30 and expiring 4 years from the date of Completion (**Advisor Options**) (on a post-Consolidation basis) (together, **Advisor Securities**) to Alto Capital (or its nominees) on Completion as partial consideration for its role in relation to the Capital Raising.

In addition to the Advisor Securities, the Company will pay Alto Capital or its nominee a capital raising fee equal to 5% and a lead manager fee equal to 1% of all of all funds raised in connection with the Capital Raising.

Alto Capital has been engaged by the Company as lead manager to the Capital Raising. Alto Capital has also provided assistance to K-TIG in relation to the issue of the Convertible Notes. Alto Capital has received fees in the amount of \$81,000 in connection with the issue of the Convertible Notes. The Advisor Securities will be subject to any trading restrictions required by the Listing Rules and are expected to be restricted for a period of two years from the date that the Company is re-admitted to ASX.

Resolutions 7(a) and 7(b) are Acquisition Resolutions and are subject to Shareholders passing each of the Acquisition Resolutions.

Resolutions 7(a) and 7(b) are ordinary Resolutions.

The Board recommends that Shareholders vote in favour of Resolutions 7(a) and 7(b).

11.2 Listing Rule 7.1

A summary of Listing Rule 7.1 is set out in Section 7.2 above.

The effect of Resolution 7 will be to allow the Company to issue the Advisor Securities during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

11.3 Specific information required by Listing Rule 7.3

Pursuant to and in accordance with Listing Rule 7.3, the following information is provided in relation to the issue of the Advisor Securities:

- (a) the maximum number of Shares to be issued as Advisor Shares is 5,475,000 (on a post-Consolidation basis) and the maximum number of Advisor Options to be issued is 4,331,801 (on a post-Consolidation basis);

- (b) the Advisor Securities will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the Listing Rules);
- (c) the Advisor Securities will be issued for nil cash as partial consideration for services in relation to the Acquisition, the Adviser Shares have a deemed issue price of \$0.20;
- (d) the Advisor Securities will be issued to Alto Capital (or its nominees), who are not related parties of the Company;
- (e) the Advisor Options will be issued with an exercise price of \$0.30, an expiry date of 4 years from the date of Completion and on the terms and conditions set out in Schedule 4;
- (f) the Advisor Shares will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares; no funds will be raised from the proposed issue as the Advisor Securities are proposed to be issued as part consideration for services in relation to the Acquisition. Further information regarding the proposed Acquisition in general is outlined in Section 4 above;
- (g) it is intended that the Advisor Securities will be issued on the same date, being the date of Completion; and
- (h) a voting exclusion statement is included in the Notice.

12. Resolution 8 - Election of Directors

Clause 7.4 of the Constitution allows the Company to elect any person as a Director by ordinary resolution at a general meeting.

Pursuant to the Acquisition Agreement, at Completion it is proposed that Messrs Purcell and Shueb be appointed as Directors (**Proposed Directors**).

On and from Completion, subject to Shareholders passing each of the Acquisition Resolutions, each Proposed Director will be appointed as follows:

- (a) Mr Kieran Purcell as Non- Executive Director; and
- (b) Mr Syed Shueb as Non-Executive Director.

Please refer to Sections 4.3(f)(ii) and 4.3(f)(iii) for information on the qualifications, skills and experience of each of the Proposed Directors.

The resolutions which form part of Resolution 8 seek the approval of Shareholders for the election of the Proposed Directors.

Each of the Resolutions which forms part of Resolution 8 is an Acquisition Resolution and is subject to Shareholders passing each of the Acquisition Resolutions.

Resolutions 8(a) and 8(b) are separate ordinary resolutions.

The Board recommends that Shareholders vote in favour of Resolutions 0 and 0.

13. Resolution 9 -Approval of Employee Securities Incentive Plan

13.1 General

The Company considers that it is desirable to adopt a new employee incentive scheme pursuant to which the Company can issue Equity Securities to attract, motivate and retain key Directors, employees and consultants and provide them with the opportunity to participate in the future growth of the Company.

Resolution 9 seeks Shareholders' approval for the adoption of the new employee incentive scheme titled "K-TIG Limited Employee Securities Incentive Plan" (**Plan**) in accordance with Listing Rule 7.2 exception 9(b).

Under the Plan, the Board may offer to eligible persons the opportunity to subscribe for such number of Equity Securities in the Company as the Board may decide and on the terms set out in the rules of the Plan, a summary of the key terms and conditions of which is in Schedule 3. In addition, a copy of the Plan is available for review by Shareholders at the registered office of the Company until the date of the Meeting. A copy of the Plan can also be sent to Shareholders upon request to the Company Secretary. Shareholders are invited to contact the Company if they have any queries or concerns.

Resolution 9 is an Acquisition Resolution and is subject to Shareholders passing each of the Acquisition Resolutions.

Resolution 9 is an ordinary resolution.

The Board recommends that Shareholders vote in favour of Resolution 9.

13.2 Listing Rules 7.1 and 7.2, exception 9(b)

A summary of Listing Rule 7.1 is contained in Section 7.2 above.

Listing Rule 7.2, exception 9(b) provides an exception to Listing Rule 7.1 such that issues of Equity Securities under an employee incentive scheme are exempt for a period of 3 years from the date on which shareholders approve the issue of Equity Securities under the scheme as an exception to Listing Rule 7.1.

If Resolution 9 is passed, the Company will be able to issue Equity Securities under the Plan to eligible participants over a period of 3 years without using the Company's 15% annual placement capacity under Listing Rule 7.1.

However, any future issues of Equity Securities under the Plan to a related party or a person whose relation with the Company or the related party is, in ASX's opinion, such that approval should be obtained will require additional Shareholder approval under Listing Rule 10.14 at the relevant time.

Shareholders should note that no Equity Securities have previously been issued under the Plan.

13.3 Material Terms of the Plan

A copy of the full terms of the Plan may be obtained upon request to the Company Secretary. A summary of the key terms of the Plan is set out in Schedule 3.

13.4 Specific Information Required by Listing Rule 7.2

The Plan is a new incentive plan and has not previously been adopted by the Company. The Company currently has in place an Employee Incentive Scheme which was first adopted by the Company on 12 November 2015 and was subsequently re-adopted on 27 November 2018.

In accordance with Listing Rule 7.2 Exception 9, information is provided as follows:

- (a) The material terms of the Plan are summarised in Schedule 3;
- (b) No securities have been issued under the Plan and no securities have been issued under the existing Employee Incentive Scheme since it was last approved by Shareholders; and
- (c) A voting exclusion statement is included in the Notice.

14. Resolution 10 - Approval to issue Options to Messrs Carmichael, O'Brien, Edwards, Purcell and Shueb

The Board has agreed, subject to obtaining Shareholder approval, to issue up to a total of 1,140,351 Director Options (on a post-Consolidation basis) to Messrs Carmichael, O'Brien, Edwards, Purcell and Shueb (the **Directors**) (or their respective nominees) as follows:

- (a) up to 370,000 Options to Mr Stuart Carmichael;
- (b) up to 295,000 Options to Mr Colm O'Brien;
- (c) up to 115,351 Options to Mr Michael Edwards;
- (d) up to 180,000 Options to Mr Kieran Purcell; and
- (e) up to 180,000 Options to Mr Syed Shueb,

(together the **Director Options**).

The Director Options will be issued for nil cash consideration, exercisable at \$0.30 and expiring 4 years from the date of Completion.

Resolutions 10(a) to 10(e) seek the approval of Shareholders pursuant to Listing Rule 10.11 for the issue of the Director Options to the Directors.

Resolutions 10(a) to 10(e) are Acquisition Resolutions and are subject to Shareholders passing each of the Acquisition Resolutions.

Resolutions 10(a) to 10(e) are **separate** ordinary resolutions.

14.2 Listing Rule 10.11

A summary of Listing Rule 7.1 is set out in Section 7.4 above.

The Directors are deemed to be a related party of the Company by virtue of their position as a Director. As the issue of Director Options involves the issue of Options to a related party of the Company, Shareholder approval pursuant to Listing Rule 10.11

is required unless an exception applies. It is the view of the Directors that the exceptions set out in Listing Rule 10.12 do not apply in the current circumstances.

As Shareholder approval is sought under Listing Rule 10.11, approval under Listing Rule 7.1 is not required. Accordingly, the issue of Director Options will not be included under the Company's 15% annual placement capacity pursuant to Listing Rule 7.1.

14.3 ASX Waiver Application

The Company has applied to ASX for, and expects to receive, a waiver from Listing Rule 10.13.3 to enable the Company to issue the Director Options at the same time as the Capital Raising Shares, rather than within one month after the date of the Meeting (as required by Listing Rule 10.13.3).

14.4 Specific information required by Listing Rule 10.13

Pursuant to and in accordance with Listing Rule 10.13, the following information is provided in relation to the proposed issue of Director Options:

- (a) a maximum of 1,140,351 Director Options will be issued to the Directors (or their respective nominees) as follows:
 - (i) up to 370,000 Options to Mr Stuart Carmichael;
 - (ii) up to 295,000 Options to Mr Colm O'Brien;
 - (iii) up to 115,351 Options to Mr Michael Edwards;
 - (iv) up to 180,000 Options to Mr Kieran Purcell; and
 - (v) up to 180,000 Options to Mr Syed Shueb;
- (b) subject to receipt of the ASX waiver outlined at 14.3, the Director Options will be issued at the same time as the Capital Raising Shares. In the event that no waiver is granted, the Director Options will be issued no later than 1 month after the date of the Meeting or will not be issued without a subsequent Shareholder approval;
- (c) the Director Options will be issued for nil cash consideration;
- (d) the Director Options will be issued with an exercise price of \$0.30, an expiry date of 4 years from the date of Completion and on the terms and conditions set out in Schedule 4;
- (e) the Director Options will be issued for nil cash consideration and therefore no funds will be raised as a result of the issue; and
- (f) a voting exclusion statement is included in the Notice.

14.5 Chapter 2E of the Corporations Act

In accordance with Chapter 2E of the Corporations Act, in order to give a financial benefit to a related party, the Company must:

- (a) obtain Shareholder approval in the manner set out in section 217 to 227 of the Corporations Act; and

(b) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in sections 210 to 216 of the Corporations Act.

The Directors consider that Shareholder approval pursuant to Chapter 2E of the Corporations Act is not required in respect of the issue of the Director Options as the agreement to grant the Director Options, reached as part of the remuneration package, is considered reasonable remuneration in the circumstances and was negotiated on arm's length terms.

15. Resolution 11 - Approval to change Company name

Section 157(1)(a) of the Corporations Act provides that a company may change its name if the company passes a special resolution adopting a new name.

Resolution 11 seeks the approval of Shareholders for the Company to change its name to "K-TIG Limited".

The proposed name has been reserved by the Company with ASIC. If Resolution 11 is passed the change of name will take effect when ASIC alters the details of the Company's registration.

The Board proposes this change of name on the basis that it more accurately reflects the proposed future operations of the Company.

Resolution 11 is not an Acquisition Resolution but is subject to Shareholders passing each of the Acquisition Resolutions.

Resolution 11 is a special resolution and therefore requires approval of 75% of the votes cast by Shareholders present and eligible to vote (in person, by proxy, by attorney or, in the case of a corporate Shareholder, by a corporate representative).

The Board recommends that Shareholders vote in favour of Resolution 11.

16. Resolution 12 - Replacement of constitution

16.1 General

Under section 136(2) of the Corporations Act, a company may modify or repeal its constitution or a provision of its constitution by special resolution of Shareholders.

Resolution 12 seeks the approval of Shareholders to repeal the Company's existing Constitution and adopt a new constitution (**Proposed Constitution**). The repeal of the existing Constitution will not occur, and the Proposed Constitution will not come into effect, unless and until Completion occurs.

The Proposed Constitution incorporates amendments to the Corporations Act and the Listing Rules since the current Constitution was adopted in 2005.

The Directors believe that it is preferable in the circumstances to replace the existing Constitution with the proposed Constitution rather than to amend a multitude of specific provisions.

The proposed Constitution is broadly consistent with the provisions of the existing Constitution.

The Directors believe the amendments are not material nor will they have any significant impact on Shareholders. It is not practicable to list all the changes in detail in this Explanatory Memorandum; however, a summary of the proposed material changes is set out below.

A copy of the proposed Constitution is available for review by Shareholders at the office of the Company. A copy of the proposed Constitution can also be sent to Shareholders upon request to the Company Secretary.

Shareholders are invited to contact the Company if they have any queries or concerns.

Resolution 12 is not an Acquisition Resolution but is subject to Shareholders passing each of the Acquisition Resolutions.

Resolution 12 is a special resolution and therefore requires approval of 75% of the votes cast by Shareholders present and eligible to vote (in person, by proxy, by attorney or, in the case of a corporate Shareholder, by a corporate representative).

The Board recommends that Shareholders vote in favour of Resolution 12.

16.2 Summary of material proposed changes

(a) Minimum Shareholdings (article 2.6 and schedule 4)

Articles 2.6 and schedule 4 of the Constitution outline how the Company can manage shareholdings which represent "less than a marketable parcel" of Shares, being a shareholding that is less than \$500 based on the closing price of the Company's Shares on ASX as at the relevant time (**Minimum Shareholding**).

The Constitution is in line with the requirements for dealing with Minimum Shareholdings outlined in the Corporations Act and Listing Rules such that where the Company elects to undertake a sale of Minimum Shareholdings, the Company is only required to give one notice to holders of Minimum Shareholdings to elect to retain their shareholding before the Minimum Shareholdings can be dealt with by the Company, saving time and administrative costs incurred by otherwise having to send out additional notices.

Schedule 4 of the Constitution continues to outline in detail the process that the Company must follow for dealing with Minimum Shareholdings.

(b) Fee for registration of off-market transfers (article 4.4)

On 24 January 2011, ASX amended Listing Rule 8.14 with the effect that the Company may now charge a "reasonable fee" for registering paper-based transfers, sometimes referred to "off-market transfers".

Article 4.4 of the Constitution enables the Company to charge a reasonable fee when it is required to register off-market transfers from Shareholders. The fee is intended to represent the cost incurred by the Company in upgrading its fraud detection practices specific to off-market transfers.

Before charging any fee, the Company is required to notify ASX of the fee to be charged and provide sufficient information to enable ASX to assess the reasonableness of the proposed amount.

(c) **Partial (proportional) takeover provisions (article 4.9 and schedule 5)**

A proportional takeover bid is a takeover bid where the offer made to each shareholder is only for a proportion of that shareholder's shares.

Pursuant to section 648G of the Corporations Act, the Company has included in the Constitution a provision whereby a proportional takeover bid for Shares may only proceed after the bid has been approved by a meeting of Shareholders held in accordance with the terms set out in the Corporations Act.

This clause of the Constitution will cease to have effect on the third anniversary of the date of the adoption of last renewal of the clause.

16.3 Information required by section 648G of the Corporations Act

(a) **Effect of proposed proportional takeover provisions**

Where offers have been made under a proportional off-market bid in respect of a class of securities in a company, the registration of a transfer giving effect to a contract resulting from the acceptance of an offer made under such a proportional off-market bid is prohibited unless and until a resolution to approve the proportional off-market bid is passed.

(b) **Reasons for proportional takeover provisions**

A proportional takeover bid may result in control of the Company changing without Shareholders having the opportunity to dispose of all their Shares. By making a partial bid, a bidder can obtain practical control of the Company by acquiring less than a majority interest. Shareholders are exposed to the risk of being left as a minority in the Company and the risk of the bidder being able to acquire control of the Company without payment of an adequate control premium. These amended provisions allow Shareholders to decide whether a proportional takeover bid is acceptable in principle, and assist in ensuring that any partial bid is appropriately priced.

(c) **Knowledge of any acquisition proposals**

As at the date of this Notice, no Director is aware of any proposal by any person to acquire, or to increase the extent of, a substantial interest in the Company, save for the Acquisition as set out in this Notice. It is noted that the Proposed Constitution will not take effect until Completion, and the Directors are of the opinion that the adoption of the Proposed Constitution will not frustrate the Acquisition as contemplated in this Notice.

In accordance with section 648G(5)(e), the Directors confirm that the Acquisition has not influenced decision to propose this Resolution 12.

(d) **Potential advantages and disadvantages of proportional takeover provisions**

The Directors consider that the proportional takeover provisions have no potential advantages or disadvantages for them and that they remain free to make a recommendation on whether an offer under a proportional takeover bid should be accepted.

The potential advantages of the proportional takeover provisions for Shareholders include:

- (i) the right to decide by majority vote whether an offer under a proportional takeover bid should proceed;
- (ii) assisting in preventing Shareholders from being locked in as a minority;
- (iii) increasing the bargaining power of Shareholders which may assist in ensuring that any proportional takeover bid is adequately priced; and
- (iv) each individual Shareholder may better assess the likely outcome of the proportional takeover bid by knowing the view of the majority of Shareholders which may assist in deciding whether to accept or reject an offer under the takeover bid.

The potential disadvantages of the proportional takeover provisions for Shareholders include:

- (v) proportional takeover bids may be discouraged;
- (vi) lost opportunity to sell a portion of their Shares at a premium; and
- (vii) the likelihood of a proportional takeover bid succeeding may be reduced.

(e) Recommendation of the Board

The Directors do not believe the potential disadvantages outweigh the potential advantages of adopting the proportional takeover provisions and as a result consider that the proportional takeover provision in the Constitution is in the interest of Shareholders and unanimously recommend that Shareholders vote in favour of Resolution 12.

Schedule 1 - Definitions

In the Notice, words importing the singular include the plural and vice versa.

\$ or A\$ 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 agreements between the Company:

- (a) the Signing Sellers, on 26 April 2019; and
- (b) the Minority Sellers, expected to be completed on or around mid June 2019,

for the sale by the Vendors and the purchase by the Company of 100% of the issued capital of K-TIG.

Acquisition Resolutions means Resolutions 1 to 10 (inclusive).

Advisor Options means up to 4,038,177 Options to be issued to Alto Capital (or its nominees) which are the subject of Resolution 7, issued on the terms set out in Schedule 4.

Advisor Securities means the Advisor Shares and Advisor Options.

Advisor Shares means up to 5,487,030 Shares to be issued to Alto Capital (or its nominees) which are the subject of Resolution 7.

Alto Capital means ACNS Capital Markets Pty Ltd as trustee for the ACNS Unit Trust trading as Alto Capital (ACN 088 503 208).

Annexure A means Annexure A to ASX Guidance Note 12, from time to time.

ASX means the ASX Limited (ABN 98 008 624 691) and, where the context permits, the Australian Securities Exchange operated by ASX Limited.

Board means the board of Directors.

CAGR means the compound annual growth rate.

Capital Raising means the Company's proposal under Resolution 5 to raise up to \$7,000,000 (before costs) via a public offer under a Prospectus.

Capital Raising Shares means up to 35,000,000 Shares to be issued at \$0.20 each under the Capital Raising.

Chair means the person appointed to chair the Meeting of the Company convened by the Notice.

Clause means a clause of the Constitution.

Closely Related Party means:

- (a) a spouse or child of the member; or
- (b) has the meaning given in section 9 of the Corporations Act.

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 Shares means up to 80,200,501 Shares (on a post-Consolidation basis) to be issued to the Vendors (or their nominees) as part consideration for the Acquisition.

Consolidation means the consolidation of the issued capital of the Company on a 57 for 1 basis.

Constitution means the new constitution of the Company which is the subject of Resolution 12.

Convertible Note Shares has the meaning given in Section 10.1.

Convertible Notes has the meaning given in Section 10.1.

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 (on a post-Consolidation basis) 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 and expiring 4 years from the date of Completion, issued on the terms set out in Schedule 4.

EBITDA means earnings before interest, tax, depreciation and amortization.

Equity Security has the same meaning as in the Listing Rules.

Explanatory Memorandum means the explanatory memorandum which forms part of the Notice.

GTAW means gas tungsten arc welding.

K-TIG means Keyhole TIG Limited (ACN 147 805 490).

Key Management Personnel has the same meaning as in the accounting standards issued by the Australian Accounting Standards Board and means those persons having authority and responsibility for planning, directing and controlling the activities of the Company, or if the Company is part of a consolidated entity, of the consolidated entity, directly or indirectly, including any Director (whether executive or otherwise) of the Company, or if the Company is part of a consolidated entity, of an entity within the consolidated group.

Listing Rules means the listing rules of ASX.

Meeting has the meaning given in the introductory paragraph of the Notice.

Milestone Periods has the meaning given in Section 8.2.

Milestones has the meaning given in Section 8.1.

Minimum Shareholding has the meaning given in Section 16.2(a).

Minority Sellers means all Shareholders of K-TIG except for the Signing Sellers.

Notice means this notice of general meeting.

Official List means the official list of ASX.

Option means an option to acquire a Share.

Plan means the K-TIG Limited Employee Securities Incentive Plan as summarised in Schedule 3.

Proposed Directors means Mr Kieran Purcell and Mr Syed Shueb.

Prospectus means the prospectus proposed to be issued by the Company in relation to the Capital Raising.

Proxy Form means the proxy form attached to the Notice.

Resolution means a resolution referred to in the Notice.

Schedule means a schedule to the Notice.

Section means a section of the Explanatory Memorandum.

Securities means any Equity Securities of the Company (including Shares and Options).

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means the holder of a Share.

Short Form Sale Agreement means a sale agreement to be entered into between the Company and each of the Minority Sellers whereby each of the Minority Sellers will sell its Shares to the Company.

Signing Sellers means Mr Kieran Purcell and Mr Neil Le Quesne.

Tranche 1 means tranche 1 of the Deferred Consideration Shares as set out at Section 8.1(a).

Tranche 2 means tranche 2 of the Deferred Consideration Shares as set out at Section 8.1(b).

Tranche 3 means tranche 3 of the Deferred Consideration Shares as set out at Section 8.1(c).

Vendors means the Signing Sellers and Minority Sellers.

WST means Western Standard Time being the time in Perth, Western Australia.

Schedule 2 - Pro forma balance sheet

Set out on page 58 is the reviewed balance sheet (statement of financial position) of the Company (Balance Sheet "A") as at 31 December 2018 and the audited balance sheet (statement of financial position of K-TIG as at 30 June 2018 (Balance Sheet "B"). In addition, disclosed is a pro forma consolidated balance sheet (Balance Sheet "C") using reverse acquisition principles and assuming the following:

- (a) The issue of 25,000,000 Capital Raising Shares at an issue price of \$0.20 each to raise a minimum of \$5,000,000 (before costs) and a maximum subscription of up to 35,000,000 Capital Raising Shares at an issue price of \$0.20 each to raise a maximum of \$7,000,000 (before costs).
- (b) The acquisition of 100% of the issued capital of K-TIG by way of an issue of up to 80,200,501 Consideration Shares (on a post-Consolidation basis) and up to 30,075,135 Deferred Consideration Shares (on a post-Consolidation basis) upon satisfaction of milestones as set out on in section 4. At the date of the Notice of Meeting, there are no reasonable grounds on which to assess the likelihood of the milestones being met for the conversion of the Deferred Consideration Shares. As such, no adjustments have been made. The Company will re-assess the probability at each reporting date up until expiry of the Deferred Consideration Shares.
- (c) The issue of up to 11,250,000 Convertible Note Shares convertible at a proposed post-Consolidation conversion price of \$0.12 per Share.
- (d) The issue up to 5,475,000 Advisor Shares (on a post-Consolidation basis) and up to 4,331,801 Advisor Options (on a post-Consolidation basis) exercisable at \$0.30 and expiring 4 years to advisors and brokers in lieu of fees in relation to the Acquisition. These Advisor options are valued using the Black-Scholes model.
- (e) The issue up to a total of 1,140,351 Director Options (on a post-Consolidation basis) exercisable at \$0.30 and expiring 4 years. These Director options are valued using the Black-Scholes model.
- (f) Other material operational transactions (including receipt of \$1,350,000 received as part of the Convertible Note capital raise) relating to K-TIG, from 1 July 2018 to 30 April 2019.
- (g) There are no other material operational transactions relating to the Company.

As part of the Prospectus the Company will provide an updated Pro forma balance sheet based on balance sheet of the Company as at 31 December 2018 and K-TIG as at 31 March 2019.

	Serpentine Reviewed 31-Dec-18 "A"	K-TIG Audited 30-Jun-18 "B"	Proforma Unaudited Consolidated "C"	
			Minimum Raising (\$5m)	Maximum Raising (\$7m)
	\$	\$	\$	\$
CURRENT ASSETS				
Cash and cash equivalents	295,390	926,929	5,823,598	7,753,598
Trade and other receivables	87,457	414,687	94,192	94,192
Inventories	-	234,542	347,008	347,008
TOTAL CURRENT ASSETS	382,847	1,576,158	6,264,798	8,194,798
NON CURRENT ASSETS				
Property, plant and equipment	-	160,493	135,032	135,032
Intangible assets	-	108,825	110,369	110,369
Goodwill	-	-	9,633,425	9,633,425
TOTAL NON CURRENT ASSETS	-	269,318	9,878,826	9,878,826
TOTAL ASSETS	382,847	1,845,476	16,143,624	18,073,624
CURRENT LIABILITIES				
Trade and other payables	175,347	217,722	301,929	301,929
Employee benefits	-	105,510	93,028	93,028
Borrowings	-	366,173	356,173	356,173
Revenue received in advance	-	83,567	-	-
TOTAL CURRENT LIABILITIES	175,347	772,972	751,130	751,130
NON CURRENT LIABILITIES				
Employee benefits	-	32,161	35,985	35,985
TOTAL NON CURRENT LIABILITIES	-	32,161	35,985	35,985
TOTAL LIABILITIES	175,347	805,133	787,115	787,115
NET ASSETS	207,500	1,040,343	15,356,509	17,286,509
EQUITY				
Share capital	27,326,179	5,327,819	28,772,819	30,772,819
Accumulated losses	30,264,477	4,287,476	8,019,406	8,089,406
Reserve	3,145,798	-	762,171	762,171
Non-controlling interest	-	-	6,159,075	6,159,075
TOTAL EQUITY	207,500	1,040,343	15,356,509	17,286,509

Schedule 3 Summary of Employee Securities Incentive Plan

A summary of the key terms of the Plan is set out below:

1. **(Eligible Participant):** Eligible Participant means a person that:
 - (a) 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
 - (b) has been determined by the Board to be eligible to participate in the Plan from time to time.
2. **(Purpose):** The purpose of the Plan is to:
 - (a) assist in the reward, retention and motivation of Eligible Participants;
 - (b) link the reward of Eligible Participants to Shareholder value creation; and
 - (c) 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.
3. **(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.
4. **(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.
5. **(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.
6. **(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.
7. **(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.

8. **(Exercise of Convertible Securities and cashless exercise):** To exercise a Convertible Security, the Participant must deliver a signed notice of exercise and, subject to a cashless exercise of Convertible Securities (see below), 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.

9. **(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.
10. **(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:

- (a) 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
 - (b) any Convertible Securities which have not yet vested will be automatically forfeited on the expiry date specified in the invitation.
11. **(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.

12. **(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.
13. **(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:

- (a) transfer, encumber or otherwise dispose of, or have a security interest granted over that Plan Share; or
 - (b) 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.
14. **(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.
15. **(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.
16. **(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 as they existed before

Schedule 4 -Terms and conditions of the Advisor Options and Director Options

1. **(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.
2. **(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.
3. **(Exercise Period):** Each vested Option is exercisable at any time and from time to time on or prior to the Expiry Date.
4. **(Quotation of the Options):** Unless determined otherwise by the Board in its absolute discretion, the Options will be unquoted.
5. **(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.
6. **(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.
7. **(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.
8. **(Shares issued on exercise):** Shares issued on exercise of the Options rank equally with the then Shares of the Company.
9. **(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.
10. **(Timing of issue of Shares):** Within 15 business days after the later of the following:
 - (a) 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
 - (b) 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:
 - (c) issue the Shares pursuant to the exercise of the Options;
 - (d) if required, give ASX a notice that complies with section 708A(5)(e) of the Corporations Act; and

- (e) apply for official quotation on ASX of Shares issued pursuant to the exercise of the Options.
11. **(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.
 12. **(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):
 - (a) 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
 - (b) no change will be made to the Exercise Price.
 13. **(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 12 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.
 14. **(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.
 15. **(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.

KEYHOLE TIG LIMITED
A.C.N. 147 805 490

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2017

KEYHOLE TIG LIMITED

A.C.N. 147 805 490

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ANNUAL FINANCIAL REPORT

30 JUNE 2017

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KEYHOLE TIG LIMITED
A.C.N. 147 805 490

DIRECTORS' REPORT

The directors of Keyhole TIG Limited present their report for the financial year ended 30 June 2017.

DIRECTORS

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

Kieran Michael Purcell
Neil Garry Le Quesne
William Graham Wilson
Syed Basar Shueb

PRINCIPAL ACTIVITIES

The principal activity of Keyhole TIG Limited during the financial year was further development and sales of a new keyhole welding technology that allows thick materials to be welded in one tenth of the time of traditional welding processes, providing huge cost savings to a wide range of industries.

No significant changes in the nature of the entity's activity occurred during the financial period.

REVIEW OF OPERATIONS

K-TIG successfully executed against its plan for the financial period to 30th June 2017.

K-TIG's move to a direct sales model has been overwhelmingly positive. The theme of this year has been the migration from a distributor-reliant sales model to a direct sales model.

The decision to move to a direct sales model was not without its risks, as until this year the company has been heavily reliant on its distributors to identify sales opportunities. With a view to getting much closer to our customers, disintermediating the sales process and providing much higher levels of expertise to our customers, we have taken the strategic decision to engage the market directly.

This approach has been facilitated by the introduction of a wide range of cloud-based technologies that allow us to engage with, demonstrate to and support our customers remotely. Of particular note is the company's migration to live video demonstrations with customers, which will have a very positive impact on our cost structure and margins as we scale.

These new approaches are now operating smoothly, are the cornerstone of our sales processes and set up the company for sustainable long term growth. A very strong technical and operational foundation has been laid - the focus going forward will increasingly be on scaling.

In line with expectations, K-TIG achieved a gross profit of \$733,638 and an operating loss of \$1.2M, reflecting significant spending on its research and development program and further development of the K-TIG system components. The company also purchased a large amount of stock just prior to the end of the financial year (representing approx. \$1.4M in revenue when sold & commissioned).

KEYHOLE TIG LIMITED
A.C.N. 147 805 490

DIRECTORS' REPORT

REVIEW OF OPERATIONS (CONT.)

It is noteworthy that the commercial climate for welding equipment has been challenging over the last few years. Lincoln Electric, the world's largest welding equipment manufacturer by market capitalisation has experienced declining revenues for 4 successive years as fabricators have reduced investment in line with the prevailing economic outlook. More recently, with resurgence of the US and other major economies we expect this trend to be reversed over the coming 12 months.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

During the period K-TIG has made significant advances in the development and commercialisation of its technologies, is now actively engaging the market and has exported to 18 countries.

K-TIG is now a highly sophisticated small company engaging global markets and successfully competing with international welding equipment manufacturers more than 1000X our size.

During the period we have also experimented with a higher price point for K-TIG's systems. This has had no perceivable impact on the high profile customers who are our primary market, has reinforced our position as the market leader and has allowed the company to command a premium position and margin.

EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

As at the date of this directors' report, the directors are not aware of any matter of circumstance that has arisen that has significantly affected, or may significantly affect, the operations of the company, the results of those operations or the state of affairs of the company in the financial years subsequent to 30 June 2017.

LIKELY DEVELOPMENTS

Likely developments in the operations of the company and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the company.

DIVIDENDS

No dividends were paid or recommended during the year.

ENVIRONMENTAL REGULATION

The company's operations are not regulated by any significant environmental regulations under a law of the Commonwealth or of a state or territory of Australia.

KEYHOLE TIG LIMITED
A.C.N. 147 805 490

DIRECTORS' REPORT

INFORMATION ON DIRECTORS

Name: **Kieran Michael Purcell**
Qualifications: B.Com, Graduate Diploma in Applied Financial Investment, Chartered Accountant
Experience: 15+ years in Financial Services
Special responsibilities: Chairman

Name: **Neil Garry Le Quesne**
Qualifications: Masters of Business in Information Innovation, BA Town & Regional Planning, Graduate Diploma in Regional & Urban Planning, Post Graduate Dip in Document Management
Experience: Extensive career focused on international development and commercialization
Special responsibilities: Chief Executive Officer

Name: **William Graham Wilson**
Qualifications: City and Guilds Electrical Engineering, HNC Electrical Engineering
Experience: 7 Years at EJ Stiell as an Electrical Engineer, 6 Years at PCT Group Ltd as R&M Foreman, 4 years at PCT Group Ltd as Engineering/Electrical Manager, 7 years at PCT Group Ltd as R&M Manager
Special responsibilities: Distributor in the Middle East for Keyhole-TIG

Name: **Syed Basar Shueb**
Qualifications: Bachelor of Science in Computer Engineering
Experience: 16 years as Group CEO of PAL Group of Companies managing process, manufacturing, construction and service industries
Special responsibilities: -

COMPANY SECRETARY

Name: **Belinda Latz**
Qualifications: Bachelor of Management, University of South Australia
Experience: 5 years in Business Administration
Date appointed: 27 May 2014

MEETINGS OF DIRECTORS

There were 5 meetings of the board of directors held during the year ended 30 June 2017, and details of the attendance by each director are set out below:

Name	Board Meetings	
	Eligible to Attend	Attended
Kieran Michael Purcell	5	5
Neil Garry Le Quesne	5	5
William Graham Wilson	5	5
Syed Basar Shueb	5	5

KEYHOLE TIG LIMITED
A.C.N. 147 805 490

DIRECTORS' REPORT

OPTIONS

No options over issued shares or interests in the company were granted during or since the end of the financial period and there were no options outstanding at the date of this report.

INDEMNIFICATION OF OFFICERS AND AUDITORS

During the financial year, Keyhole TIG Limited paid a premium in respect of a contract insuring directors, secretaries and executive officers of the company against a liability incurred as director, secretary or executive officer to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The company has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the company against a liability incurred as such an officer or auditor.

PROCEEDINGS ON BEHALF OF THE COMPANY

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

No proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237 of the *Corporations Act 2001*.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 5.

No officer of the company is or has been a partner/director of the auditor.

This report is made in accordance with a resolution of the Board of directors.



Kieran Michael Purcell
Chairman

Dated this 21st day of December 2017
Adelaide

**DECLARATION OF INDEPENDENCE
BY MICHAEL HAYDON
TO THE DIRECTORS OF KEYHOLE TIG LIMITED**

As lead auditor of Keyhole TIG Limited for the year ended 30 June 2017, I declare that, to the best of my knowledge and belief, there have been:

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



Michael Haydon
Director

BDO Audit (SA) Pty Ltd

Adelaide, 21 December 2017

KEYHOLE TIG LIMITED
A.C.N. 147 805 490

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2017

	Note	2017 \$	2016 \$
Sales revenue	11	1,239,710	1,602,594
Cost of sales		(506,072)	(479,345)
Gross profit		<u>733,638</u>	<u>1,123,249</u>
Other income	11	382,760	401,443
Marketing expenses		(219,025)	(83,704)
Corporate expense		(332,138)	(295,545)
Service expense		(158,666)	(144,562)
Employee benefits expense		(1,251,585)	(1,210,123)
Office/workshop expense		(136,242)	(112,496)
Travel expense		(108,015)	(48,581)
R&D expense		(51,732)	(122,736)
Other expenses		(58,958)	(40,787)
Profit/(Loss) before income tax		<u>(1,199,963)</u>	<u>(533,842)</u>
Income tax expense	13	-	-
Profit/(Loss) for the year		<u><u>(1,199,963)</u></u>	<u><u>(533,842)</u></u>
Other comprehensive income		-	-
Total comprehensive income for the year		<u><u>(1,199,963)</u></u>	<u><u>(533,842)</u></u>

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

KEYHOLE TIG LIMITED
A.C.N. 147 805 490

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2017

	Note	2017 \$	2016 \$
ASSETS			
Current assets			
Cash and cash equivalents	2	340,170	675,560
Trade and other receivables	3	380,848	1,090,237
Inventories	4	325,440	80,987
Total current assets		<u>1,046,458</u>	<u>1,846,784</u>
Non-current assets			
Property, plant and equipment	5	205,933	216,243
Intangible assets	6	107,011	84,579
Total non-current assets		<u>312,944</u>	<u>300,822</u>
Total assets		<u><u>1,359,402</u></u>	<u><u>2,147,606</u></u>
LIABILITIES			
Current liabilities			
Trade and other payables	7	168,589	261,847
Employee benefits	8	74,415	92,493
Total current liabilities		<u>243,004</u>	<u>354,340</u>
Non-current liabilities			
Employee benefits	8	23,095	-
Total non-current liabilities		<u>23,095</u>	<u>-</u>
Total liabilities		<u>266,099</u>	<u>354,340</u>
Net assets		<u><u>1,093,303</u></u>	<u><u>1,793,266</u></u>
EQUITY			
Issued capital	9	5,327,819	4,827,819
Accumulated losses		(4,234,516)	(3,034,553)
Total equity		<u><u>1,093,303</u></u>	<u><u>1,793,266</u></u>

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

KEYHOLE TIG LIMITED
A.C.N. 147 805 490

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2017

	Ordinary Shares \$	Non- Redeemable Series A Preference Shares \$	Accumulated Losses \$	Total \$
2016				
Balance at 1 July 2015	2,348,884	1,478,935	(2,500,711)	1,327,108
Profit or loss for the year	-	-	(533,842)	(533,842)
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	(533,842)	(533,842)
<i>Transactions with owners in their capacity as owners</i>				
Contributions of equity, net of transaction costs (note 9)	-	1,000,000	-	1,000,000
	-	1,000,000	-	1,000,000
Balance at 30 June 2016	2,348,884	2,478,935	(3,034,553)	1,793,266
	Ordinary Shares \$	Non- Redeemable Series A Preference Shares \$	Accumulated Losses \$	Total \$
2017				
Balance at 1 July 2016	2,348,884	2,478,935	(3,034,553)	1,793,266
Profit or loss for the year	-	-	(1,199,963)	(1,199,963)
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	(1,199,963)	(1,199,963)
<i>Transactions with owners in their capacity as owners</i>				
Contributions of equity, net of transaction costs (note 9)	-	500,000	-	500,000
	-	500,000	-	500,000
Balance at 30 June 2017	2,348,884	2,978,935	(4,234,516)	1,093,303

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

KEYHOLE TIG LIMITED
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STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2017

	Note	2017 \$	2016 \$
Cash flows from operating activities			
Receipts from customers		2,054,475	947,173
Government grants received		398,222	46,361
Payments to suppliers and employees		(3,245,421)	(2,246,392)
Interest received		3,163	12,518
Income tax paid		-	-
Net cash used in operating activities		<u>(789,561)</u>	<u>(1,240,340)</u>
Cash flows from investing activities			
Payment for intangibles		(22,432)	(44,755)
Purchase of property, plant and equipment		(23,397)	(170,328)
Net cash used in investing activities		<u>(45,829)</u>	<u>(215,083)</u>
Cash flows from financing activities			
Proceeds from issue of shares		500,000	1,000,000
Net cash provided by financing activities		<u>500,000</u>	<u>1,000,000</u>
Net increase/(decrease) in cash and cash equivalents		(335,390)	(455,423)
Cash and cash equivalents at beginning of period		675,560	1,130,983
Cash and cash equivalents at end of the period	2	<u><u>340,170</u></u>	<u><u>675,560</u></u>

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

KEYHOLE TIG LIMITED
A.C.N. 147 805 490

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

The financial report covers Keyhole TIG Limited as an individual entity. Keyhole TIG Limited is a company limited by shares, incorporated and domiciled in Australia. The financial statements are presented in Australian dollars.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards - Reduced Disclosure Requirements of the Australian Accounting Standards Board and the *Corporations Act 2001*. The company is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

The directors have determined that Keyhole TIG Limited is permitted to apply the Tier 2 reporting requirements (Australian Accounting Standards - Reduced Disclosure Requirements) as set out in AASB 1053 Application of Tiers of Australian Accounting Standards because it is a for-profit private sector entity that does not have public accountability. As such, the directors have adopted AASB 2010-2 Amendments to Australian Accounting Standards Arising from Reduced Disclosure Requirements.

The financial statements, except for the cash flow information, have been prepared on an accrual basis and are based on historical costs. 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. The directors being the going concern basis of preparation is appropriate for the following reasons;

- The company receives significant support from existing shareholders and is able to raise investment or debt as required in order to support its activities;
- The company has the ability to defer certain expenditures and to reduce costs significantly if required;
- The company holds significant stock levels;
- The company is at an advanced commercialisation stage, involving large investments in R&D relative to the company's revenues, which is in line with the company's strategy. To date, sales have focussed on a relatively small group of high profile fabricators in order to validate the technology and accelerate acceptance within the broader international market;

KEYHOLE TIG LIMITED
A.C.N. 147 805 490

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of Preparation (continued)

- The company has been developing a large database of contacts within the global stainless steel fabrication industry and intends to market to this group extensively. This has commenced and the company has a large pipeline of sales opportunities;
- The company's customer satisfaction rating is extremely high and the company is receiving repeat orders from existing customers;
- The company continues to receive and fill orders internationally and orders are pre-paid in AUD\$ prior to shipping, removing both customer credit risk and currency risk.

The directors remain confident that the potential sales of the product, together with Keyhole TIG Limited's historic proven ability to raise investment or debt as required, will provide sufficient funds to fully finance the company's working capital requirements beyond the period of twelve months of the date of this report.

Should the Company not achieve the expected sales of its product and/or the directors are unable to raise additional equity or debt funding as required, a material uncertainty would exist over the ability of the Company to continue as a going concern, and therefore, it may have to realise its assets and extinguish its liabilities, other than in the ordinary course of business and at amounts different from those stated in the financial report.

(b) Inventories

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.

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

(c) 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.

KEYHOLE TIG LIMITED
A.C.N. 147 805 490

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Property, plant & equipment (continued)

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:

Class of Fixed Assets	Depreciation Rate
Leasehold Improvements	2.50%
Plant & 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.

(d) Intangible assets

Trademarks

Trademarks are carried at cost less accumulated impairment losses. The trademarks have been determined to have indefinite useful lives as there is no expiry and no foreseeable limit on the period of time over which these assets are expected to contribute to the cash flows of the company. For impairment purposes the trademarks are tested at an overall cash generating unit level.

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.

Capitalised development costs are amortised on a systematic basis matched to the future economic benefits over the useful life of the project.

KEYHOLE TIG LIMITED
A.C.N. 147 805 490

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Financial instruments

Initial recognition and measurement

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

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified "at fair value through profit or loss", in which case transaction costs are expensed to profit or loss immediately.

Classification and subsequent measurement

Financial instruments are subsequently measured at either fair value, amortised cost using the effective interest rate method, or cost. Fair Value represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in arm's length transaction. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as:

- (a) the amount at which the financial asset or financial liability is measured at initial recognition;
- (b) less principle repayments;
- (c) plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the effective interest method; and
- (d) less any reduction for impairment.

The *effective interest method* is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

KEYHOLE TIG LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ii) Financial liabilities

Non-derivative financial liabilities other than financial guarantees are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

(e) Financial instruments (continued)

Impairment

At the end of each reporting period, the Company assesses whether there is objective evidence that a financial asset has been impaired. A financial asset (or a group of financial assets) is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a "loss event") having occurred, which has an impact on the estimated future cash flows of the financial asset(s).

For financial assets carried at amortised cost (including loans and receivables), a separate allowance account is used to reduce the carrying amount of financial assets impaired by credit losses. After having taken all possible measures of recovery, if management establishes that the carrying amount cannot be recovered by any means, at that point the written-off amounts are charged to the allowance account or the carrying amount of impaired financial assets is reduced directly if no impairment amount was previously recognised in the allowance account.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

KEYHOLE TIG LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Impairment of non-financial assets

At the end of each reporting period, the Company assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs of disposal and value in use, to the asset's carrying value. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss.

Value in use is calculated by discounting the estimated future cash flows of the asset or cash-generating unit (CGU) at a pre-tax discount rate reflecting the specific risks in the asset/CGU. Any excess of the asset's carrying value over its recoverable amount is expensed to the profit or loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Impairment testing is performed annually for intangible assets with indefinite lives.

(g) Cash and cash equivalents

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

(h) 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.

(i) Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the company prior to the year end and which are unpaid. They are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. The balance is recognised as a current liability with the amounts normally paid within 30-60 days of recognition of the liability.

KEYHOLE TIG LIMITED
A.C.N. 147 805 490

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) 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.

(j) Employee Benefits (continued)

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.

KEYHOLE TIG LIMITED
A.C.N. 147 805 490

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Income Tax

The income tax expenses (revenue) for the period comprises current income tax expenses (income) and deferred tax expenses (income).

Current income tax expense charged to profit or loss is the tax payable on taxable income for the current period. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority using tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited outside profit or loss when the tax relates to items that are recognised outside the profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability. Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur.

(l) Leases

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

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for that period.

KEYHOLE TIG LIMITED
A.C.N. 147 805 490

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leased assets are depreciated on a straight-line basis over their estimated useful lives where it is likely that the company will obtain ownership of the asset or over the term of the lease. Lease payments for operating leases, where substantially all of the risks and benefits remain with the lessor, are charged as expenses on a straight-line basis over the life of the lease term. Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

(m) 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.

(n) Foreign Currency Translation

Functional and presentation currency

The functional and presentation currency of Keyhole TIG Limited and is Australian dollars (A\$).

KEYHOLE TIG LIMITED
A.C.N. 147 805 490

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates ruling at the date of the transaction. Foreign currency monetary items are translated at the rate of exchange ruling at the end of the reporting period. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange gains and losses arising from settling foreign currency transactions, as well as from restating foreign currency denominated monetary assets and liabilities, are recognised in profit or loss, except when they are deferred in other comprehensive income as qualifying cash flow hedges or where they relate to differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity.

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

(o) 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.

(p) Critical accounting estimates and judgments

The directors evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Company.

KEYHOLE TIG LIMITED
A.C.N. 147 805 490

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

	2017	2016
	\$	\$
NOTE 2 Cash and Cash Equivalents		
Cash at bank	340,170	675,560
	<u>340,170</u>	<u>675,560</u>
NOTE 3 Trade and other receivables		
Trade receivables	4,444	697,068
GST receivable	25,665	33,122
Other receivables and prepayments	10,841	1,524
Research & Development tax incentive	339,898	358,523
	<u>380,848</u>	<u>1,090,237</u>
NOTE 4 Inventories		
Materials and components at cost	325,440	80,987
	<u>325,440</u>	<u>80,987</u>
NOTE 5 Property, Plant and Equipment		
<i>Leasehold Improvements</i>		
At cost	89,695	83,695
Accumulated depreciation	(3,764)	(1,629)
	<u>85,931</u>	<u>82,066</u>
<i>Plant & Equipment</i>		
At cost	202,043	187,563
Accumulated depreciation	(86,838)	(61,567)
	<u>115,205</u>	<u>125,996</u>
<i>Computer Equipment</i>		
At cost	20,527	17,610
Accumulated depreciation	(15,730)	(9,429)
	<u>4,797</u>	<u>8,181</u>
Total non-current property, plant and equipment	<u>205,933</u>	<u>216,243</u>

KEYHOLE TIG LIMITED
A.C.N. 147 805 490

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

NOTE 5 Property, Plant and Equipment (Continued)

Reconciliations

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial period:

	Leasehold Improvements	Plant & Equipment	Computer Equipment	Total
Carrying amount at beginning of financial year	82,066	125,996	8,181	216,243
Additions	6,000	14,480	2,917	23,397
Disposals	-	-	-	-
Depreciation expense	(2,135)	(25,271)	(6,301)	(33,707)
Carrying amount at end of financial year	85,931	115,205	4,797	205,933
			2017	2016
			\$	\$

NOTE 6 Intangible assets

Trademarks

Cost - Trademarks	107,011	84,579
Net carrying value	107,011	84,579
Total Intangibles	107,011	84,579

Reconciliations

Movement in the carrying amounts for each class of intangible assets between the beginning and the end of the current financial period:

	Trademarks	Total
Carrying amount at beginning of financial year	84,579	84,579
Additions	22,432	22,432
Carrying amount at end of financial year	107,011	107,011

NOTE 7 Trade and Other Payables

Current

Trade payables	38,331	151,316
Other payables	72,342	85,842
Credit cards	8,317	1,464
Accrued expenses	49,599	23,225
	168,589	261,847

KEYHOLE TIG LIMITED
A.C.N. 147 805 490

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

	2017 \$	2016 \$
NOTE 8 Employee benefits		
Current		
Provision for employee benefits	74,415	92,493
Non-Current		
Provision for employee benefits	23,095	-
NOTE 9 Issued Capital		
96,395,839 Fully paid ordinary shares (2016: 96,395,839)	2,348,884	2,348,884
41,322,314 Non-redeemable Series A preference shares (2016: 34,435,262)	2,978,935	2,478,935
	5,327,819	4,827,819

Movements in ordinary share capital

Date	Details	Number of shares	Issue price	\$
1 Jul 2015	Opening balance	96,395,839		2,348,884
30 Jun 2016	Closing balance	96,395,839		2,348,884
30 Jun 2017	Closing balance	96,395,839		2,348,884

Movements in non-redeemable Series A preference share capital

Date	Details	Number of shares	Issue price	\$
1 Jul 2015	Opening balance	20,661,157		1,500,000
23 Mar 2016	Series A preference shares issued	13,774,105	0.0726	1,000,000
30 Jun 2016	Closing balance	34,435,262		2,478,935
24 Nov 2016	Series A preference shares issued	6,887,052	0.0726	500,000
30 Jun 2017	Closing balance	41,322,314		2,978,935

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 holders of non-redeemable Series A preference shares are entitled to receive payment of dividends and proceeds on winding up of the company before and in preference to the holders of ordinary shares. The holders of Series A preference shares are entitled to vote at all meetings of the company, each Series A preference share entitles the holder upon a poll to that number of votes equal to the number of ordinary shares into which the Series A preference shares would be converted if the conversion occurred at the time of that vote. The company does not have authorised capital or par value in respect of its shares.

KEYHOLE TIG LIMITED
A.C.N. 147 805 490

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

NOTE 10 Financial Instruments

The company's financial instruments consist mainly of deposits with banks, accounts receivable and payable.

The totals for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:

	2017	2016
	\$	\$
Financial Assets		
Cash and cash equivalents	340,170	675,560
Trade and other receivables	380,848	1,090,237
Total financial assets	<u>721,018</u>	<u>1,765,797</u>
Financial Liabilities		
Trade and other payables	168,589	261,847
Total financial liabilities	<u>168,589</u>	<u>261,847</u>

NOTE 11 Revenue and Other Income

Revenue from continuing operations

Sales revenue		
- Sale of goods	1,141,484	1,492,507
- Rendering of services	94,800	92,600
- Other trading revenue	3,426	17,487
	<u>1,239,710</u>	<u>1,602,594</u>
Other income		
- Interest received	3,163	12,518
- Government grants	39,699	46,361
- Research & Development tax incentive	339,898	345,085
- Net gain/(loss) on disposal of property, plant and equipment	-	(2,521)
	<u>382,760</u>	<u>401,443</u>
Total Revenue	<u>1,622,470</u>	<u>2,004,037</u>

NOTE 12 Result for the Year

The result for the year includes the following specific expenses

Depreciation of plant & equipment	33,706	42,440
Total depreciation and amortisation expense	<u>33,706</u>	<u>42,440</u>

KEYHOLE TIG LIMITED
A.C.N. 147 805 490

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

	2017	2016
	\$	\$
NOTE 12 Result for the Year (Continued)		
Rental expenses relating to operating leases	128,797	96,769
Defined contribution superannuation expense	110,737	94,731
Foreign exchange loss	19,931	9,749

NOTE 13 Income Tax Expense

(a) The prima facie tax on profit/(loss) from ordinary activities before income tax is reconciled to the income tax expense as follows:

Prima facie tax payable on profit/(loss) from ordinary activities before income tax at 27.5% (2016: 30%)	(329,990)	(160,153)
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Non-deductible expenses:

- entertainment	6,747	3,086
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Effect of tax concessions (Research & Development tax incentive)	121,406	126,531
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Deferred tax asset not recognised	201,836	30,536
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Over/under provision in prior years	-	-
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Income tax expense	-	-
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Unrecognised deferred tax assets

Deferred tax assets have not been recognised in the statement of financial position for the following items:

Unused tax losses	2,656,738	1,940,887
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Deductible temporary differences	89,158	107,419
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	<u>2,745,896</u>	<u>2,048,306</u>
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Potential benefit at 27.5% (2016: 30%)	<u>755,121</u>	<u>614,492</u>
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There is no expiry date on the future deductibility of unused tax losses.

KEYHOLE TIG LIMITED
A.C.N. 147 805 490

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

NOTE 14 Related Party Transactions

The company's main related parties are as follows:

(a) Key management personnel

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity is considered key management personnel.

The totals of remuneration paid to the key management personnel of Keyhole TIG Limited during the period are as follows:

	2017	2016
	\$	\$
Short-term benefits	421,860	316,983
Post-employment benefits	40,077	30,113
Other long-term employee benefits	-	-
	<u>461,936</u>	<u>347,096</u>

(b) Other related parties

Other related parties include immediate family members of key management personnel and entities that are controlled or significantly influenced by those key management personnel, individually or collectively with their immediate family members.

(c) Transactions with related parties

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

	2017	2016
	\$	\$
<i>Sale of goods and services to other related parties:</i>		
- PCT Group Ltd	-	565
- WB Alloy Welding Products Ltd	332,580	120,817
- Innovative Welding Pty Ltd	1,472	-
<i>Purchases of goods and services from other related parties:</i>	-	-

(d) Outstanding balances with related parties

The following balances are outstanding at the end of the reporting period in relation to transactions with related parties:

Current receivables (sale of goods and services)

	2017	2016
	\$	\$
- WB Alloy Welding Products Ltd	2,648	-

Current payables (purchase of goods and services)

	-	-
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PCT Group Ltd, WB Alloy Welding Products Ltd and Innovative Welding Pty Ltd are related entities of William Graham Wilson. These companies are distributors of the K-TIG keyhole welding technology.

KEYHOLE TIG LIMITED
A.C.N. 147 805 490

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

NOTE 15 Dividends

There were no dividends paid during the year (2016: Nil).

NOTE 16 Commitments

	2017	2016
	\$	\$
<i>Lease commitments</i>		
Non-cancellable operating leases - future minimum lease payments payable:		
Within one year	88,559	93,500
Later than one year but not later than 5 years	-	85,708
Later than 5 years	-	-
	<u>88,559</u>	<u>179,208</u>

The company leases its office warehouse premises under a non-cancellable operating lease with a 3 year term expiring in June 2018. The lease agreement includes an annual CPI escalation clause. The above commitments do not include any renewal options on the lease. Lease conditions do not impose any restrictions on the ability of Keyhole-TIG Limited from borrowing funds or paying dividends.

NOTE 17 Contingent Liabilities and Contingent Assets

In the opinion of the Directors, the company did not have any contingencies at 30 June 2017 (2016: Nil).

NOTE 18 Events after the end of the Reporting Period

The financial report was authorised for issue on 21 December 2017 by the board of directors.

No matter or circumstance has arisen since 30 June 2017 that has significantly affected or may significantly affect the entity's operations, or the entity's state of affairs in future financial years.

NOTE 19 Company Details

The registered office of and principal place of business of the company is:
Keyhole TIG Limited
Unit 5, 9-11 William Street
Mile End SA 5031

KEYHOLE TIG LIMITED

A.C.N. 147 805 490

DIRECTORS' DECLARATION
FOR THE YEAR ENDED 30 JUNE 2017

The directors of the company declare that:

1. The financial statements, comprising the statement of profit or loss and other comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity, and accompanying notes, are in accordance with the *Corporations Act 2001* and:
 - a. comply with Australian Accounting Standards - Reduced Disclosure Requirements, and the *Corporations Regulations 2001* ;
 - b. give a true and fair view of the company's financial position as at 30 June 2017 and of its performance for the year ended on that date.
2. In the directors opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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



Kieran Michael Purcell
Chairman

Dated this 21st day of December 2017
Adelaide

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KEYHOLE TIG LIMITED

Report on the Audit of the Financial Report

Opinion

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

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

- (i) Giving a true and fair view of the Company's financial position as at 30 June 2017 and of its financial performance for the year ended on that date; and
- (ii) Complying with Australian Accounting Standards - Reduced Disclosure Requirements and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Company in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

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

Material uncertainty related to going concern

We draw attention to Note 1(a) in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the entity's ability to continue as a going concern and therefore the entity may be unable to realise its assets and discharge its liabilities in the normal course of business. Our opinion is not modified in respect of this matter.

Other information

The directors are responsible for the other information. The other information obtained at the date of this auditor's report is information included in the directors' report, but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of the directors for the Financial Report

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

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

Auditor's responsibilities for the audit of the Financial Report

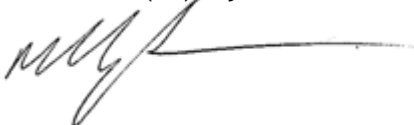
Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (<http://www.auasb.gov.au/Home.aspx>) at: http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf

This description forms part of our auditor's report.



BDO Audit (SA) Pty Ltd



Michael Haydon
Director

Adelaide, 21 December 2017

KEYHOLE TIG LIMITED
A.C.N. 147 805 490

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2018

KEYHOLE TIG LIMITED
A.C.N. 147 805 490

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30 JUNE 2018

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KEYHOLE TIG LIMITED
A.C.N. 147 805 490

DIRECTORS' REPORT

The directors of Keyhole TIG Limited present their report for the financial year ended 30 June 2018.

DIRECTORS

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

Kieran Michael Purcell
Neil Garry Le Quesne
William Graham Wilson
Syed Basar Shueb

PRINCIPAL ACTIVITIES

The principal activity of Keyhole TIG Limited during the financial year was further development and sales of a new keyhole welding technology that allows thick materials to be welded in one tenth of the time of traditional welding processes, providing huge cost savings to a wide range of industries.

No significant changes in the nature of the entity's activity occurred during the financial period.

REVIEW OF OPERATIONS

K-TIG successfully executed against its plan for the financial period to 30th June 2018.

K-TIG's move to a direct sales model continues to be highly positive, and has resulted in the company's highest annual revenues to date, and the highest revenues for any 6-month period to date immediately prior to the close of the 2018 FY.

The theme of this year has been consolidation and expansion of our direct sales model, and an increasing concentration of sales and support activities in the US, which unsurprisingly is proving to be K-TIG's largest market.

K-TIG is no longer reliant on distributors for sales and distribution. The enormous base of knowledge, experience and expertise that exists within the K-TIG team now exceeds that of any distributor by an order-of-magnitude. The level of expertise which the company is now able to bring to bear on the fabrication challenges of our customers results in a much higher percentage of prospect-to-customer conversions, reduced sales cycle times and greatly increased customer satisfaction. K-TIG is now much closer to its customers, and has successfully disintermediated the sales process.

K-TIG surveys all customers after commissioning, and routinely receives 90-100% customer satisfaction, reflecting the customer-centric approach which underpins every aspect of the business.

To facilitate this global direct sales approach while still maintaining a very light operational footprint, we continue to invest in a wide range of cloud-based technologies that allow the company to engage with, demonstrate to and support its customers remotely, including live video demonstrations and live interactive support to customers.

KEYHOLE TIG LIMITED
A.C.N. 147 805 490

DIRECTORS' REPORT

REVIEW OF OPERATIONS (CONT.)

K-TIG is now set up for sustainable long term growth, and in the last 12 months has begun to scale, a trend which we expect will now continue at pace.

K-TIG 's next generation system, the K-TIG 1000 Evolve is now fully operational and has been successfully deployed with customers this year. The new system provides enormous technical and functional advantages over K-TIG's first generation system, and has been extremely well received by customers.

In line with expectations, K-TIG achieved a gross profit of \$1,680,652 and a small operating loss of \$52,960, reflecting continued strong investment in our research and development program, further development of the K-TIG system components, and the purchase of a significant amount of stock just prior to the end of the financial year.

It is noteworthy that the commercial climate for welding equipment has improved significantly over the last year. Lincoln Electric, the world's largest welding equipment manufacturer by market capitalisation has experienced a significant increase in revenue as fabricators have increased investment in line with the prevailing economic outlook. With the resurgence of the US and other major economies we expect this trend to continue over the coming 12 months.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

During the period K-TIG has made significant advances in the development and commercialisation of its technologies, is now actively engaging the market and has exported to 19 countries.

K-TIG is now a highly sophisticated small company engaging global markets and successfully competing with international welding equipment manufacturers more than 1000X our size.

During the period we have also been able to confirm a higher price point for K-TIG's systems, and are contemplating additional price increases as we believe that we have not yet found the price threshold given the magnitude of the cost savings and productivity gains delivered to customers. To date, price increases have had no perceivable impact on demand from the large fabrication customers who are K-TIG's primary market. The ability to command such a high price for the system has reinforced the company's position as a market leader and has allowed the company to command a premium position and margin.

K-TIG's introduction of its next generation technology, the K-TIG 1000 Evolve, firmly cements the company's position as a technological leader within the welding equipment market, positions us extremely favourably with our customers, and will create opportunities for new recurring revenue streams going forward in addition to the product sale revenues currently being received.

KEYHOLE TIG LIMITED
A.C.N. 147 805 490

DIRECTORS' REPORT

EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

As at the date of this directors' report, the directors are not aware of any matter of circumstance that has arisen that has significantly affected, or may significantly affect, the operations of the company, the results of those operations or the state of affairs of the company in the financial years subsequent to 30 June 2018.

LIKELY DEVELOPMENTS

Likely developments in the operations of the company and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the company.

DIVIDENDS

No dividends were paid or recommended during the year.

ENVIRONMENTAL REGULATION

The company's operations are not regulated by any significant environmental regulations under a law of the Commonwealth or of a state or territory of Australia.

KEYHOLE TIG LIMITED
A.C.N. 147 805 490

DIRECTORS' REPORT

INFORMATION ON DIRECTORS

Name: **Kieran Michael Purcell**
Qualifications: B.Com, Graduate Diploma in Applied Financial Investment, Chartered
Experience: 15+ years in Financial Services
Special responsibilities: Chairman

Name: **Neil Garry Le Quesne**
Qualifications: Masters of Business in Information Innovation, BA Town & Regional Planning, Graduate Diploma in Regional & Urban Planning, Post Graduate Dip in Document Management
Experience: Extensive career focused on international development and commercialization
Special responsibilities: Chief Executive Officer

Name: **William Graham Wilson**
Qualifications: City and Guilds Electrical Engineering, HNC Electrical Engineering
Experience: 7 Years at EJ Stiell as an Electrical Engineer, 6 Years at PCT Group Ltd as R&M Foreman, 4 years at PCT Group Ltd as Engineering/Electrical Manager, 9 years at PCT Group Ltd as R&M Manager
Special responsibilities: Distributor in the Middle East for Keyhole-TIG

Name: **Syed Basar Shueb**
Qualifications: Bachelor of Science in Computer Engineering
Experience: 18 years as Group CEO of PAL Group of Companies managing process, manufacturing, construction and service industries
Special responsibilities: -

COMPANY SECRETARY

Name: **Belinda Latz**
Qualifications: Bachelor of Management, University of South Australia
Experience: 7 years in Business Administration
Date appointed: 27 May 2014

MEETINGS OF DIRECTORS

There was 5 meetings of the board of directors held during the year ended 30 June 2018, and details of the attendance by each director are set out below:

Name	Board Meetings	
	Eligible to Attend	Attended
Kieran Michael Purcell	5	5
Neil Garry Le Quesne	5	5
William Graham Wilson	5	4
Syed Basar Shueb	5	1

KEYHOLE TIG LIMITED
A.C.N. 147 805 490

DIRECTORS' REPORT

OPTIONS

No options over issued shares or interests in the company were granted during or since the end of the financial period and there were no options outstanding at the date of this report.

INDEMNIFICATION OF OFFICERS AND AUDITORS

During the financial year, Keyhole TIG Limited paid a premium in respect of a contract insuring directors, secretaries and executive officers of the company against a liability incurred as director, secretary or executive officer to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The company has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the company against a liability incurred as such an officer or auditor.

PROCEEDINGS ON BEHALF OF THE COMPANY

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

No proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237 of the *Corporations Act 2001*.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 5.

No officer of the company is or has been a partner/director of the auditor.

This report is made in accordance with a resolution of the Board of directors.



Kieran Michael Purcell
Chairman

Dated this 24 day of September 2018
Adelaide

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

As lead auditor of Keyhole TIG Limited for the year ended 30 June 2018, I declare that, to the best of my knowledge and belief, there have been:

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



Geoff Edwards
Director

BDO Audit (SA) Pty Ltd

Adelaide, 24 September 2018

KEYHOLE TIG LIMITED
A.C.N. 147 805 490

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2018

	Note	2018 \$	2017 \$
Sales revenue	13	2,236,196	1,239,710
Cost of sales		(555,544)	(506,072)
Gross profit		<u>1,680,652</u>	<u>733,638</u>
Other income	13	352,515	382,760
Marketing expenses		(266,805)	(219,025)
Corporate expense		(231,764)	(332,138)
Service expense		(146,027)	(158,666)
Employee benefits expense		(1,084,933)	(1,251,585)
Office/workshop expense		(153,865)	(136,242)
Travel expense		(98,021)	(108,015)
R&D expense		(75,154)	(51,732)
Other expenses		(29,558)	(58,958)
Profit/(Loss) before income tax		<u>(52,960)</u>	<u>(1,199,963)</u>
Income tax expense	15	<u>-</u>	<u>-</u>
Profit/(Loss) for the year		<u><u>(52,960)</u></u>	<u><u>(1,199,963)</u></u>
Other comprehensive income		-	-
Total comprehensive income for the year		<u><u>(52,960)</u></u>	<u><u>(1,199,963)</u></u>

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

KEYHOLE TIG LIMITED
A.C.N. 147 805 490

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2018

	Note	2018 \$	2017 \$
ASSETS			
Current assets			
Cash and cash equivalents	2	926,929	340,170
Trade and other receivables	3	414,687	380,848
Inventories	4	234,542	325,440
Total current assets		<u>1,576,158</u>	<u>1,046,458</u>
Non-current assets			
Property, plant and equipment	5	160,493	205,933
Intangible assets	6	108,825	107,011
Total non-current assets		<u>269,318</u>	<u>312,944</u>
Total assets		<u><u>1,845,476</u></u>	<u><u>1,359,402</u></u>
LIABILITIES			
Current liabilities			
Trade and other payables	7	217,722	168,589
Employee benefits	8	105,510	74,415
Borrowings	9	366,173	-
Revenue received in advance	10	83,567	-
Total current liabilities		<u>772,972</u>	<u>243,004</u>
Non-current liabilities			
Employee benefits	8	32,161	23,095
Total non-current liabilities		<u>32,161</u>	<u>23,095</u>
Total liabilities		<u>805,133</u>	<u>266,099</u>
Net assets		<u><u>1,040,343</u></u>	<u><u>1,093,303</u></u>
EQUITY			
Issued capital	11	5,327,819	5,327,819
Accumulated losses		(4,287,476)	(4,234,516)
Total equity		<u><u>1,040,343</u></u>	<u><u>1,093,303</u></u>

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

KEYHOLE TIG LIMITED
A.C.N. 147 805 490

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2018

	Ordinary Shares \$	Non- Redeemable Series A Preference Shares \$	Accumulated Losses \$	Total \$
2017				
Balance at 1 July 2016	2,348,884	2,478,935	(3,034,553)	1,793,266
Profit or loss for the year	-	-	(1,199,963)	(1,199,963)
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	(1,199,963)	(1,199,963)
<i>Transactions with owners in their capacity as owners</i>				
Contributions of equity, net of transaction costs (note 11)	-	500,000	-	500,000
	-	500,000	-	500,000
Balance at 30 June 2017	2,348,884	2,978,935	(4,234,516)	1,093,303

	Ordinary Shares \$	Non- Redeemable Series A Preference Shares \$	Accumulated Losses \$	Total \$
2018				
Balance at 1 July 2017	2,348,884	2,978,935	(4,234,516)	1,093,303
Profit or loss for the year	-	-	(52,960)	(52,960)
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	(52,960)	(52,960)
<i>Transactions with owners in their capacity as owners</i>				
Contributions of equity, net of transaction costs (note 11)	-	-	-	-
	-	-	-	-
Balance at 30 June 2018	2,348,884	2,978,935	(4,287,476)	1,040,343

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

KEYHOLE TIG LIMITED
A.C.N. 147 805 490

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2018

	Note	2018 \$	2017 \$
Cash flows from operating activities			
Receipts from customers		2,468,617	2,054,475
Government grants received		653,404	398,222
Payments to suppliers and employees		(2,889,646)	(3,245,421)
Interest received		1,873	3,163
Income tax paid		-	-
Net cash used in operating activities		<u>234,248</u>	<u>(789,561)</u>
Cash flows from investing activities			
Payment for intangibles		(1,814)	(22,432)
Purchase of property, plant and equipment		(11,848)	(23,397)
Net cash used in investing activities		<u>(13,662)</u>	<u>(45,829)</u>
Cash flows from financing activities			
Proceeds from issue of shares		-	500,000
Proceeds from borrowings		366,173	-
Net cash provided by financing activities		<u>366,173</u>	<u>500,000</u>
Net increase/(decrease) in cash and cash equivalents		586,759	(335,390)
Cash and cash equivalents at beginning of period		340,170	675,560
Cash and cash equivalents at end of the period	2	<u><u>926,929</u></u>	<u><u>340,170</u></u>

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

KEYHOLE TIG LIMITED
A.C.N. 147 805 490

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

The financial report covers Keyhole TIG Limited as an individual entity. Keyhole TIG Limited is a company limited by shares, incorporated and domiciled in Australia. The financial statements are presented in Australian dollars.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards - Reduced Disclosure Requirements of the Australian Accounting Standards Board and the *Corporations Act 2001*. The company is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

The directors have determined that Keyhole TIG Limited is permitted to apply the Tier 2 reporting requirements (Australian Accounting Standards - Reduced Disclosure Requirements) as set out in AASB 1053 Application of Tiers of Australian Accounting Standards because it is a for-profit private sector entity that does not have public accountability. As such, the directors have adopted AASB 2010-2 Amendments to Australian Accounting Standards Arising from Reduced Disclosure Requirements.

The financial statements, except for the cash flow information, have been prepared on an accrual basis and are based on historical costs. 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.

The directors remain confident that the potential sales of the product, together with Keyhole TIG Limited's historic proven ability to raise investment or debt as required, will provide sufficient funds to fully finance the company's working capital requirements beyond the period of twelve months of the date of this report.

KEYHOLE TIG LIMITED
A.C.N. 147 805 490

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Inventories

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.

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

(c) 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.

KEYHOLE TIG LIMITED
A.C.N. 147 805 490

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Property, plant & equipment (continued)

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:

Class of Fixed Assets	Depreciation Rate
Leasehold Improvements	33.33%
Plant & 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.

(d) Intangible assets

Trademarks

Trademarks are carried at cost less accumulated impairment losses. The trademarks have been determined to have indefinite useful lives as there is no expiry and no foreseeable limit on the period of time over which these assets are expected to contribute to the cash flows of the company. For impairment purposes the trademarks are tested at an overall cash generating unit level.

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.

KEYHOLE TIG LIMITED
A.C.N. 147 805 490

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Financial instruments

Initial recognition and measurement

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

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified "at fair value through profit or loss", in which case transaction costs are expensed to profit or loss immediately.

Classification and subsequent measurement

Financial instruments are subsequently measured at either fair value, amortised cost using the effective interest rate method, or cost. Fair Value represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in arm's length transaction. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as:

- (a) the amount at which the financial asset or financial liability is measured at initial recognition;
- (b) less principle repayments;
- (c) plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the effective interest method; and
- (d) less any reduction for impairment.

The *effective interest method* is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

KEYHOLE TIG LIMITED
A.C.N. 147 805 490

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Financial instruments (continued)

(ii) Financial liabilities

Non-derivative financial liabilities other than financial guarantees are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

(iii) Borrowings with related parties

Borrowings with related parties constitute a mix of interest and non interest bearing loans. All loans are current as they are repayable within 12 months of reporting date and the option to extend the loan is at the discretion of the lender.

Impairment

At the end of each reporting period, the Company assesses whether there is objective evidence that a financial asset has been impaired. A financial asset (or a group of financial assets) is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a "loss event") having occurred, which has an impact on the estimated future cash flows of the financial asset(s).

For financial assets carried at amortised cost (including loans and receivables), a separate allowance account is used to reduce the carrying amount of financial assets impaired by credit losses. After having taken all possible measures of recovery, if management establishes that the carrying amount cannot be recovered by any means, at that point the written-off amounts are charged to the allowance account or the carrying amount of impaired financial assets is reduced directly if no impairment amount was previously recognised in the allowance account.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

KEYHOLE TIG LIMITED
A.C.N. 147 805 490

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Impairment of non-financial assets

At the end of each reporting period, the Company assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs of disposal and value in use, to the asset's carrying value. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss.

Value in use is calculated by discounting the estimated future cash flows of the asset or cash-generating unit (CGU) at a pre-tax discount rate reflecting the specific risks in the asset/CGU. Any excess of the asset's carrying value over its recoverable amount is expensed to the profit or loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Impairment testing is performed annually for intangible assets with indefinite lives.

(g) Cash and cash equivalents

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

(h) 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.

(i) Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the company prior to the year end and which are unpaid. They are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. The balance is recognised as a current liability with the amounts normally paid within 30-60 days of recognition of the liability.

KEYHOLE TIG LIMITED
A.C.N. 147 805 490

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) 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.

KEYHOLE TIG LIMITED
A.C.N. 147 805 490

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Income Tax

The income tax expenses (revenue) for the period comprises current income tax expenses (income) and deferred tax expenses (income).

Current income tax expense charged to profit or loss is the tax payable on taxable income for the current period. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority using tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited outside profit or loss when the tax relates to items that are recognised outside the profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability. Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur.

(l) Leases

Lease payments for operating leases, where substantially all of the risks and benefits remain with the lessor, are charged as expenses on a straight-line basis over the life of the lease term.

KEYHOLE TIG LIMITED
A.C.N. 147 805 490

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) 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.

(n) Foreign Currency Translation

Functional and presentation currency

The functional and presentation currency of Keyhole TIG Limited and is Australian dollars (A\$).

KEYHOLE TIG LIMITED
A.C.N. 147 805 490

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Foreign Currency Translation (continued)

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates ruling at the date of the transaction. Foreign currency monetary items are translated at the rate of exchange ruling at the end of the reporting period. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange gains and losses arising from settling foreign currency transactions, as well as from restating foreign currency denominated monetary assets and liabilities, are recognised in profit or loss, except when they are deferred in other comprehensive income as qualifying cash flow hedges or where they relate to differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity.

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

(o) 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.

(p) Critical accounting estimates and judgments

The directors evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Company.

KEYHOLE TIG LIMITED
A.C.N. 147 805 490

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

	2018	2017
	\$	\$
NOTE 2 Cash and Cash Equivalents		
Cash at bank	926,929	340,170
	<u>926,929</u>	<u>340,170</u>
NOTE 3 Trade and other receivables		
Trade receivables	58,881	4,444
GST receivable	36,172	25,665
Other receivables and prepayments	16,827	10,841
Research & Development tax incentive	302,807	339,898
	<u>414,687</u>	<u>380,848</u>
NOTE 4 Inventories		
Materials and components at cost	234,542	325,440
	<u>234,542</u>	<u>325,440</u>
NOTE 5 Property, Plant and Equipment		
<i>Leasehold Improvements</i>		
At cost	89,695	89,695
Accumulated depreciation	(37,869)	(3,764)
	<u>51,826</u>	<u>85,931</u>
<i>Plant & Equipment</i>		
At cost	213,891	202,043
Accumulated depreciation	(107,183)	(86,838)
	<u>106,708</u>	<u>115,205</u>
<i>Computer Equipment</i>		
At cost	20,527	20,527
Accumulated depreciation	(18,568)	(15,730)
	<u>1,959</u>	<u>4,797</u>
Total non-current property, plant and equipment	<u>160,493</u>	<u>205,933</u>

KEYHOLE TIG LIMITED
A.C.N. 147 805 490

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

NOTE 5 Property, Plant and Equipment (Continued)

Reconciliations

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial period:

	Leasehold Improvements	Plant & Equipment	Computer Equipment	Total
Carrying amount at beginning of financial year	85,931	115,205	4,797	205,933
Additions	-	11,848	-	11,848
Disposals	-	-	-	-
Depreciation expense	(34,105)	(20,345)	(2,838)	(57,288)
Carrying amount at end of financial year	51,826	106,708	1,959	160,493

2018
\$

2017
\$

NOTE 6 Intangible assets

Trademarks

Cost - Trademarks

Net carrying value

108,825	107,011
<u>108,825</u>	<u>107,011</u>
<u>108,825</u>	<u>107,011</u>

Total Intangibles

Reconciliations

Movement in the carrying amounts for each class of intangible assets between the beginning and the end of the current financial period:

	Trademarks	Total
Carrying amount at beginning of financial year	107,011	107,011
Additions	1,814	1,814
Carrying amount at end of financial year	<u>108,825</u>	<u>108,825</u>

NOTE 7 Trade and Other Payables

Current

Trade payables

Other payables

Credit cards

Accrued expenses

97,318	38,331
85,108	72,342
7,458	8,317
27,838	49,599
<u>217,722</u>	<u>168,589</u>

KEYHOLE TIG LIMITED
A.C.N. 147 805 490

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

		2018	2017	
		\$	\$	
NOTE 8	Employee benefits			
	Current			
	Provision for employee benefits	105,510	74,415	
	Non-Current			
	Provision for employee benefits	32,161	23,095	
NOTE 9	Borrowings			
	Current			
	Loans with related parties	366,173	-	
NOTE 10	Revenue received in advance			
	Revenue received in advance	83,567	-	
NOTE 11	Issued Capital			
	96,395,839 Fully paid ordinary shares (2017: 96,395,839)	2,348,884	2,348,884	
	41,322,314 Non-redeemable Series A preference shares (2017: 41,322,314)	2,978,935	2,978,935	
		5,327,819	5,327,819	
	Movements in ordinary share capital			
		Number of shares	Issue price	
	Date		\$	
	1 Jul 2017	Opening balance	96,395,839	2,348,884
	30 Jun 2017	Closing balance	96,395,839	2,348,884
	30 Jun 2018	Closing balance	96,395,839	2,348,884
	Movements in non-redeemable Series A preference share capital			
		Number of shares	Issue price	
	Date		\$	
	1 Jul 2017	Opening balance	41,322,314	2,978,935
	30 Jun 2017	Closing balance	41,322,314	2,978,935
	30 Jun 2018	Closing balance	41,322,314	2,978,935

KEYHOLE TIG LIMITED

A.C.N. 147 805 490

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018****NOTE 11 Issued Capital (continued)**

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 holders of non-redeemable Series A preference shares are entitled to receive payment of dividends and proceeds on winding up of the company before and in preference to the holders of ordinary shares. The holders of Series A preference shares are entitled to vote at all meetings of the company, each Series A preference share entitles the holder upon a poll to that number of votes equal to the number of ordinary shares into which the Series A preference shares would be converted if the conversion occurred at the time of that vote. The company does not have authorised capital or par value in respect of its shares.

NOTE 12 Financial Instruments

The company's financial instruments consist mainly of deposits with banks, accounts receivable and payable.

The totals for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:

	2018 \$	2017 \$
Financial Assets		
Cash and cash equivalents	926,929	340,170
Trade and other receivables	414,687	380,848
Total financial assets	<u>1,341,616</u>	<u>721,018</u>
Financial Liabilities		
Trade and other payables	217,722	168,589
Borrowings	366,173	-
Total financial liabilities	<u>583,895</u>	<u>168,589</u>

NOTE 13 Revenue and Other Income**Revenue from continuing operations**

Sales revenue		
- Sale of goods	2,190,883	1,141,484
- Rendering of services	19,045	94,800
- Other trading revenue	26,268	3,426
	<u>2,236,196</u>	<u>1,239,710</u>

KEYHOLE TIG LIMITED
A.C.N. 147 805 490

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

	2018	2017
	\$	\$
NOTE 13 Revenue and Other Income		
Other Income		
- Interest received	1,873	3,163
- Government grants	47,790	39,699
- Research & Development tax incentive	302,807	339,898
- Net gain/(loss) on disposal of property, plant and equipment	45	-
	<u>352,515</u>	<u>382,760</u>

NOTE 14 Result for the Year

The result for the year includes the following specific expenses

Depreciation of plant & equipment	57,288	33,706
Rental expenses relating to operating leases	107,395	128,797
Defined contribution superannuation expense	88,538	110,737
Foreign exchange loss	17,875	19,931

NOTE 15 Income Tax Expense

(a) The prima facie tax on profit/(loss) from ordinary activities before income tax is reconciled to the income tax expense as follows:

Prima facie tax payable on profit/(loss) from ordinary activities before income tax at 27.5% (2017: 27.5%)	(14,564)	(329,990)
Non-deductible expenses:		
- entertainment	1,065	6,747
Effect of tax concessions (Research & Development tax incentive)	108,158	121,406
Deferred tax asset not recognised	(94,659)	201,836
Income tax expense	<u>-</u>	<u>-</u>

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in the statement of financial position for the following items:

Unused tax losses	2,192,782	2,656,738
Deductible temporary differences	137,472	89,158
	<u>2,330,254</u>	<u>2,745,896</u>

Potential benefit at 27.5% (2017: 27.5%)	<u>640,820</u>	<u>755,121</u>
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There is no expiry date on the future deductibility of unused tax losses.

KEYHOLE TIG LIMITED
A.C.N. 147 805 490

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

NOTE 16 Related Party Transactions

(a) Key management personnel

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity is considered key management personnel.

The totals of remuneration paid to the key management personnel of Keyhole TIG Limited during the period are as follows:

	2018	2017
	\$	\$
Short-term benefits	497,896	421,860
Post-employment benefits	27,292	40,077
	<u>525,188</u>	<u>461,936</u>

(b) Other related parties

Other related parties include immediate family members of key management personnel and entities that are controlled or significantly influenced by those key management personnel, individually or collectively with their immediate family members.

(c) Transactions with related parties

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

The following transactions occurred with related parties:	2018	2017
	\$	\$
<i>Sale of goods and services to other related parties:</i>		
- WB Alloy Welding Products Ltd	225,946	332,580
<i>Purchases of goods and services from other related parties:</i>	-	-

(d) Outstanding balances with related parties

The following balances are outstanding at the end of the reporting period in relation to transactions with related parties:

	2018	2017
	\$	\$
<i>Current receivables (sale of goods and services)</i>		
- WB Alloy Welding Products Ltd	-	2,648
<i>Current payables (borrowings)</i>		
- Royal Group	249,975	-
- Kieran Purcell	56,223	-
- WB Alloy	49,975	-
- Neil Le Quesne	10,000	-

KEYHOLE TIG LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

NOTE 16 Related Party Transactions (continued)

WB Alloy Welding Products Ltd is a related entities of William Graham Wilson. This company is a distributor of the K-TIG keyhole welding technology. The Royal Group is a non-redeemable Series A preference shareholder. Syed Basar Shueb is a director of the Royal Group and Keyhole Tig Limited.

All loans from the above related parties are interest free, except for the loan from Kieran Purcell. The loans are unsecured and repayable at the earlier of 12 months from the date of the loan agreement unless extended at the discretion of the lender.

NOTE 17 Dividends

There were no dividends paid during the year (2017: Nil).

NOTE 18 Commitments

	2018	2017
	\$	\$
<i>Lease commitments</i>		
Non-cancellable operating leases - future minimum lease payments payable:		
Within one year	87,827	88,559
Later than one year but not later than 5 years	73,189	-
Later than 5 years	-	-
	<u>161,016</u>	<u>88,559</u>

The company leases its office warehouse premises under a non-cancellable operating lease with a 2 year term expiring in May 2020. The lease agreement includes an annual CPI escalation clause. The above commitments do not include any renewal options on the lease. Lease conditions do not impose any restrictions on the ability of Keyhole-TIG Limited from borrowing funds or paying dividends.

NOTE 19 Contingent Liabilities and Contingent Assets

In the opinion of the Directors, other than for the matters referred to below the company did not have any contingencies at 30 June 2018 (2017: nil).

The Board is exploring a sale or IPO of the company with several parties and has resolved that a number of fees are to be payable on the successful completion of such a sale or IPO. Board remuneration has been on hold since March 2015. The following amounts will become payable on sale or IPOs:

Board fees

- Chairman \$160,000 at 1/4/2018 plus \$40,000 pa thereafter (pro rata)
- Directors \$80,000 at 1/4/2018 plus \$20,000 pa thereafter (pro rata)
- Secretary \$60,000 at 1/4/2018 plus \$15,000 pa thereafter (pro rata)

KEYHOLE TIG LIMITED
A.C.N. 147 805 490

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

NOTE 19 Contingent Liabilities and Contingent Assets (Continued)

CEO incentive for sale over \$20M

1.25% Success Fee payable to the CEO upon the successful sale or IPO of the company for \$20m or greater.

CEO remuneration

An amount equivalent to 3% of the sale proceeds payable to the CEO in the event of an Exit Event including the sale or IPO of the company, as stated in Neil Le Quesne's employment contract, executed in 2012.

Intermediary & Service Fees

All allowance is being made for intermediary and service fees of between 3% and 6% of the total investment value in K-TIG should a sale or IPO be completed.

In the event of an IPO these fees are to be payable from the proceeds of capital raised. In the event of the sale of the company, the fees will either be paid from the proceeds of the sale or by the purchaser. At the date of this financial report no sale or IPO arrangement has been concluded.

At the date of this financial report no sale or IPO arrangement has been concluded.

NOTE 20 Events after the end of the Reporting Period

The financial report was authorised for issue on 24 September 2018 by the board of directors.

No matter or circumstance has arisen since 30 June 2018 that has significantly affected or may significantly affect the entity's operations, or the entity's state of affairs in future financial years.

NOTE 21 Company Details

The registered office of and principal place of business of the company is:
Keyhole TIG Limited
Unit 5, 9-11 William Street
Mile End SA 5031

KEYHOLE TIG LIMITED

A.C.N. 147 805 490

DIRECTORS' DECLARATION
FOR THE YEAR ENDED 30 JUNE 2018

The directors of the company declare that:

1. The financial statements, comprising the statement of profit or loss and other comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity, and accompanying notes, are in accordance with the *Corporations Act 2001* and:
 - a. comply with Australian Accounting Standards - Reduced Disclosure Requirements, and the *Corporations Regulations 2001* ;
 - b. give a true and fair view of the company's financial position as at 30 June 2018 and of its performance for the year ended on that date.
2. In the directors opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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



Kieran Michael Purcell
Chairman

Dated this 24 day of September 2018
Adelaide

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KEYHOLE TIG LIMITED

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Keyhole TIG Limited (the Company), which comprises the statement of financial position as at 30 June 2018, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies, and the directors' declaration.

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

- (i) Giving a true and fair view of the Company's financial position as at 30 June 2018 and of its financial performance for the year ended on that date; and
- (ii) Complying with Australian Accounting Standards - Reduced Disclosure Requirements and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Company in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

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

Other information

The directors are responsible for the other information. The other information obtained at the date of this auditor's report is information included in the directors' report, but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of the directors for the Financial Report

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

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

Auditor's responsibilities for the audit of the Financial Report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (<http://www.auasb.gov.au/Home.aspx>) at: http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf

This description forms part of our auditor's report.



BDO Audit (SA) Pty Ltd



Geoff Edwards
Director

Adelaide, 26 September 2018

KEYHOLE TIG LIMITED
A.C.N. 147 805 490

INTERIM FINANCIAL REPORT

FOR THE 9 MONTHS ENDED 31 MARCH 2019

KEYHOLE TIG LIMITED

A.C.N. 147 805 490

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INTERIM FINANCIAL REPORT

31 MARCH 2019

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KEYHOLE TIG LIMITED
A.C.N. 147 805 490

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE 9 MONTHS ENDED 31 MARCH 2019

	Note	9 Months to 31-Mar-19 \$
Sales revenue	13	727,113
Cost of sales		<u>(392,288)</u>
Gross profit		334,825
Other income	13	41,398
Marketing expenses		(124,713)
Corporate expense		(233,054)
Service expense		(112,144)
Employee benefits expense		(1,053,255)
Office/workshop expense		(113,473)
Travel expense		(77,053)
R&D expense		(44,941)
Other expenses		(14,648)
Profit/(Loss) before income tax		<u>(1,397,058)</u>
Income tax expense		-
Profit/(Loss) for the period		<u><u>(1,397,058)</u></u>
Other comprehensive income		-
Total comprehensive income for the period		<u><u>(1,397,058)</u></u>

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

KEYHOLE TIG LIMITED
A.C.N. 147 805 490

STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2019

	Note	31-Mar-19 \$
ASSETS		
Current assets		
Cash and cash equivalents	2	730,151
Trade and other receivables	3	58,830
Inventories	4	256,274
Total current assets		<u>1,045,255</u>
Non-current assets		
Property, plant and equipment	5	135,033
Investment in controlled entity	6	10
Intangible assets	7	110,369
Total non-current assets		<u>245,412</u>
Total assets		<u><u>1,290,667</u></u>
LIABILITIES		
Current liabilities		
Trade and other payables	8	209,030
Employee benefits	9	93,028
Borrowings	10	1,040,173
Total current liabilities		<u>1,342,231</u>
Non-current liabilities		
Employee benefits	9	59,034
Total non-current liabilities		<u>59,034</u>
Total liabilities		<u>1,401,265</u>
Net liabilities		<u><u>(110,598)</u></u>
EQUITY		
Issued capital	11	5,327,819
Share based payment reserve		593,438
Accumulated losses		(6,031,855)
Total equity		<u><u>(110,598)</u></u>

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

KEYHOLE TIG LIMITED
A.C.N. 147 805 490

STATEMENT OF CHANGES IN EQUITY
FOR THE 9 MONTHS ENDED 31 MARCH 2019

<u>2019</u>	Ordinary Shares \$	Non- Redeemable Series A Preference Shares \$	Share based payments reserve \$	Accumulated Losses \$	Total \$
Balance at 1 July 2018	2,348,884	2,978,935	0	(4,287,477)	1,040,342
Opening adjustment (Note 1(r))	-	-	347,320	(347,320)	-
Restated balance at 1 July 2018	2,348,884	2,978,935	347,320	(4,634,797)	1,040,342
Profit or loss for the period	-	-	-	(1,397,058)	(1,397,058)
Other comprehensive income	-	-	-	-	0
Total comprehensive income for the period	-	-	-	(1,397,058)	(1,397,058)
Transactions with owners in their capacity as owners					
Share based payments for the period	-	-	246,118	-	246,118
Contributions of equity, net of transaction costs (note 11)	-	-	-	-	-
	-	-	246,118	-	246,118
Balance at 31 March 2019	2,348,884	2,978,935	593,438	(6,031,855)	(110,598)

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

KEYHOLE TIG LIMITED
A.C.N. 147 805 490

STATEMENT OF CASH FLOWS
FOR THE 9 MONTHS ENDED 31 MARCH 2019

	Note	9 Months to 31-Mar-19 \$
Cash flows from operating activities		
Receipts from customers		764,301
Government grants received		311,515
Payments to suppliers and employees		(1,946,438)
Interest received		1,398
Income tax paid		-
Net cash used in operating activities		<u>(869,224)</u>
Cash flows from investing activities		
Payment for intangibles		(1,544)
Payment for shares in controlled entity		(10)
Net cash used in investing activities		<u>(1,554)</u>
Cash flows from financing activities		
Repayment of borrowings		(10,000)
Proceeds from borrowings		684,000
Net cash provided by financing activities		<u>674,000</u>
Net increase/(decrease) in cash and cash equivalents		(196,778)
Cash and cash equivalents at beginning of period		<u>926,929</u>
Cash and cash equivalents at end of the period	2	<u><u>730,151</u></u>

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

KEYHOLE TIG LIMITED
A.C.N. 147 805 490

NOTES TO THE FINANCIAL STATEMENTS
FOR THE 9 MONTHS ENDED 31 MARCH 2019

These special purpose financial statements cover Keyhole TIG Limited as an individual entity. The directors of Keyhole TIG Limited have determined that the company is not a reporting entity. Keyhole TIG Limited is a company limited by shares, incorporated and domiciled in Australia. The financial statements are presented in Australian dollars.

These interim financial statements are for the 9 month period to 31 March 2019. The company has not previously reported for this interim financial period and so no comparative information is included.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The financial statements are special purpose financial statements which have been prepared in accordance with applicable measurement and recognition provisions of Australian Accounting Standards. The company is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

The financial statements, except for the cash flow information, have been prepared on an accrual basis and are based on historical costs. The amounts presented in the financial statements have been rounded to the nearest dollar.

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. The directors remain confident that the transaction with Serpentine Technologies will proceed as per the binding Share Sale agreement. The agreement is founded on the acquiring party raising five million dollars which will ensure the new entity has working capital well beyond the requirements of the coming year.

Should the Company not proceed with the Serpentine transaction, and if further equity capital or debt funding not be garnered, a material uncertainty would exist over the ability of the Company to continue as a going concern, and therefore, it may have to realise its assets and extinguish its liabilities, other than in the ordinary course of business and at amounts different from those stated in the financial report.

KEYHOLE TIG LIMITED
A.C.N. 147 805 490

NOTES TO THE FINANCIAL STATEMENTS
FOR THE 9 MONTHS ENDED 31 MARCH 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Inventories

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.

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

(c) 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.

KEYHOLE TIG LIMITED
A.C.N. 147 805 490

NOTES TO THE FINANCIAL STATEMENTS
FOR THE 9 MONTHS ENDED 31 MARCH 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Property, plant & equipment (continued)

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:

Class of Fixed Assets	Depreciation Rate
Leasehold Improvements	14.00%
Plant & 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.

(d) Intangible assets

Trademarks

Trademarks are carried at cost less accumulated impairment losses. The trademarks have been determined to have indefinite useful lives as there is no expiry and no foreseeable limit on the period of time over which these assets are expected to contribute to the cash flows of the company. For impairment purposes the trademarks are tested at an overall cash generating unit level.

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE 9 MONTHS ENDED 31 MARCH 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Financial instruments

Initial recognition and measurement

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

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified "at fair value through profit or loss", in which case transaction costs are expensed to profit or loss immediately.

Classification and subsequent measurement

Financial instruments are subsequently measured at either fair value, amortised cost using the effective interest rate method, or cost. Fair Value represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in arm's length transaction. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as:

- (a) the amount at which the financial asset or financial liability is measured at initial recognition;
- (b) less principle repayments;
- (c) plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the effective interest method; and
- (d) less any reduction for impairment.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

KEYHOLE TIG LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE 9 MONTHS ENDED 31 MARCH 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Financial instruments (continued)

(ii) Financial liabilities

Non-derivative financial liabilities other than financial guarantees are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

(iii) Convertible notes

The conversion option of the convertible notes issued during the period will not be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the company's own shares. As a result, the convertible notes are classified as a financial liability.

(iv) Borrowings with related parties

Borrowings with related parties constitute a mix of interest and non interest bearing loans. All loans are current as they are repayable within 12 months of reporting date and the option to extend the loan is at the discretion of the lender.

Impairment

The company recognised a loss allowance for expected credit losses on financial assets that are measured at amortised cost. All the company's financial assets are determined to have a low credit risk at the initial reporting date, and so the company uses the low credit risk operational simplification approach to impairment. The company assumes that the credit risk has not increased significantly since initial recognition and, accordingly, recognises a loss allowance of 12-month expected credit loss. In order to make such determination that the financial asset has low credit risk, the company applies its internal credit risk ratings or other methodologies using a globally comparable definition of low credit risk. A financial asset is considered to have low credit risk if:

- there is low risk of default by the borrower;
 - the borrower has strong capacity to meet its contractual cash flow obligations in the near term;
- and
- adverse changes in economic and business conditions in the longer term may, but not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

At each reporting date, the Group recognised the movement in the loss allowance as an impairment gain or loss in the statement of profit or loss and other comprehensive income. The carrying amount of financial assets measured at amortised cost includes the loss allowance relating to that asset.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE 9 MONTHS ENDED 31 MARCH 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Financial instruments (continued)

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

(f) Impairment of non-financial assets

At the end of each reporting period, the Company assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs of disposal and value in use, to the asset's carrying value. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss.

Value in use is calculated by discounting the estimated future cash flows of the asset or cash-generating unit (CGU) at a pre-tax discount rate reflecting the specific risks in the asset/CGU. Any excess of the asset's carrying value over its recoverable amount is expensed to the profit or loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Impairment testing is performed annually for intangible assets with indefinite lives.

(g) Cash and cash equivalents

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

(h) Trade and other receivables

Trade receivables are initially measured at the transaction price if the trade receivables do not contain a significant financing component or if the practical expedient was applied as specified in AASB 15.63 .

(i) Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the company prior to the year end and which are unpaid. They are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. The balance is recognised as a current liability with the amounts normally paid within 30-60 days of recognition of the liability.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE 9 MONTHS ENDED 31 MARCH 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) 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.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE 9 MONTHS ENDED 31 MARCH 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Income Tax

The income tax expenses (revenue) for the period comprises current income tax expenses (income) and deferred tax expenses (income).

Current income tax expense charged to profit or loss is the tax payable on taxable income for the current period. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority using tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited outside profit or loss when the tax relates to items that are recognised outside the profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability. Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur.

(l) Leases

Lease payments for operating leases, where substantially all of the risks and benefits remain with the lessor, are charged as expenses on a straight-line basis over the life of the lease term.

(m) Revenue and other income

The company manufactures and sells welding equipment. Revenue is recognised when control of the products has transferred to the customer. For such transactions, this is when the products are delivered to the customer. Revenue from these sales is based on the price stipulated in the contract. Revenue is then only recognised to the extent that there is a high probability that a significant reversal of revenue will not occur.

KEYHOLE TIG LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE 9 MONTHS ENDED 31 MARCH 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Revenue and other income (continued)

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.

(n) Foreign Currency Translation

Functional and presentation currency

The functional and presentation currency of Keyhole TIG Limited and is Australian dollars (A\$).

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates ruling at the date of the transaction. Foreign currency monetary items are translated at the rate of exchange ruling at the end of the reporting period. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange gains and losses arising from settling foreign currency transactions, as well as from restating foreign currency denominated monetary assets and liabilities, are recognised in profit or loss, except when they are deferred in other comprehensive income as qualifying cash flow hedges or where they relate to differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity.

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

(o) 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.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE 9 MONTHS ENDED 31 MARCH 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Goods and services tax (GST) (continued)

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.

(p) Critical accounting estimates and judgments

The directors evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Company.

(q) New and amended accounting policies adopted by the company

The Group has adopted AASB 9: Financial Instruments and AASB 15: Revenue with a date of initial application of 1 July 2018. There is no material impact from the application of these accounting standards.

(r) Prior period adjustment

As set out in Note 19, subsequent to reporting date the directors resolved to issue shares in relation to a number of matters. These included consulting fees and board and advisor fees that related to periods prior to 1 July 2018. The amount of these consulting fees and board and advisor fees that related to periods prior to 1 July 2018 have been dealt with as a prior period adjustment in the Statement of Changes in Equity.

KEYHOLE TIG LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE 9 MONTHS ENDED 31 MARCH 2019

	31-Mar-19
	\$
NOTE 2 Cash and Cash Equivalents	
Cash at bank	730,151
	<u>730,151</u>
NOTE 3 Trade and other receivables	
Trade receivables	4,226
GST receivable	23,312
Other receivables and prepayments	-
Research & Development tax incentive	31,292
	<u>58,830</u>
NOTE 4 Inventories	
Materials and components at cost	256,274
	<u>256,274</u>
NOTE 5 Property, Plant and Equipment	
Leasehold Improvements	
At cost	89,695
Accumulated depreciation	(47,595)
	<u>42,100</u>
Plant & Equipment	
At cost	213,891
Accumulated depreciation	(122,099)
	<u>91,792</u>
Computer Equipment	
At cost	20,527
Accumulated depreciation	(19,386)
	<u>1,141</u>
Total non-current property, plant and equipment	<u>135,033</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE 9 MONTHS ENDED 31 MARCH 2019

NOTE 5 Property, Plant and Equipment (Continued)

Reconciliations

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial period:

	Leasehold Improvements	Plant & Equipment	Computer Equipment	Total
Carrying amount at beginning of financial period	51,825	106,707	1,960	160,492
Depreciation expense	(9,726)	(14,916)	(818)	(25,460)
Carrying amount at end of financial period	42,099	91,791	1,142	135,032

31-Mar-19

\$

NOTE 6 Investment in controlled entity

Investment in controlled entity - at cost	10
	10

NOTE 7 Intangible assets

Trademarks	
Cost - Trademarks	110,369
Net carrying value	110,369
Total Intangibles	110,369

Reconciliations

Movement in the carrying amounts for each class of intangible assets between the beginning and the end of the current financial period:

	Trademarks \$	Total \$
Carrying amount at beginning of financial year	108,825	108,825
Additions	1,544	1,544
Carrying amount at end of financial year	110,369	110,369

NOTE 8 Trade and Other Payables

31-Mar-19

\$

Current

Trade payables	129,098
Other payables	62,876
Credit cards	(1,282)
Accrued expenses	18,338
	209,030

KEYHOLE TIG LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE 9 MONTHS ENDED 31 MARCH 2019

	31-Mar-19
	\$
NOTE 9 Employee benefits	
Current	
Provision for employee benefits	93,028
Non-Current	
Provision for employee benefits	59,034

NOTE 10 Borrowings

Current	
Loans with related parties	356,173
Convertible notes	684,000
	<u>1,040,173</u>
Convertible notes	

The convertible notes were issued at a face value of \$1,000 per note. The notes are convertible into ordinary shares of the company at any time between the date of issue and their maturity date 24 months after the issue date, on the event of a company sale, change of control, or funding event. The notes are convertible on the basis of the share price at conversion date. The redemption price at maturity is the face value multiplied by 1.2.

NOTE 11 Issued Capital

96,395,839 Fully paid ordinary shares (2018: 96,395,839)	2,348,884
41,322,314 Non-redeemable Series A preference shares (2018: 41,322,314)	2,978,935
	<u>5,327,819</u>

Movements in ordinary share capital

Date	Details	Number of shares	\$
1 Jul 2018	Opening balance	<u>96,395,839</u>	<u>2,348,884</u>
31 Mar 2019	Closing balance	<u>96,395,839</u>	<u>2,348,884</u>

Movements in non-redeemable Series A preference share capital

Date	Details	Number of shares	\$
1 Jul 2018	Opening balance	<u>41,322,314</u>	<u>2,978,935</u>
31 Mar 2019	Closing balance	<u>41,322,314</u>	<u>2,978,935</u>

KEYHOLE TIG LIMITED

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE 9 MONTHS ENDED 31 MARCH 2019

NOTE 11 Issued Capital (continued)

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 holders of non-redeemable Series A preference shares are entitled to receive payment of dividends and proceeds on winding up of the company before and in preference to the holders of ordinary shares. The holders of Series A preference shares are entitled to vote at all meetings of the company, each Series A preference share entitles the holder upon a poll to that number of votes equal to the number of ordinary shares into which the Series A preference shares would be converted if the conversion occurred at the time of that vote. The company does not have authorised capital or par value in respect of its shares.

NOTE 12 Financial Instruments

The company's financial instruments consist mainly of deposits with banks, accounts receivable and payable, loans from related parties and convertible notes.

The totals for each category of financial instruments, measured in accordance with AASB 9 as detailed in the accounting policies to these financial statements, are as follows:

	31-Mar-19
	\$
Financial Assets	
Cash and cash equivalents	730,151
Trade and other receivables	58,830
Total financial assets	<u>788,981</u>
Financial Liabilities	
Trade and other payables	209,030
Borrowings	1,040,173
Total financial liabilities	<u>1,249,203</u>

NOTE 13 Revenue and Other Income

Revenue from continuing operations	
Sales revenue	
- Sale of goods	646,923
- Rendering of services	61,690
- Other trading revenue	18,500
	<u>727,113</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE 9 MONTHS ENDED 31 MARCH 2019

31-Mar-19
\$

NOTE 13 Revenue and Other Income (continued)

Other Income	
- Interest received	1,398
- Government grants	40,000
- Research & Development tax incentive	-
- Net gain/(loss) on disposal of property, plant and equipment	-
	<u>41,398</u>

NOTE 14 Result for the Year

The result for the year includes the following specific expenses

Depreciation of plant & equipment	25,460
Rental expenses relating to operating leases	84,014
Defined contribution superannuation expense	67,896
Foreign exchange loss	6,671

NOTE 15 Dividends

There were no dividends paid during the year (2018: Nil).

NOTE 16 Commitments

Lease commitments	\$
Non-cancellable operating leases - future minimum lease payments payable:	
Within one year	95,579
Later than one year but not later than 5 years	15,717
Later than 5 years	-
	<u>111,296</u>

The company leases its office warehouse premises under a non-cancellable operating lease with a 2 year term expiring in May 2020. The lease agreement includes an annual CPI escalation clause. The above commitments do not include any renewal options on the lease. Lease conditions do not impose any restrictions on the ability of Keyhole-TIG Limited from borrowing funds or paying dividends.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE 9 MONTHS ENDED 31 MARCH 2019

NOTE 17 Contingent Liabilities and Contingent Assets

In the opinion of the Directors, other than for the matters referred to below the company did not have any contingencies at 31 March 2019 (2018: nil).

R&D Tax Examination

The Department of Industry, Innovation and Science is undertaking an examination of the company's 2018-2019 financial year R&D Tax Incentive registration. The examination may result in the registered activities being ineligible for the R&D Tax Incentive, and the company having to repay claims it has received. The total amount claimed and received for the 2017-2018 financial year was \$302,807.

CEO incentive for sale over \$20M

A 1.25% Success Fee is payable to the Chief Executive Officer Neil Le Quesne upon the successful sale or IPO of the company for \$20m or greater.

NOTE 18 Events after the end of the Reporting Period

The financial report was authorised for issue on June 2019 by the board of directors.

Subsequent to reporting date, Keyhole TIG Ltd and its major shareholders executed a binding agreement with Serpentine Technologies Ltd, that subject to a number of conditions precedent including shareholder approval, will result in Serpentine Technologies Ltd acquiring 100% of the issued capital of Keyhole TIG Ltd. This transaction has not completed at the date of these financial statements.

Subsequent to reporting date, the directors of the company have resolved to issue shares as follows:

1. Conversion of director loans

Director	No. of shares issued	Loan balance at 31/3/19 \$
Shueb	3,954,041	250,000
Purcell	774,935	48,996
Le Quesne	158,162	10,000
Wilson	790,808	50,000
	<u>5,677,946</u>	

No adjustment has been recorded at 31 March 2019 in relation to this share issue.

KEYHOLE TIG LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE 9 MONTHS ENDED 31 MARCH 2019

NOTE 18 Events after the end of the Reporting Period (continued)

2. Issue of shares to consultant

No. of shares issued	Value of services provided \$
2,637,500	211,000

The consulting services that this issue of shares relates to were received by the company prior to 1 July 2018. An adjustment has been recorded to opening accumulated losses, and opening share based payment reserve for the value of the services provided.

3. Issue of employee share scheme shares

	No. of shares issued	Value of employee benefit recognised \$
Poole	913,269	28,494
Latz	848,035	26,459
Lai	130,467	4,071
Purcell	1,449,633	22,614
Le Quesne	3,624,083	56,536
Sanghani	141,339	4,410
Kelly	141,339	4,410
	<u>7,248,165</u>	<u>146,993</u>

The employee benefit expense that this issue of shares relates to has been recorded in the 9 months to 31 March 2019 at an independently assessed current value per share.

4. Conversion of board fees to equity

	No. of shares issued	Value of employee benefit recognised \$
Purcell	2,688,748	41,944
Wilson	1,344,374	20,972
Shueb	1,344,374	20,972
Le Quesne	1,344,374	20,972
Latz	1,008,280	31,458
Lantzke	672,187	20,972
Abraam	672,187	20,972
	<u>9,074,524</u>	<u>178,264</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE 9 MONTHS ENDED 31 MARCH 2019

NOTE 18 Events after the end of the Reporting Period (continued)

4. Conversion of board fees to equity (continued)

The employee benefit expense that this issue of shares relates to includes services provided prior to 1 July 2018. An adjustment has been recorded to opening accumulated losses, and opening share based payment reserve for the value of the services provided prior to 1 July 2018, and in the 9 months to 31 March for services provided in that period. The issue also relates to services to be provided in the 3 months to 30 June 2019 and no adjustment has been recorded for this. The employee benefit expense and opening adjustment as been recorded at an independently assessed current fair value per share.

5. Le Quesne executive service entitlement

	No. of shares issued	Value of employee benefit recognised
		\$
Le Quesne	4,337,610	67,667

The employee benefit expense that this issue of shares relates to has been recorded in the 9 months to 31 March 2019 at an independently assessed current value per share. Le Quesne is eligible for subsequent tranches of the Le Quesne executive service entitlement based on 3% of any Deferred Consideration Shares (as defined in the Share Sale Agreement) if and when they may be issued by Serpentine Technologies Ltd.

Other than for the matters set out above, no other matter or circumstance has arisen since 31 March 2019 that has significantly affected or may significantly affect the entity's operations, or the entity's state of affairs in future financial years.

KEYHOLE TIG LIMITED

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DIRECTORS' DECLARATION
FOR THE 9 MONTHS ENDED 31 MARCH 2019

The directors of the company have determined that the company is not a reporting entity and that this special purpose financial report should be prepared in accordance with the accounting policies outlined in Note 1 to the financial statements.

The directors of the company declare that:

1. The financial statements, comprising the statement of profit or loss and other comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity, and accompanying notes, present fairly the company's financial position as at 31 March 2019 and its performance for the period ended on that date in accordance with the accounting policies described in Note 1 to the financial statements, and:
2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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



Kieran Michael Purcell
Chairman

Dated this 2 day of July 2019
Adelaide

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KEYHOLE TIG LIMITED

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Keyhole TIG Limited (the Entity), which comprises the statement of financial position as at 31 March 2019, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the 9 month period then ended, and notes to the financial report, including a summary of significant accounting policies, and the directors' declaration.

In our opinion the accompanying financial report presents fairly, in all material respects, the financial position of the Entity as at 31 March 2019 and of its financial performance and its cash flows for the 9 month period then ended in accordance with the basis of accounting described in note 1.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Entity in accordance with ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Material uncertainty related to going concern

We draw attention to Note 1 in the financial report which describes the events and conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the entity's ability to continue as a going concern and therefore the entity may be unable to realise its assets and discharge its liabilities in the normal course of business. Our opinion is not modified in respect of this matter.

Emphasis of matter - Basis of accounting

We draw attention to Note 1 to the financial report, which describes the basis of accounting. The financial report has been prepared to assist the Entity to meet the requirements of the directors. As a result, the financial report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Responsibilities of management and those charged with governance for the Financial Report

Management is responsible for the preparation and fair presentation of the financial report, and have determined that the basis of preparation described in Note 1 is appropriate to meet the requirements of Share Sale Agreement and for such internal control as management determines is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.



In preparing the financial report, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditor's responsibilities for the audit of the Financial Report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (<http://www.auasb.gov.au/Home.aspx>) at: http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf

This description forms part of our auditor's report.

A stylized blue ink signature of the BDO firm, written in a cursive-like font.

BDO Audit (SA) Pty Ltd

A blue ink signature of G K Edwards, written in a cursive-like font.

G K Edwards
Director

Adelaide, 2 July 2019

GM Registration Card

If you are attending the meeting
in person, please bring this with you
for Securityholder registration.

Holder Number:

Vote by Proxy: S3R

Your proxy voting instruction must be received by **9.30am (WST) on Tuesday 13th August 2019** being **not later than 48 hours** before the commencement of the Meeting. Any Proxy Voting instructions received after that time will not be valid for the scheduled Meeting.

SUBMIT YOUR PROXY VOTE ONLINE

Vote online at <https://investor.automic.com.au/#/loginsah>

Login & Click on 'Meetings'. Use the Holder Number as shown at the top of this Proxy Voting form.

- ✓ **Save Money:** help minimise unnecessary print and mail costs for the Company.
- ✓ **It's Quick and Secure:** provides you with greater privacy, eliminates any postal delays and the risk of potentially getting lost in transit.
- ✓ **Receive Vote Confirmation:** instant confirmation that your vote has been processed. It also allows you to amend your vote if required.



SUBMIT YOUR PROXY VOTE BY PAPER

Complete the form overleaf in accordance with the instructions set out below.

YOUR NAME AND ADDRESS

The name and address shown above is as it appears on the Company's share register. If this information is incorrect, and you have an Issuer Sponsored holding, you can update your address through the investor portal: <https://investor.automic.com.au/#/home> Shareholders sponsored by a broker should advise their broker of any changes.

VOTING UNDER STEP 1 - APPOINTING A PROXY

If you wish to appoint someone other than the Chairman of the Meeting as your proxy, please write the name of that Individual or body corporate. A proxy need not be a Shareholder of the Company. Otherwise if you leave this box blank, the Chairman of the Meeting will be appointed as your proxy by default.

DEFAULT TO THE CHAIRMAN OF THE MEETING

Any directed proxies that are not voted on a poll at the Meeting will default to the Chairman of the Meeting, who is required to vote these proxies as directed. Any undirected proxies that default to the Chairman of the Meeting will be voted according to the instructions set out in this Proxy Voting Form, including where the Resolutions are connected directly or indirectly with the remuneration of KMP

VOTES ON ITEMS OF BUSINESS – PROXY APPOINTMENT

You may direct your proxy how to vote by marking one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

APPOINTMENT OF SECOND PROXY

You may appoint up to two proxies. If you appoint two proxies, you should complete two separate Proxy Voting Forms and specify the percentage or number each proxy may exercise. If you do not specify a percentage or number, each proxy may exercise half the votes. You must return both Proxy Voting Forms together. If you require an additional Proxy Voting Form, contact Automic Registry Services.

SIGNING INSTRUCTIONS

You must sign this form as follows in the spaces provided

Individual: Where the holding is in one name, the Shareholder must sign.

Joint holding: Where the holding is in more than one name, all of the Shareholders should sign.

Power of attorney: If you have not already lodged the power of attorney with the registry, please attach a certified photocopy of the power of attorney to this Proxy Voting Form when you return it.

Companies: To be signed in accordance with your Constitution. Please sign in the appropriate box which indicates the office held by you.

Email Address: Please provide your email address in the space provided.

By providing your email address, you elect to receive all communications despatched by the Company electronically (where legally permissible) such as a Notice of Meeting, Proxy Voting Form and Annual Report via email.

CORPORATE REPRESENTATIVES

If a representative of the corporation is to attend the Meeting the appropriate 'Appointment of Corporate Representative' should be produced prior to admission. A form may be obtained from the Company's share registry online at <https://automic.com.au>.

ATTENDING THE MEETING

Completion of a Proxy Voting Form will not prevent individual Shareholders from attending the Meeting in person if they wish. Where a Shareholder completes and lodges a valid Proxy Voting Form and attends the Meeting in person, then the proxy's authority to speak and vote for that Shareholder is suspended while the Shareholder is present at the Meeting.

POWER OF ATTORNEY

If a representative as power of attorney of a Shareholder of the Company is to attend the Meeting, a certified copy of the Power of Attorney, or the original Power of Attorney, must be received by the Company in the same manner, and by the same time as outlined for proxy forms.

