

K-TIG Limited and Its Controlled Entities
Appendix 4E

1. Company details

Name of entity:	K-TIG Limited
ABN:	28 158 307 549
Reporting period:	For the year ended 30 June 2022
Previous period:	For the year ended 30 June 2021

2. Results for announcement to the market

			\$
Revenues from ordinary activities	Up	137% to	3,702,512
Loss from ordinary activities after tax attributable to the owners of K-TIG Limited	Up	33% to	(5,962,663)
Loss for the year attributable to the owners of K-TIG Limited	Up	33% to	(5,962,663)

Dividends

No dividend has been declared or paid for the year ended 30 June 2022 (30 June 2021: \$nil).

Brief explanation of any of the figures reported above

The Group recorded \$3,702,512 of revenue for the current year (2021: \$1,561,556). The loss from ordinary activities for the Group after providing for income tax amounted to \$5,962,663 (30 June 2021: \$4,482,667). The increase in loss is mainly attributable to the significant investment in several strategic areas focused on defence, nuclear, USA, UK and customer acceleration pillars and an increase in employee benefits expense due to key appointments of key management and share-based payments.

K-TIG continued working with Defence Primes and Nuclear to demonstrate the advantages of keyhole TIG welding to their applications. In addition, k-TIG continues to invest in R&D to expand the range of metals that have independently verified welding protocols.

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets / (liabilities) per ordinary security	2.31	3.43

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

K-TIG Limited and Its Controlled Entities
Appendix 4E

4. Control gained over entities

<i>Name of entities (or group of entities)</i>	<i>Date control gained</i>
Keyhole TIG (UK) Pty Ltd	12 July 2021

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

\$

Contribution of such entities to the reporting entity's loss from ordinary activities before income tax during for the period 1 July 2021 to 30 June 2022.	(1,339,620)
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Loss from ordinary activities before income tax of the controlled entity for the whole of the previous period.	-
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5. Loss of control over entities

There was no loss of entities during the period or previous reporting period.

6. Details of associates and joint venture entities

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

7. Audit qualification or review

The financial statements have been audited.

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

Not applicable.

8. Attachments

Details of attachments (if any):

The audited consolidated annual report of K-TIG Limited for the year ended 30 June 2022 is attached.

Signature:



Stuart Carmichael
Chairman

30 August 2022

K-TIG Limited and Its Controlled Entities

ABN 28 158 307 549

Consolidated Annual Report - 30 June 2022

K-TIG Limited and Its Controlled Entities
Corporate Directory
For the year ended 30 June 2022

Directorships as at the date of this report	Stuart Carmichael, Non-Executive Chairman Syed Basar Shueb, Non-Executive Director Adrian Smith, Managing Director Anthony McIntosh, Non-Executive Director Trish White, Non-Executive Director David Acton, Non-Executive Director Darryl Abotomey, Non-Executive Director
Company secretaries	Brett Tucker Deborah Ho
Registered office	Ground Floor 16 Ord Street West Perth WA 6005
Principal place of business	Building 5 9 William Street Mile End SA 5031 Phone: (08) 7324 6800
Share registry	Automic Group Level 2, 267 St Georges Terrace Perth WA 6000
Auditor	BDO Audit Pty Ltd BDO Centre Level 7, 420 King William Street Adelaide SA 5000
Solicitors	Hamilton Locke Level 27, 152-158 St Georges Terrace Perth WA 6000
Principal Bankers	Westpac Banking Corporation 275 Kent Street Sydney NSW 2000
Stock exchange listing	K-TIG Limited shares are listed on the Australian Securities Exchange (ASX code: KTG)
Website	www.k-tig.com

K-TIG Limited and Its Controlled Entities
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K-TIG Limited and Its Controlled Entities
Review of Operations
For the year ended 30 June 2022

Overview

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

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

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

2022 Highlights

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

Revenue Growth

- Revenue increased by 137% to \$3.70m (2021: \$1.56m)
- Operating cash receipts increased by 308% to \$3.88m (2021: \$0.95m)
- Continued sales momentum and increase in sales pipeline as potential customers responded to the increased capabilities of the USA and UK subsidiaries and the European market expansion

Strong Balance Sheet

- Cash of \$3.8m
- Net assets of \$4.7m

Business Development and Operations

Despite a challenging macroeconomic environment in view of the global Covid-19 pandemic and seeing a lengthening in the sales cycle due to economic conditions, K-TIG achieved several key milestones during the year, including:

- Successfully raised \$3.85m (before costs) via a private placement with solid support from existing major shareholders, new institutions & family offices, sophisticated investors
- Signed formal agreement with the Nuclear Advanced Manufacturing Research Centre (Nuclear AMRC) to develop a turnkey robotic welding cell that may be used to produce nuclear storage containers. The project will see K-TIG and Nuclear AMRC collaborate to develop the robotic welding cell within a Nuclear Industry Technology Demonstration Facility. In addition, K-TIG will own all Intellectual Property developed by the project
- Continuing to investigate opportunities in the Nuclear sector in the United Kingdom
- Established UK operations and appointed two senior business development executives to drive the UK and European market expansion
- K-TIG successfully welded the armoured steel provided by and joint geometries specified by Hanwha Defense Australia and Hanwha Defense Corporation; following the previously announced MOU
- Actively progressed the engagement with Defence Primes in the Australian Maritime Defence sector to target lightweight structures of current award contracts
- Signed distributor agreements across Europe, South East Asia, the Middle East and the United States
- K-TIG's ongoing in-house R&D development and in conjunction with customers in the development of Evolve 3 Controller to support optional advanced functionality, development of other features including weld inspection, automated seam tracking, robotic interfaces and multi torch applications, development of turnkey welding cells integrating K-TIG systems
- Strengthened the executive management team to support continued international growth and allow the business to execute on several strategic fronts

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

K-TIG Limited and Its Controlled Entities
Directors' report
For the year ended 30 June 2022

The Directors present their report, together with the financial statements, on K-TIG Limited ("K-TIG" or "Company") and its controlled entities ("consolidated group") for the ended 30 June 2022.

Directors

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

Stuart Carmichael
Syed Basar Shueb
Adrian Smith
Anthony McIntosh
Trish White
David Acton
Darryl Abotomey

Principal activities

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

Dividends

No dividends were declared or paid out during the financial year (30 June 2021: Nil).

Significant changes in the state of affairs

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

Review of operations

Refer to the Review of Operations in the preceding section.

Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 30 June 2022 that has significantly affected, or may significantly affect the consolidated group's operations, the results of those operations, or the consolidated group's state of affairs in future financial years.

On 29 July 2022, entered into a non-binding MOU with Darchem Engineering Limited (Darchem) regarding intent to novate an Intermediate Level Waste, ILW, Nuclear Storage container contract that Darchem has to K-TIG. Whereby K-TIG to facilitate company technology development and optimise the design and manufacturing process for Intermediate Level Waste Containers.

Likely developments and expected results of operations

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

Environmental regulation

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

K-TIG Limited and Its Controlled Entities
Directors' report
For the year ended 30 June 2022

Information on directors

Name:	Stuart Carmichael
Title:	Non-Executive Chairman (Appointed 30 June 2017)
Qualifications:	B Com, C.A (Aust)
Experience and expertise:	Mr Carmichael has extensive international corporate advisory, mergers and acquisitions, and operational experience. Mr Carmichael held various senior executive leadership positions with UGL, DTZ, AJG and KPMG Corporate Finance. Mr Carmichael has extensive corporate and operational experience across multiple geographies, having lived and worked in the US, UK, Europe, the Middle East and Australia.
	Mr Carmichael's sector experience includes the construction, transportation and logistics, facilities management, corporate real estate and professional services sectors. Mr Carmichael graduated from the University of Western Australia with a Bachelor of Commerce degree, majoring in Accounting and Finance and is a qualified Chartered Accountant.
Other current directorships:	Non-Executive Director of De.mem Limited (ASX:DEM) Non-Executive Director of ClearVue Technologies Limited (ASX:CPV) Non-Executive Director of Harvest Technology Group Limited (ASX:HTG) Non-Executive Director of Oreplore Technologies Limited (ASX:OXT) Non-Executive Director of Osteopore Limited (ASX:OSX) - October 2021 Non-Executive Director of Swick Mining Services Limited (ASX:SWK)- February 2022 Non-Executive Chairman of Schrole Limited (ASX:SCL) - May 2022
Former directorships (last 3 years):	
Name:	Syed Basar Shueb
Title:	Non-Executive Director (Appointed 30 September 2019)
Qualifications:	Bachelor of Science in Computer Engineering
Experience and expertise:	Mr Shueb is the General Manager of the Pal Group of Companies, a subsidiary of the Abu Dhabi-based Royal Group, chaired by His Highness Sheikh Tahnoon Bin Zayed Al Nahyan, and is the Chairman of Royal Falcon Mining LLC. Mr Shueb has extensive experience in the process, manufacturing, fabrication, construction and service industries.
Other current directorships:	-
Former directorships (last 3 years):	-
Name:	Mark Twycross
Title:	Non-Executive Director (Appointed 20 February 2020 – 16 March 2020, from 28 July 2020 – 1 December 2021) Executive Director (Appointed 16 March 2020 – 28 July 2020)
Qualifications:	BSc civil engineering, Grad diploma business, FAICD
Experience and expertise:	Mr Twycross has over 40 years in the energy, oil and gas, water and infrastructure industries in Australasia (Australia, New Zealand and Papua New Guinea), Southeast Asia, the Middle East, Africa, Caspian and United Kingdom. Mr Twycross brings a track record of securing major contracts and contract execution to clients in the oil and gas, and water infrastructure sectors.
	Mr Twycross has previously held senior executive leadership positions with Quanta Services and McConnell Dowell.
Other current directorships:	-
Former directorships (last 3 years):	-

K-TIG Limited and Its Controlled Entities
Directors' report
For the year ended 30 June 2022

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

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

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

Other current directorships: Non-Executive Director UniSA Ventures
Former directorships (last 3 years): -

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

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

Other current directorships: Non-Executive Director of Strategic Energy Resources Limited (ASX:SER)
 Non-Executive Director of Copper Strike Resources Limited (ASX:CSE)
 Non-Executive Director of Koonenberry Gold Limited (ASX:KNB)
Former directorships (last 3 years): Non-Executive Director of Echo Resources Limited (ASX: EAR) – November 2019
 Non-Executive Director of Alice Queen Limited (ASX:AQX) – May 2022

Name: **Trish White**
Title: Non-Executive Director (Appointed 1 December 2021)
Qualifications: AM BE BA DUniv (hc)(Adel) HonFIEAust FAICD
Experience and expertise: Ms White is a professional director and advisor who brings substantial board-level experience in strategy, business development, major project and risk management, acquisition and integration, and corporate governance. Ms White has a unique set of skills and capabilities formed over a career which spanned roles in broadcasting and defence, national infrastructure projects, senior cabinet minister, and senior executive and non-executive directorships.

Ms White is currently Non-Executive Chair of Building Communities Vic Ltd, Non-Executive Director of Flinders Port Holdings Pty Ltd, Non-Executive Director of National Rail Safety Regulator, Non-Executive Director of Hypersonix Launch Systems Ltd, Non-Executive Director of Engineers Australia (formerly Chair and National President) and is a Member of the Executive Council of Ai Group's Industry 4.0 Advanced Manufacturing Forum. Ms White was previously a Non-Executive Director of Australia Post and a former senior cabinet minister in the South Australian Government with portfolios of Transport and Infrastructure, Urban Development and Planning, Science and Information Economy and Education.

Other current directorships: -
Former directorships (last 3 years): -

K-TIG Limited and Its Controlled Entities
Directors' report
For the year ended 30 June 2022

Name: **David Acton**
Title: Non-Executive Director (Appointed 1 December 2021)
Qualifications: Bachelor of Business, CFA
Experience and expertise: Mr Acton has extensive international equity capital markets experience with long-standing relationships with institutional investors both in Australia and internationally.

Mr Acton has been a Senior Advisor at Rothschild Australia with a focus on Equity capital markets since 2017. Prior to 2017, Mr Acton spent 25 years at global investment banks with roles in equity research, distribution and capital markets. Between 2000 and 2016, Mr Acton worked at Goldman Sachs in New York, Singapore and Sydney as an equity specialist advising institutional investors. From 2006 to 2016 Mr Acton was a partner at Goldman Sachs JBWere and a Managing Director at Goldman Sachs where he held board and risk committee roles.

Other current directorships: -
Former directorships (last 3 years): FirstWave Cloud Technology Limited (ASX: FCT) – June 2021

Name: **Darryl Abotomey**
Title: Non-Executive Director (Appointed 4 April 2022)
Qualifications: B.Com, FCPA, MAICD
Experience and expertise: Mr Abotomey brings over 30 years of executive leadership and financial expertise having held Board and executive leadership roles across manufacturing, global paper and packaging distribution and automotive aftermarket industries.

Mr Abotomey was most recently Chief Executive Officer and Managing Director of Bapcor Limited, Asia Pacific's leading provider of vehicle parts, accessories, equipment, service and solutions, where during his 10 years in that role he was instrumental to the successful growth and expansion of the business in line with its strategic growth plan.

Prior to joining Bapcor Limited, Mr Abotomey was CFO of Sunclipse Inc, a subsidiary of Amcor based in the USA and held roles of regional and group general manager at Amcor Fibre Packaging and Amcor Printing Papers Group in Australia, where he was responsible for international trade, including logistics and supply chain. Mr Abotomey also gained extensive experience in strategy, business restructuring, information technology and product launching.

From 2000, Mr Abotomey served as a Board Director and CFO of Paperlinx Limited, where he led the due diligence, funding and settlement negotiations for international acquisitions. He successfully transitioned the business involving multi-country legal, financial, statutory, business culture, cultural, tax and insurance issues.

Between 2006 and 2010, Mr Abotomey served as CFO/COO and Director of the Board of Exego Group Pty Limited (RepcO) and as an independent director of CPI Group Ltd.

Other current directorships: -
Former directorships (last 3 years): Bapcor Limited (ASX: BAP) – December 2021
Tye Soon Limited (SGX: BFU) May 2021 to December 2021

K-TIG Limited and Its Controlled Entities
Directors' report
For the year ended 30 June 2022

Interests in the securities of the group

Director	Ordinary Shares ⁽¹⁾	Options ⁽²⁾	Performance Rights ⁽³⁾	Long Term Incentive ⁽⁴⁾
Stuart Carmichael	175,438	370,000	1,500,000	-
Syed Basar Shueb	2,528,155	180,000	1,500,000	-
Mark Twycross	40,000	180,000	1,500,000	-
Adrian Smith	1,100,000	180,000	-	3,500,000
Anthony McIntosh	975,000	180,000	1,500,000	-
Trish White	-	-	-	-
David Acton	-	-	-	-
Darryl Abotomey	-	-	-	-
	4,818,593	1,090,000	6,000,000	3,500,000

⁽¹⁾ Ordinary shares are fully paid

⁽²⁾ Unlisted options exercisable at \$0.30 per option, expiring 30 Sep 2023

⁽³⁾ Performance rights per director, 500,000 class A, 500,000 class B and 500,000 class C

⁽⁴⁾ Vesting long-term incentive shares

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

Joint company secretary

Brett Tucker (Appointed 5 January 2017)

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

Deborah Ho (Appointed 31 January 2019)

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

Meetings of directors

The number of meetings of the Company's Board of Directors ('the Board') and each Board committee held during the year ended 30 June 2022, and the number of meetings attended by each director was:

Name	Board Meeting		Audit & Risk Committee ⁽¹⁾	
	Held	Attended	Held	Attended
Stuart Carmichael	15	15	-	-
Syed Basar Shueb	15	-	-	-
Mark Twycross	7	7	-	-
Adrian Smith	15	15	-	-
Anthony McIntosh	15	14	-	-
Trish White	7	7	-	-
David Acton	7	7	-	-
Darryl Abotomey	3	3	-	-

⁽¹⁾ These are conducted by the Board as a whole, as part of board meetings

Remuneration report (audited)

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

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

K-TIG Limited and Its Controlled Entities
Directors' report
For the year ended 30 June 2022

Remuneration report audited (continued)

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

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

Principles used to determine the nature and amount of remuneration

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

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

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

Non-executive directors' remuneration

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

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

The maximum aggregate amount which has been approved to be paid to non-executive Directors is currently set at A\$500,000 per annum.

Executive directors

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

Chairman's fees

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

Additional fees

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

Retirement allowances for directors

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

Remuneration report audited (continued)

Executive remuneration

Compensation objectives

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

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

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

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

Compensation components

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

Base salary

A primary element of the Company's compensation program is base salary. The Company believes a competitive base salary is necessary to attract and retain qualified executive officers. Accordingly, the amount payable to an executive officer is determined based on the scope of their responsibilities and prior experience while considering an informal evaluation of competitive market compensation for similar positions and overall market demand for such executives at the time of hire.

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

Cash bonus plan

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

Long-term equity incentives

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

Voting and comments made at the Company's 2021 Annual General Meeting ('AGM')

At the 2021 AGM, 98.47% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2021. The Company did not receive any specific feedback at the AGM regarding its remuneration practices.

Details of remuneration

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

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

K-TIG Limited and Its Controlled Entities
Directors' report
For the year ended 30 June 2022

Remuneration report audited (continued)

2022	Salary & Fees	Cash Bonus ⁽¹⁾	Other Fees	Super-annuation	Equity-Settled Options	Total
Stuart Carmichael	74,583	-	-	7,458	61,207	143,248
Syed Basar Shueb	49,583	-	-	4,958	61,207	115,748
Mark Twycross ⁽²⁾	17,500	-	-	(831)	61,207	77,876
Adrian Smith	350,000	262,500	-	35,000	493,118	1,140,618
Anthony McIntosh	49,583	-	-	4,958	61,207	115,748
Trish White ⁽³⁾	35,000	-	-	3,500	-	38,500
David Acton ⁽⁴⁾	35,000	-	-	3,500	-	38,500
Darryl Abotomey ⁽⁵⁾	15,000	-	-	1,500	-	16,500
	626,249	262,500	-	60,043	737,946	1,686,738

⁽¹⁾ Cash bonus related to mutually agreed revenue and operational KPI's being met at a maximum of 75% of base salary per Executive Services Agreement as approved by shareholders

⁽²⁾ Appointed 20 February 2020, resigned 1 December 2021

⁽³⁾ Appointed 1 December 2021

⁽⁴⁾ Appointed 1 December 2021

⁽⁵⁾ Appointed 4 April 2022

2021	Salary & Fees	Cash Bonus	Other Fees	Super-annuation	Equity-Settled Options	Total
Stuart Carmichael	60,000	-	10,820	5,700	118,594	195,114
Syed Basar Shueb	32,375	-	-	3,076	118,594	154,045
Mark Twycross	40,000	-	5,000	-	118,594	163,594
Adrian Smith	273,249	175,000	9,375	22,167	403,530	883,321
Anthony McIntosh	35,680	-	-	3,390	118,594	157,664
Trish White	-	-	-	-	-	-
David Acton	-	-	-	-	-	-
Darryl Abotomey	-	-	-	-	-	-
	441,304	175,000	25,195	34,333	877,906	1,553,738

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

Name	Fixed Remuneration		At Risk - STI		At Risk - LTI	
	2022	2021	2022	2021	2022	2021
Stuart Carmichael	57%	39%	-	-	43%	61%
Syed Basar Shueb	47%	23%	-	-	53%	77%
Mark Twycross	21%	28%	-	-	79%	72%
Adrian Smith	34%	80%	23%	20%	43%	-
Anthony McIntosh	47%	25%	-	-	53%	75%
Trish White	100%	-	-	-	-	-
David Acton	100%	-	-	-	-	-
Darryl Abotomey	100%	-	-	-	-	-

Cash bonuses are dependent on meeting defined performance measures. Adrian Smith is entitled to an STI cash bonus of up to 75% of base salary (excluding super) payable each anniversary (01 November) subject to the satisfaction of mutually agreed revenue and operational KPI's. The Board has approved the maximum 75% of base salary payable, and the bonus is accrued evenly up to 30 June 2022 on this basis. The bonus is payable on the anniversary of the commencement of employment as Managing Director.

Service agreements

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

K-TIG Limited and Its Controlled Entities
Directors' report
For the year ended 30 June 2022

Remuneration report audited (continued)

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

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

Share-based compensation

Issue of shares

No ordinary shares were issued to directors and other key management personnel as part of compensation during the year ended 30 June 2022.

Performance rights

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

Name	Number of Performance Rights Granted	Grant Date	Milestone Date	Expiry Date	Exercise Price	Fair Value per Performance Right at Grant Date
Stuart Carmichael		27/11/2020		22/12/2025		
- Class A	500,000		Before 1 Apr 2021		\$ -	\$0.0995
- Class B	500,000		Before 1 Oct 2021		\$ -	\$0.1252
- Class C	500,000		Before 1 Oct 2022		\$ -	\$0.1563
Syed Shueb		27/11/2020		22/12/2025		
- Class A	500,000		Before 1 Apr 2021		\$ -	\$0.0995
- Class B	500,000		Before 1 Oct 2021		\$ -	\$0.1252
- Class C	500,000		Before 1 Oct 2022		\$ -	\$0.1563
Mark Twycross		27/11/2020		22/12/2025		
- Class A	500,000		Before 1 Apr 2021		\$ -	\$0.0995
- Class B	500,000		Before 1 Oct 2021		\$ -	\$0.1252
- Class C	500,000		Before 1 Oct 2022		\$ -	\$0.1563
Anthony McIntosh		27/11/2020		22/12/2025		
- Class A	500,000		Before 1 Apr 2021		\$ -	\$0.0995
- Class B	500,000		Before 1 Oct 2021		\$ -	\$0.1252
- Class C	500,000		Before 1 Oct 2022		\$ -	\$0.1563

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

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

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

K-TIG Limited and Its Controlled Entities
Directors' report
For the year ended 30 June 2022

Remuneration report audited (continued)

Tranche 1 had already vested before the relevant milestone date of 1 April 2021, and Tranche 2 has already vested before the relevant milestone date of 1 October 2021. Accordingly, the holders had not exercised the vested performance rights as of 30 June 2022.

Mark Twycross resigned as a director on 1 December 2022. The board exercised their discretion to remove the service conditions of his unvested (class c) performance shares. This modification has no impact on the fair value of the performance rights or the other vesting conditions

The share-based payment expense recognised concerning performance rights over ordinary shares granted and the value of performance rights exercised and lapsed for directors and other key management personnel as part of compensation during the year ended 30 June 2022 are set out below:

Name	Shared-Based Payment expense of Performance Rights during the Year \$	Value of Performance Rights Exercised during the Year \$	Value of Performance Rights Lapsed during the Year \$	Remuneration Consisting of Performance Rights for the Year %
Stuart Carmichael	61,207	-	-	43%
Syed Basar Shueb	61,207	-	-	53%
Mark Twycross	61,207	-	-	79%
Anthony McIntosh	61,207	-	-	53%
	244,828	-	-	

Options

No options were granted to directors and other key management personnel as part of compensation during the year ended 30 June 2022.

Long-term incentive shares

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

Name	Number of Long Term Incentive Share	Grant Date	Vesting Date	Fair Value per Share at Grant Date
Adrian Smith				
- Tranche 1	1,000,000	27/11/2020	01/11/2021	\$0.27
- Tranche 2	1,500,000	27/11/2020	01/11/2022	\$0.27
- Tranche 3	2,000,000	27/11/2020	01/11/2023	\$0.27

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

The share-based payment expense recognised concerning long-term incentive shares granted and the value of long-term incentive shares lapsed for directors and other key management personnel as part of compensation during the year ended 30 June 2022 are set out below:

Long-Term Incentive Shares	Balance at the Start of the Year	Number of Long-Term Incentive Shares Converted to Ordinary Shares during the Year	Balance at the End of the Year
Adrian Smith	4,500,000	1,000,000	3,500,000

K-TIG Limited and Its Controlled Entities
Directors' report
For the year ended 30 June 2022

Remuneration report audited (continued)

Name	Shared-Based Payment expense of Long-Term Incentive Shares Vested during the Year \$	Value of Long Term Incentive Shares Lapsed during the Year \$	Remuneration Consisting of Long Term Incentive Shares for the Year %
Adrian Smith	493,118	-	43%

Additional disclosures relating to key management personnel

Shareholding

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

Ordinary Shares	Balance at the Start of the Year	Balance at Appointment	Conversion of Long Term Incentive Shares to Ordinary Shares	Additions / Other	Disposals / Other	Balance at the End of the Year
Stuart Carmichael	175,438	-	-	-	-	175,438
Syed Basar Shueb	2,528,155	-	-	-	-	2,528,155
Mark Twycross	40,000	-	-	-	-	40,000
Adrian Smith	100,000	-	1,000,000	-	-	1,100,000
Anthony McIntosh	975,000	-	-	-	-	975,000
Trish White	-	-	-	-	-	-
David Acton	-	-	-	-	-	-
Darryl Abotomey	-	-	-	-	-	-
	3,818,593	-	1,000,000	-	-	4,818,593

Performance rights holding

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

Performance Rights over Ordinary Shares	Balance at the Start of the Year⁽¹⁾	Granted upon Appointment	Additions / Other	Exercised	Lapsed	Balance at the End of the Year
Stuart Carmichael	1,500,000	-	-	-	-	1,500,000
Syed Basar Shueb	1,500,000	-	-	-	-	1,500,000
Mark Twycross	1,500,000	-	-	-	-	1,500,000
Adrian Smith	-	-	-	-	-	-
Anthony McIntosh	1,500,000	-	-	-	-	1,500,000
Trish White	-	-	-	-	-	-
David Acton	-	-	-	-	-	-
Darryl Abotomey	-	-	-	-	-	-
	6,000,000	-	-	-	-	6,000,000

⁽¹⁾ 4,000,000 performance rights (1,000,000 per each key management personnel holding these rights) had vested and were exercisable at 30 June 2022

K-TIG Limited and Its Controlled Entities
Directors' report
For the year ended 30 June 2022

Remuneration report audited (continued)

Option holding

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

Options over Ordinary Shares	Balance at the Start of the Year ⁽¹⁾	Granted upon Appointment	Additions / Other	Exercised	Lapsed	Balance at the End of the Year
Stuart Carmichael	370,000	-	-	-	-	370,000
Syed Basar Shueb	180,000	-	-	-	-	180,000
Mark Twycross	180,000	-	-	-	-	180,000
Adrian Smith	180,000	-	-	-	-	180,000
Anthony McIntosh	180,000	-	-	-	-	180,000
Trish White	-	-	-	-	-	-
David Acton	-	-	-	-	-	-
Darryl Abotomey	-	-	-	-	-	-
	1,090,000	-	-	-	-	1,090,000

⁽¹⁾ All options are exercisable at 30 June 2022

Long-term incentive shares holding

Following approval by shareholders at the Company's Annual General Meeting on 27 November 2020, Mr Smith is earning up to 4,500,000 ordinary shares in the Company. Long-term incentive shares of 1,000,000 were converted to ordinary shares during the financial year (30 June 2021: nil).

Other transactions with key management personnel and their related parties

During the financial year, payments for company secretarial, accounting and corporate advisory fees, totalling \$120,730 (30 June 2021: \$96,531), were made to Ventnor Capital Pty Ltd (the director-related entity of Mr Carmichael). The current trade and other payable balance as at 30 June 2022 was nil (30 June 2021: \$12,230). All transactions were made on normal commercial terms and conditions and at market rates.

No related party loans were held or provided by the Company at any time during the financial year (30 June 2021: nil).

This concludes the remuneration report, which has been audited.

Additional information

The earnings of the consolidated group for the five years to 30 June 2022 are summarised below:

	2022 \$	2021 \$	2020 \$	2019 \$	2018 \$
Sales revenue	3,702,512	1,561,556	333,366	1,069,198	2,236,196
EBITDA	(5,767,474)	(4,233,702)	(8,245,702)	(1,641,599)	(33,018)
EBIT	(5,954,261)	(4,473,399)	(8,407,290)	(1,686,617)	(101,189)
Loss after income tax	(5,962,663)	(4,482,667)	(8,411,825)	(1,690,187)	(105,787)

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

	2022 \$	2021 \$	2020 \$	2019 \$	2018 \$
Share price at financial year end (\$) ⁽¹⁾	0.25	0.44	0.19	-	-
Total dividends declared (cents per share) ⁽¹⁾	-	-	-	-	-
Basic loss per share (cents per share) ⁽¹⁾	(3.43)	(2.76)	(6.97)	-	-

⁽¹⁾ Despite the consolidated group applying the continuation method of accounting for the acquisition of Keyhole TIG Ltd in the financial year ended 30 June 2020, the TSR factors have not been presented for financial years before 30 June 2020 due to incomparable operations and capital structures.

K-TIG Limited and Its Controlled Entities
Directors' report
For the year ended 30 June 2022

Shares under option

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

Unissued ordinary shares	Grant Date	Expiry Date	Exercise Price	Number under Option
	30/09/2019	30/09/2023	\$0.30	5,472,152
	30/09/2019	30/09/2023	\$0.30	960,000
	30/09/2019	30/09/2023	\$0.30	180,000

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

Shares issued on the exercise of options

There were no shares issued of K-TIG Limited during the year ended 30 June 2022 and up to the date of this report on the exercise of options granted:

Shares issued on exercise of options	Date Options Granted	Exercise Price	Number under Option
	29/01/2018	\$0.23	2,101,428

Indemnity and insurance of officers

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

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

Indemnity and insurance of auditor

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

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

Proceedings on behalf of the Company

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

Non-audit services

There were a total of \$2,352 in non-audit services provided during the financial year by the auditor (30 June 2021: \$6,332).

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

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

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

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

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

K-TIG Limited and Its Controlled Entities
Directors' report
For the year ended 30 June 2022

Auditor's independence declaration

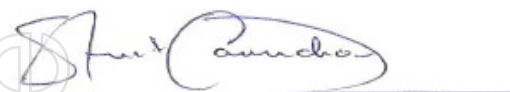
A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

Auditor

BDO Audit Pty Ltd was appointed at the last AGM, a change from BDO Audit (SA) Pty Ltd. BDO Audit Pty Ltd continues in office in accordance with section 327 of the Corporations Act 2001.

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

On behalf of the directors



Stuart Carmichael
Chairman

30 August 2022
Perth

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

As lead auditor of K-TIG Limited for the year ended 30 June 2022, I declare that, to the best of my knowledge and belief, there have been:

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

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



G K Edwards
Director

BDO Audit Pty Ltd

Adelaide, 30 August 2022

K-TIG Limited and Its Controlled Entities
Consolidated statement of profit or loss and other comprehensive income
For the year ended 30 June 2022

		Consolidated	
	Note	2022	2021
		\$	\$
Sales revenue	3	3,702,512	1,561,556
Cost of sales		(1,427,035)	(780,887)
Gross profit/(loss)		2,275,477	780,669
Other income	4	190,583	86,300
Expenses			
Marketing expenses		(494,464)	(216,762)
Corporate expense		(1,381,117)	(1,066,798)
Service expense		(453,022)	(301,808)
Employee benefits expense		(5,544,729)	(3,386,383)
Office/workshop expense		(292,907)	(203,436)
Travel expense		(189,891)	(41,845)
R&D expense		(59,067)	(102,028)
Other expenses		(13,526)	(30,576)
Total operating expenses		(8,428,722)	(5,349,636)
(Loss) before income tax expense		(5,962,663)	(4,482,667)
Income tax expense	6	-	-
(Loss) for the year		(5,962,663)	(4,482,667)
Other comprehensive income / (expense)		18,474	(13,141)
Total comprehensive loss for the year		(5,944,188)	(4,495,808)
		Cents	Cents
Loss per share to owners of K-TIG Limited			
Basic loss per share	32	(3.43)	(2.76)
Diluted loss per share	32	(3.35)	(2.76)

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

K-TIG Limited and Its Controlled Entities
Consolidated statement of financial position
As at 30 June 2022

		Consolidated	
	Note	2022	2021
		\$	\$
Assets			
Current assets			
Cash and cash equivalents	7	3,726,745	5,067,638
Trade and other receivables	8	856,547	884,729
Inventories	9	1,309,187	573,144
Financial assets		40,000	40,000
Total current assets		5,932,479	6,565,511
Non-current assets			
Other receivables	8	14,150	14,150
Property, plant and equipment	10	426,366	547,699
Right-of-use-assets	11	437,320	80,458
Intangibles	12	30,876	41,933
Total non-current assets		908,712	684,240
Total assets		6,841,191	7,249,751
Liabilities			
Current liabilities			
Trade and other payables	13	1,211,147	874,878
Amounts received in advance	14	322,256	170,945
Lease Liabilities	15	77,730	85,209
Employee benefits	16	199,935	190,299
Total current liabilities		1,811,068	1,321,331
Non-current liabilities			
Lease liabilities	15	359,590	-
Employee benefits	16	16,715	13,107
Total non-current liabilities		376,305	13,107
Total liabilities		2,187,373	1,334,438
Net assets		4,653,818	5,915,313
Equity			
Issued capital	17	27,299,303	23,443,733
Share based payment reserve	18	2,566,786	1,739,664
Foreign currency translation reserve		5,335	(13,141)
Accumulated losses		(25,217,606)	(19,254,943)
Total Equity		4,653,818	5,915,313

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

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

	Issued Capital	Shared Based Payments Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Total
Consolidated	\$	\$	\$	\$	\$
Balance at 1 July 2020	17,732,901	871,990	-	(14,772,276)	3,832,615
Loss for the year	-	-	-	(4,482,667)	(4,482,667)
Other comprehensive expenses for the year	-	-	(13,141)	-	(13,141)
Total comprehensive loss for the year	-	-	(13,141)	(4,482,667)	(4,495,808)

Transactions with owners in their capacity as owners:

Issue of shares, net of transaction costs	5,042,503	-	-	-	5,042,503
Issue of shares to directors, net of transaction costs	185,000	-	-	-	185,000
Share-based payments - performance rights, net of transaction costs	-	464,144	-	-	464,144
Share-based payments - long term incentive shares	-	403,530	-	-	403,530
Exercise of share options	483,329	-	-	-	483,329
Balance at 30 June 2021	23,443,733	1,739,664	(13,141)	(19,254,943)	5,915,313

	Issued Capital	Shared Based Payments Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Total
Consolidated	\$	\$	\$	\$	\$
Balance at 1 July 2021	23,443,733	1,739,664	(13,141)	(19,254,943)	5,915,313
Loss for the year	-	-	-	(5,962,663)	(5,962,663)
Other comprehensive income/(expenses) for the year	-	-	18,476	-	18,476
Total comprehensive loss for the year	-	-	18,476	(5,962,663)	(5,944,186)

Transactions with owners in their capacity as owners

Issue of shares, net of transaction costs	3,585,570	-	-	-	3,585,570
Share-based payments - performance rights, net of transaction costs	-	1,097,121	-	-	1,097,121
Share-based payments - long term incentive shares	270,000	(270,000)	-	-	-
Balance at 30 June 2022	27,299,303	2,566,785	5,335	(25,217,606)	4,653,818

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

K-TIG Limited and Its Controlled Entities
Consolidated statement of cash flows
For the year ended 30 June 2022

	Note	Consolidated	
		2022	2021
		\$	\$
Cash flows from operating activities		4,068,951	946,274
Receipts from customers		(8,747,202)	(4,789,786)
Payments to suppliers and employees		(4,678,251)	(3,843,512)
Interest received		683	1,824
Other income		2,953	84,476
Interest and other finance costs paid		(8,402)	(9,268)
Net cash used / (provided) in operating activities	29	(4,683,017)	(3,766,480)
Cash flows from investing activities			
Payments for financial assets		-	(40,000)
Payments for property, plant and equipment		(154,526)	(232,173)
Net cash used in investing activities		(154,526)	(272,173)
Cash flows from financing activities			
Proceeds from issue of shares		3,585,570	5,710,832
Payments for rights issue cost		-	(10,232)
Repayment of lease liabilities	31	(88,920)	(87,888)
Net cash provided / (used) by financing activities		3,496,650	5,612,712
Net increase / (decrease) in cash and cash equivalents		(1,340,893)	1,574,059
Cash and cash equivalents at beginning of period		5,067,638	3,493,579
Cash and cash equivalents at end of the period	7	3,726,745	5,067,638

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

K-TIG Limited and Its Controlled Entities
Notes to the financial statements
For the year ended 30 June 2022

Note 1. Significant accounting policies

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

New or amended Accounting Standards and Interpretations adopted

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

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

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

Basis of preparation

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

For the year ended 30 June 2022, the consolidated group reported a loss of \$5.9m (2021: \$4.4m loss) and cash used in operating activities of \$4.7m (2021: \$3.7m cash used). Notwithstanding these events, the Directors believe that it is reasonably foreseeable that the consolidated entity will continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the financial report; having prepared forecast cashflow information for a period of least 12 months from the end of the reporting period, taking into consideration plausible downside scenarios. Key to these forecasts are relevant assumptions regarding the group's business in particular:

- Continued revenue growth as a result of having established operations in key markets such as the UK and USA
- Careful cashflow management, including controlling discretionary spending
- The receipt of R&D tax incentives claims for eligible expenditure incurred in the year ended 30 June 2022

Accordingly, the Directors believe that the consolidated entity will be able to continue as a going concern and that it is appropriate to adopt the going concern basis in preparing the financial report.

Historical cost convention

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

Critical accounting estimates

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

Equity structure

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

Earnings per share

The weighted average number of shares outstanding for the year ended 30 June 2022 is based on the combined weighted average number of shares of the K-TIG Limited consolidated group outstanding in the year.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements only present the consolidated group's results. Supplementary information about the legal parent entity is disclosed in Note 26.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of K-TIG Limited ('company' or 'parent entity') as at 30 June 2022, and the results for the year then ended. K-TIG Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated group'.

K-TIG Limited and Its Controlled Entities
Notes to the financial statements
For the year ended 30 June 2022

Note 1. Significant accounting policies (continued)

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

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

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

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

Operating segments

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

Foreign currency translation

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

Foreign currency transactions

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

Revenue recognition

The consolidated group recognises revenue as follows:

Revenue from contracts with customers

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

Sale of goods

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

Rendering of services

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

Revenue from government grants

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

K-TIG Limited and Its Controlled Entities
Notes to the financial statements
For the year ended 30 June 2022

Note 1. Significant accounting policies (continued)

WaaS

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

Interest

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

Other revenue

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

Income tax

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

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

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

Deferred tax assets are recognised for temporary deductible differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

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

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

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

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

K-TIG Limited and Its Controlled Entities
Notes to the financial statements
For the year ended 30 June 2022

Note 1. Significant accounting policies (continued)

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

Current and non-current classification

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

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

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

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

Cash and cash equivalents

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

Trade and other receivables

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

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

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

Inventories

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

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

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

Financial assets

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

K-TIG Limited and Its Controlled Entities
Notes to the financial statements
For the year ended 30 June 2022

Note 1. Significant accounting policies (continued)

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

Impairment of financial assets

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

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

Property, plant and equipment

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

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

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

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

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

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

Right-of-use assets

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

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

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

Note 1. Significant accounting policies (continued)

Intangible assets

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

Patents and trademarks

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

Impairment of non-financial assets

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

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

Trade and other payables

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

Borrowings

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

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

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

Leases

As a lessee

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

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

K-TIG Limited and Its Controlled Entities
Notes to the financial statements
For the year ended 30 June 2022

Note 1. Significant accounting policies (continued)

As a lessor

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

Lease liabilities

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

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

Finance costs

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

Provisions

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

Employee benefits

Short-term employee benefits

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

Other long-term employee benefits

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

Defined contribution superannuation expense

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

Share-based payments

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

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

K-TIG Limited and Its Controlled Entities
Notes to the financial statements
For the year ended 30 June 2022

Note 1. Significant accounting policies (continued)

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

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

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

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

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

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

Fair value measurement

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

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

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

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is unavailable, or the valuation is deemed significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in the fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

Issued capital

Ordinary shares are classified as equity.

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

K-TIG Limited and Its Controlled Entities
Notes to the financial statements
For the year ended 30 June 2022

Note 1. Significant accounting policies (continued)

Dividends

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

Business combinations

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

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

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

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

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

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

Earnings per share

Basic earnings per share

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

Diluted earnings per share

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

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

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

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

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

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

K-TIG Limited and Its Controlled Entities
Notes to the financial statements
For the year ended 30 June 2022

Note 1. Significant accounting policies (continued)

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory have not been adopted early by the consolidated group for the annual reporting period ended 30 June 2022. Accordingly, the consolidated group has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

Note 2. Critical accounting judgements, estimates and assumptions

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

Share-based payment transactions

The consolidated group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would not impact the carrying amounts of assets and liabilities within the next annual reporting period. Still, they may impact profit or loss and equity.

Allowance for expected credit losses

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

Estimation of useful lives of assets

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

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

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

Lease term

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

Incremental borrowing rate

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

K-TIG Limited and Its Controlled Entities
Notes to the financial statements
For the year ended 30 June 2022

Employee benefits provision

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

Note 3. Revenue

Revenue from contracts with customers

	Consolidated	
	2022	2021
	\$	\$
Sale of goods	3,380,832	1,163,208
Rendering services	179,676	184,973
Other trading revenue	18,267	51,363
	<u>3,578,775</u>	<u>1,399,544</u>
Revenue from Waas lessor arrangements	123,737	162,012
	<u>3,702,512</u>	<u>1,561,556</u>

Disaggregation of revenue

The disaggregation of revenue from contracts with the customer is as follows:

Geographical regions

	Consolidated	
	2022	2021
	\$	\$
United States	1,089,414	716,733
Australia	932,099	322,443
Asia Pacific (including New Zealand)	706,998	181,715
Rest of the World	516,385	116,092
United Kingdom	457,616	224,573
	<u>3,702,512</u>	<u>1,561,556</u>

Timing of revenue recognition

	Consolidated	
	2022	2021
	\$	\$
Revenue recognised at a point in time	3,578,775	1,399,544
Revenue recognised over time	123,737	162,012
	<u>3,702,512</u>	<u>1,561,556</u>

Note 4. Other Income

	Consolidated	
	2022	2021
	\$	\$
Interest received	683	1,824
Government grants	-	78,246
Other income	2,892	6,230
Research & development tax incentive	186,947	-
Net gain on disposal of property, plant and equipment	61	-
	<u>190,583</u>	<u>86,300</u>

K-TIG Limited and Its Controlled Entities
Notes to the financial statements
For the year ended 30 June 2022

Note 5. Expenses

Loss before income tax from continuing operations includes the following specific expenses:

Depreciation Expense

Leasehold improvements
Plant and equipment
Computer equipment
WaaS assets
Right-of-use assets

Consolidated	
2022	2021
\$	\$
46,077	53,014
77,958	40,204
25,337	11,891
26,358	35,762
80,458	87,770
<u>256,188</u>	<u>228,641</u>

Amortisation

Amortisation of intangibles

11,057	11,056
<u>11,057</u>	<u>11,056</u>

Impairment Expense

Property, plant and equipment written off

-	29,959
<u>-</u>	<u>29,959</u>

Finance Costs

Interest and finance charges on credit cards and premium financing
Interest and finance charges on lease liabilities

6,810	4,321
1,592	4,947
<u>8,402</u>	<u>9,268</u>

Net Foreign Exchange (Gain) / Loss

Net foreign exchange (gain) / loss

(18,136)	(1,531)
<u>(18,136)</u>	<u>(1,531)</u>

Rent

Rental expenses relating to operating leases not recognised due to short period or low value

57,436	7,332
<u>57,436</u>	<u>7,332</u>

Superannuation Expense

Defined contribution superannuation expense

242,451	138,354
<u>242,451</u>	<u>138,354</u>

Professional Fees

General legal fees

15,625	37,483
<u>15,625</u>	<u>37,483</u>

Share-Based Payment Expense

Performance rights issued to directors
Long-term incentive shares granted to director
Performance rights issued to employees

244,828	474,376
493,118	403,530
360,975	-
<u>1,098,921</u>	<u>877,906</u>

K-TIG Limited and Its Controlled Entities
Notes to the financial statements
For the year ended 30 June 2022

Note 6. Income tax expense

	Consolidated	
	2022	2021
	\$	\$
Loss before income tax expense	(5,962,663)	(4,482,667)
Prima facie tax payable from ordinary activities at 25% (2021: 26%)	(1,490,666)	(1,165,493)
Non-deductible expenses	3,883	82,745
Non-assessable income	(46,737)	(5,200)
Share based payments	274,730	228,526
Deferred tax asset not recognised	1,258,789	859,692
Income tax expense	-	-

Deductible temporary differences, unused tax losses and unused tax credits for which no deferred tax assets have been recognised due to the uncertainty of future recovery. A re-assessment was carried out of unused tax losses from prior periods before the reverse takeover in September 2019; the balances are as follows:

	Consolidated	
	2022	2021
	\$	\$
Unused tax losses - revenue	17,352,438	8,912,558
Unused tax losses - capital	2,181,918	2,181,919
Deductible temporary differences	5,669,646	1,050,717
	25,204,002	12,145,194
Potential benefit at 25% (2021: 26%)	6,301,001	3,157,750

Note 7. Cash and cash equivalents

	Consolidated	
	2022	2021
	\$	\$
Cash at bank	3,726,745	5,067,638

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

	Consolidated	
	2022	2021
	\$	\$
Australian dollar	3,298,056	4,493,823
British pound	95,331	-
Euro	77,454	147,512
United states dollar	255,904	426,303
	3,726,745	5,067,638

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

Note 8. Trade and other receivables

		Consolidated	
		2022	2021
		\$	\$
Current			
Trade Receivables			
Trade receivables		322,956	685,117
Provision for expected losses		(10,071)	-
		<u>312,884</u>	<u>685,117</u>
Other Receivables			
GST receivables		86,547	54,972
Prepayments		217,688	144,299
Other receivables		239,428	341
		<u>543,663</u>	<u>199,612</u>
Trade and Other Receivables		<u>856,547</u>	<u>884,729</u>
Non-current			
Other Receivables			
Other receivables		14,150	14,150
		<u>14,150</u>	<u>14,150</u>

Allowance for expected credit losses

The consolidated group has recognized \$10,071 (30 June 2021: Nil) in profit or loss in respect of the expected credit losses for the year ended 30 June 2022 due to the upfront nature of equipment sales.

Consolidated	Expected Credit Loss Rate		Carrying Amount		Allowance for Expected Credit Losses	
	2022	2021	2022	2021	2022	2021
	%	%	\$	\$	\$	\$
Not overdue	0%	0%	32,917	613,119	-	-
0 to 3 months overdue	0%	0%	137,949	63,352	-	-
3 to 6 months overdue	0%	0%	142,019	8,383	-	-
Over 6 months overdue	100%	0%	10,071	263	10,071	-
			<u>322,956</u>	<u>685,117</u>	<u>10,071</u>	<u>-</u>

Note 9. Inventories

		Consolidated	
		2022	2021
		\$	\$
Materials and components		776,438	243,500
Finished goods		265,098	59,133
Goods in transit		267,651	270,511
		<u>1,309,187</u>	<u>573,144</u>

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

Note 10. Property, plant and equipment

	Consolidated	
	2022	2021
	\$	\$
Leasehold improvements - at cost	183,307	183,307
Less: Accumulated depreciation	(183,285)	(137,208)
	22	46,099
Plant and equipment - at cost	449,015	374,133
Less: Accumulated depreciation	(175,723)	(97,765)
	273,292	276,368
Computer and equipment - at cost	132,673	53,196
Less: Accumulated depreciation	(55,425)	(30,088)
	77,248	23,108
WaaS assets - at cost	121,266	241,287
Less: Accumulated depreciation	(45,463)	(39,163)
	75,804	202,124
	426,366	547,699

Reconciliations

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

Consolidated	Leasehold Improvement	Plant and Equipment	Computer Equipment	WaaS Assets	Total
Balance as at 30 June 2020	94,426	108,730	9,725	266,361	479,242
Additions	4,687	202,211	25,275	-	232,173
Disposals	-	(29,959)	-	-	(29,959)
Transfer from / to inventory	-	35,589	-	(28,475)	7,114
Depreciation expense	(53,014)	(40,204)	(11,891)	(35,762)	(140,871)
Balance as at 30 June 2021	46,099	276,368	23,108	202,124	547,699
Additions	-	74,882	79,477	-	154,359
Disposals	-	-	-	(99,962)	(99,962)
Depreciation expense	(46,077)	(77,958)	(25,337)	(26,358)	(175,730)
Balance as at 30 June 2022	22	273,292	77,248	75,804	426,366

Note 11. Right-of-use assets

	Consolidated	
	2022	2021
	\$	\$
Land and buildings	437,320	255,998
Less: Accumulated depreciation	-	(175,540)
	437,320	80,458

The consolidated group leases land and buildings for its Adelaide office and warehouse under an agreement. Effective 6 June 2020, the final extension on the current lease was exercised for a further two years, with the lease expiring on 5 June 2022. Renewal has been agreed upon with the lessor for a period of five years; we anticipate the agreement will be executed in August 2022. The consolidated group leases office and warehouse equipment under either short-term or low-value agreements, so have been expensed as incurred and not capitalised as right-of-use assets (Note 5).

K-TIG Limited and Its Controlled Entities
Notes to the financial statements
30 June 2020

Note 12. Intangibles

Trademarks - at cost
Less: Accumulated amortisation

Consolidated	
2022	2021
\$	\$
110,569	110,569
(79,693)	(68,636)
<u>30,876</u>	<u>41,933</u>

Reconciliations

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

Balance at 1 July 2021
Amortisation expense

Consolidated	
2022	2021
\$	\$
41,933	52,989
(11,057)	(11,056)
<u>30,876</u>	<u>41,933</u>

Note 13. Trade and other payables

Trade payables
Other payables
Accrued Expenses

Consolidated	
2022	2021
\$	\$
411,148	154,887
438,592	240,067
361,407	479,924
<u>1,211,147</u>	<u>874,878</u>

Refer to note 22 for further information on financial instruments.

Note 14. Amounts received in advance

Sales and service
WaaS advance payment

Consolidated	
2022	2021
\$	\$
322,256	154,611
-	16,334
<u>322,256</u>	<u>170,945</u>

Reconciliation

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

Balance at 01 July
Sales and service
Transfer to revenue
Balance at 30 June

Consolidated	
2022	2021
\$	\$
170,945	114,782
556,172	154,611
(404,861)	(98,448)
<u>322,256</u>	<u>170,945</u>

Unsatisfied performance obligations - Sales and service

The aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied at the end of the reporting period was \$322,256 as at 30 June 2022 (30 June 2021: \$154,611) and is expected to be recognised as revenue in future periods as follows:

K-TIG Limited and Its Controlled Entities
Notes to the financial statements
For the year ended 30 June 2022

Note 14. Amounts received in advance (continued)

Within 6 months
6 to 12 months
1-2 years
2-3 years
3-4 years
4-5 years

Consolidated	
2022	2021
\$	\$
215,810	89,208
18,360	20,512
13,267	6,000
42,757	6,510
29,353	19,445
2,709	12,936
<u>322,256</u>	<u>154,611</u>

WaaS advance payment

The aggregate amount of WaaS amounts received as a prepayment at the end of the reporting period was Nil as at 30 June 2022 (30 June 2021: 16,334)

Within 6 months
6 to 12 months

Consolidated	
2022	2021
\$	\$
-	1,334
-	15,000
<u>-</u>	<u>16,334</u>

Note 15. Lease liabilities

Current
Non-current

Consolidated	
2022	2021
\$	\$
77,730	85,209
359,590	-
<u>437,320</u>	<u>85,209</u>

Balance at 01 July
Additions
Interest expense
Repayments
Balance at 30 June

Consolidated	
2022	2021
\$	\$
85,209	173,097
437,320	-
1,592	4,947
(86,801)	(92,835)
<u>437,320</u>	<u>85,209</u>

Note 16. Employee benefits

Current
Non-current

Consolidated	
2022	2021
\$	\$
199,935	190,299
16,715	13,107
<u>216,650</u>	<u>203,406</u>

Amounts not expected to be settled within the next 12 months

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

K-TIG Limited and Its Controlled Entities
Notes to the financial statements
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Note 17. Issued capital

Consolidated	2022 Shares	2021 Shares	2022 \$	2021 \$
Ordinary shares - fully paid	181,111,261	169,111,261	27,299,303	23,443,733
	<u>181,111,261</u>	<u>169,111,261</u>	<u>27,299,303</u>	<u>23,443,733</u>

Ordinary shares

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

Capital risk management

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

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

Movements in ordinary shares for the financial year

Date	Details	Number of Shares	\$
1 Jul 2021	Balance	144,609,833	17,732,900
16 Sep 2020	Issue of shares under placement	21,660,000	5,415,000
22 Dec 2020	Exercise of options to ordinary shares	740,000	185,000
18 Feb 2021	Exercise of options	5,229	1,203
9 Mar 2021	Exercise of options	17,000	3,910
24 Mar 2021	Exercise of options	43,999	10,120
16 Apr 2021	Exercise of options	96,036	22,088
23 Apr 2021	Exercise of options	153,503	35,306
30 Apr 2021	Exercise of options	1,463,576	336,622
13 May 2021	Exercise of options	322,085	74,080
30 Jun 2021	Share issue costs	-	(372,497)
30 Jun 2021	Balance	<u>169,111,261</u>	<u>23,443,732</u>
1 Nov 2021	Exercise of options to ordinary shares	1,000,000	270,000
28 Feb 2022	Issue of shares under placement	11,000,000	3,850,000
19 Feb 2022	Share issue costs	-	(264,429)
30 Jun 2022	Balance	<u>181,111,261</u>	<u>27,299,303</u>

As at 30 June 2022, up to 30,075,135 deferred consideration shares are to be issued in 3 tranches based on the cumulative revenue over 48 months from 1 January 2020.

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

K-TIG Limited and Its Controlled Entities
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Note 18. Reserves

	Consolidated	
	2022	2021
	\$	\$
Options reserve	871,990	871,990
Performance rights reserve	1,694,796	867,674
	<u>2,566,786</u>	<u>1,739,664</u>

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

Movements in options reserve for the year

Date	Details	Number of Options	\$
1 Jul 2020	Balance	8,713,580	871,990
30 Jun 2021	Exercise of options	(2,101,428)	-
30 Jun 2021	Balance	6,612,152	871,990
30 Jun 2022	Balance	<u>6,612,152</u>	<u>871,990</u>

Movements in performance rights reserve for the year

Date	Details	Number of Performance Rights	\$
1 Jul 2020	Balance	-	-
30 Jun 2021	Issue and vesting of performance right to Directors	6,000,000	877,906
30 Jun 2021	Issue of long term incentive rights to Director	4,500,000	-
30 Jun 2021	Rights issue cost		(10,232)
30 Jun 2021	Balance	10,500,000	867,674
30 Jun 2022	Vesting of performance rights to Directors	-	737,947
30 Jun 2022	Long term incentive rights converted to shares to Director	(1,000,000)	(270,000)
30 Jun 2022	Issue and vesting of performance rights to Staff	1,330,000	360,975
30 Jun 2022	Rights issue cost	-	(1,800)
30 Jun 2022	Balance	<u>10,830,000</u>	<u>1,694,796</u>

Refer to Note 33 for more details on the calculation of the fair value of the performance rights issued and the related share-based payment expense for the year.

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

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

Refer to Note 33 for more details on the calculation of the fair value of the long-term incentive shares granted and the related share-based payment expense for the year.

K-TIG Limited and Its Controlled Entities
Notes to the financial statements
30 June 2020

Note 19. Dividends

No dividends were paid during the financial year ended 30 June 2022 (2021: Nil). Franking credits available for subsequent periods based on a 25% tax rate is Nil (30 June 2021: 26%).

Note 20. Financial instruments

Financial risk management objectives

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

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

Market risk

Foreign currency risk

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

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

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

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

	Assets		Liabilities	
	2022	2021	2022	2021
Consolidated	\$	\$	\$	\$
US dollars	909,162	828,218	214,693	33,937
Euros	127,974	148,908	3,667	-
British pound	122,892	262	52,495	-
	<u>1,160,029</u>	<u>977,388</u>	<u>270,855</u>	<u>33,937</u>

The consolidated group had net financial assets denominated in foreign currencies of \$889,174 as at 30 June 2022 (30 June 2021: net assets \$943,451). Based on this exposure, had the Australian dollar weakened by 10% against these foreign currencies with all other variables held constant, the consolidated group's loss before tax for the year would have been \$88,917 lower (30 June 2021: \$94,345 lower), and equity would have been \$88,917 lower (30 June 2021: \$94,345 lower). The percentage change is the expected overall volatility of the significant currencies, which is based on management's assessment of reasonable possible fluctuations taking into consideration movements over the last 6 months each year and the spot rate at each reporting date. As a result, the actual foreign exchange gain for the year ended 30 June 2022 was \$18,136 (30 June 2021: \$1,531).

Price risk

The consolidated group is not exposed to any significant price risk; refer to the market risk commentary above.

Interest rate risk

There are no loans or borrowings subject to interest rate risk as at 30 June 2022 or 30 June 2021.

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For the year ended 30 June 2022

Note 20. Financial instruments (continued)

Credit risk

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

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

Liquidity risk

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

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

Remaining contractual maturities

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

	Weighted Average Interest Rate	1 Year or Less	Between 1 and 2 years	Between 2 and 5 Years	Over 5 Years	Remaining Contractual Maturities
Consolidated - 2022	%	\$	\$	\$	\$	\$
Non-derivatives						
<i>Non-interest bearing</i>						
Trade payables	-	411,148	-	-	-	411,148
Other payables	-	438,592	-	-	-	438,592
<i>Interest Bearing</i>						
Lease Liabilities	4.94	77,731	83,156	276,433		437,320
		<u>927,471</u>	<u>83,156</u>	<u>276,433</u>	<u>-</u>	<u>1,287,060</u>

	Weighted Average Interest Rate	1 Year or Less	Between 1 and 2 years	Between 2 and 5 Years	Over 5 Years	Remaining Contractual Maturities
Consolidated - 2021	%	\$	\$	\$	\$	\$
Non-derivatives						
<i>Non-interest bearing</i>						
Trade payables	-	120,652	-	-	-	120,652
Other payables	-	149,174	-	-	-	149,174
<i>Interest Bearing</i>						
Lease Liabilities	3.72	92,835	86,801			179,636
		<u>362,661</u>	<u>86,801</u>	<u>-</u>	<u>-</u>	<u>449,462</u>

K-TIG Limited and Its Controlled Entities
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The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

Note 21. Key management personnel disclosures

	Consolidated	
	2022	2021
	\$	\$
Short-term employee benefits	888,749	641,499
Post-employment benefits	60,043	34,333
Long-term benefits	-	-
Share-based payments	737,946	877,906
	<u>1,686,738</u>	<u>1,553,738</u>

Note 22. Remuneration of auditors

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

	Consolidated	
	2022	2021
	\$	\$
<i>Audit services - BDO Audit Pty Ltd</i>		
Audit of financial statements	41,000	49,970
Review of half year financial statements	18,000	15,000
Total audit and review of financial statements	<u>59,000</u>	<u>64,970</u>
<i>Non-Audit services - BDO Services Pty Ltd</i>		
Software licensing and assistance	2,352	6,332
Total non-audit fees	<u>2,352</u>	<u>6,332</u>

Note 23. Contingent assets and liabilities

Contingent assets

No contingent assets are noted as at 30 June 2022 (30 June 2021: Nil).

Contingent liabilities

In the opinion of the Directors, the consolidated group has contingencies concerning deferred consideration shares as at 30 June 2022 (30 June 2021: deferred consideration shares and consultancy services agreement).

Deferred Consideration Shares

During the financial year ended 30 June 2020, K-TIG Limited completed the 100% acquisition of Keyhole TIG Limited. Part of the acquisition consideration includes up to 30,075,135 deferred consideration shares. Refer to Note 17 for terms of consideration shares.

Note 24. Commitments

There are no lessee commitments as at 30 June 2022 related to equipment operating lease commitments (30 June 2021: \$0). The consolidated group has recognized the facility lease commitments as right-of-use assets at its primary place of business. Refer to Note 11 for right-of-use assets.

Lessor commitments receivable

Lessor commitments relate to operating lease payments to be received from WaaS license agreements. Licenses have a minimum term of 0-3 years (generally 3-year minimum terms). As at 30 June 2022, all operating lease payments to be received are payable in US dollars or Euros, and for the purposes of the maturity analysis have been translated at the spot rate at the reporting date. The maturity analysis of undiscounted operating lease payments to be received is below. The lessor commitments receivable include one license with a customer with no minimum term with a maximum term of 10 years, where the maximum term could likely be 5 years.

K-TIG Limited and Its Controlled Entities
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Note 24. Commitments (continued)

Within 1 year
 1-2 years
 2-3 years
 3-4 years

Consolidated	
2022	2021
\$	\$
60,744	283,600
22,540	283,600
-	102,586
-	11,984
<u>83,284</u>	<u>681,770</u>

Note 25. Related party transactions

Parent entity

K-TIG Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in Note 27.

Key management personnel

Disclosures relating to key management personnel are set out in Note 21, and the remuneration report is included in the directors' report.

Transactions with related parties

The following transactions occurred with related parties:

Ventnor Capital Pty Ltd provided company secretarial, accounting and corporate advisory services (director-related entity of Mr Carmichael)

Consolidated	
2022	2021
\$	\$
120,730	96,531
<u>120,730</u>	<u>96,531</u>

Receivable from and payable to related parties:

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

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

Ventnor Capital Pty Ltd provided company secretarial, accounting and corporate advisory services (director-related entity of Mr Carmichael)

Directors fees payable ⁽¹⁾

Director cash bonus payable ⁽²⁾

Consolidated	
2022	2021
\$	\$
120,730	96,531
148,166	62,405
175,000	175,000
<u>443,896</u>	<u>333,936</u>

⁽¹⁾ Director's fees accrued awaiting payment

⁽²⁾ Expected director to achieve defined performance KPI's; payment to be made at the anniversary date (01 November)

Loans to/from related parties

No loans to/from related parties were outstanding as of 30 June 2022 or 30 June 2021.

Terms and conditions

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

K-TIG Limited and Its Controlled Entities
Notes to the financial statements
For the year ended 30 June 2022

Note 26. Parent entity information

Below is supplementary information about the legal parent entity (K-TIG Limited) for the full year ended 30 June 2022.

	Consolidated	
	2022	2021
	\$	\$
<i>Statement of profit / (loss) and other comprehensive income</i>		
Loss after income tax	5,991,505	(5,474,415)
Total comprehensive loss	<u>5,991,505</u>	<u>(5,474,415)</u>
<i>Statement of financial position</i>		
Total current assets	3,315,684	4,481,709
Total non-current assets	-	-
Total assets	<u>3,315,684</u>	<u>4,481,709</u>
Total current liabilities	518,302	375,514
Total non-current liabilities	-	105,846
Total liabilities	<u>518,302</u>	<u>481,360</u>
Net assets / (liabilities)	<u>2,797,382</u>	<u>4,000,349</u>
Equity		
Issued capital	46,671,253	42,815,683
Reserves ⁽¹⁾	5,710,287	4,883,165
Accumulated losses	(49,584,158)	(43,698,499)
Total equity	<u>2,797,382</u>	<u>4,000,349</u>

⁽¹⁾ Relates to option reserve and performance right/performance share reserve

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

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

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2022 and 30 June 2021.

Capital commitments – Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2022 and 30 June 2021.

Significant accounting policies

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

Note 27. Interests in subsidiaries

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

Name	Principal place of business / Country of Incorporation	Ownership Interest	
		2022	2021
		%	%
Kabuni USA Inc.	United States	100%	100%
Stirling Minerals Pty Limited	Australia	100%	100%
Keyhole TIG Pty Limited	Australia	100%	100%
Keyhole TIG (USA) Inc.	United States	100%	100%
Keyhole TIG (UK) Pty Ltd ⁽¹⁾	United Kingdom	100%	-

⁽¹⁾ Keyhole TIG (UK) Pty Ltd was incorporated on 12 July 2021

K-TIG Limited and Its Controlled Entities
Notes to the financial statements
For the year ended 30 June 2020

Note 28. Events after the reporting period

No matter or circumstance has arisen since 30 June 2022 that has significantly affected, or may significantly affect the consolidated group's operations, the results of those operations, or the consolidated group's state of affairs in future financial years.

On 29 July 2022, entered into a non-binding MOU with Darchem Engineering Limited (Darchem) regarding intent to novate an Intermediate Level Waste, ILW, Nuclear Storage container contract that Darchem has to K-TIG. Whereby K-TIG to facilitate company technology development and optimise the design and manufacturing process for Intermediate Level Waste Containers.

Note 29. Reconciliation of profit after income tax to net cash from operating activities

	Consolidated	
	2022	2021
	\$	\$
Loss after income tax expense for the year	(5,962,663)	(4,482,667)
<i>Adjustments for:</i>		
Depreciation	256,241	228,641
Amortisation of trademarks	11,057	11,056
Share based payments	1,098,921	877,906
Property, plant and equipment written-off	-	29,959
<i>Change in operating assets and liabilities:</i>		
(Increase)/decrease in trade receivables	392,508	(698,655)
(Increase)/decrease in other receivables and prepayments	(344,052)	(101,693)
(Increase)/decrease in inventories	(635,914)	(212,251)
Increase/(decrease) in trade payables	336,269	454,642
Increase/(decrease) in income in advance	151,311	56,083
Increase/(decrease) in employee benefits	13,306	70,499
Net cash to (used in) operating activities	<u>(4,683,017)</u>	<u>(3,766,480)</u>

Note 30. Non-cash investing and financing activities

	Consolidated	
	2022	2021
	\$	\$
Share based payments expense	1,098,921	877,906

Note 31. Changes in liabilities arising from financing activities

	Consolidated	
	Lease Liability	Total
	\$	\$
Balance at 30 June 2020	173,097	173,097
Cash (used) in financing activities	(87,888)	(87,888)
Balance at 30 June 2021	<u>85,209</u>	<u>85,209</u>
Additions	437,320	-
Cash (used) in financing activities	<u>(85,209)</u>	<u>(85,209)</u>
Balance at 30 June 2022	<u>437,320</u>	<u>-</u>

K-TIG Limited and Its Controlled Entities
Notes to the financial statements
For the year ended 30 June 2022

Note 32. Loss per share

	Consolidated	
	2022	2021
	\$	\$
Loss after income tax attributable to the owners of K-TIG Limited	(5,962,663)	(4,482,667)
	Cents	Cents
Basic loss per share	(3.43)	(2.76)
Diluted loss per share	(3.35)	(2.76)
	Number	Number
Weighted average number of ordinary shares		
Weighted average number of ordinary shares used in calculating basic loss per share	173,779,754	162,380,579

Note 33. Share-based payments

Options

30 June 2022

No options were granted during the financial year.

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

	Grant Date	Expiry Date	Exercise Price	2022	2021
				Number	Number
	29/01/2018	30/04/2021	\$0.23	-	-
	30/09/2019	30/09/2023	\$0.30	5,472,152	5,472,152
	21/02/2020	30/09/2023	\$0.30	960,000	960,000
	26/06/2020	30/09/2023	\$0.30	180,000	180,000
				<u>6,612,152</u>	<u>6,612,152</u>

2022

Grant Date	Expiry Date	Exercise Price	Balance at the Start of the Year	Granted	Exercised	Expired / Cancelled	Balance at the End of the Year
30/09/2019	30/04/2021	\$0.23	5,472,152	-	-	-	5,472,152
21/02/2020	30/09/2023	\$0.30	960,000	-	-	-	960,000
26/06/2020	30/09/2023	\$0.30	180,000	-	-	-	180,000
			<u>6,612,152</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,612,152</u>

2021

Grant Date	Expiry Date	Exercise Price	Balance at the Start of the Year	Granted	Exercised	Expired / Cancelled	Balance at the End of the Year
29/01/2018	30/04/2021	\$0.23	2,101,428	-	(2,101,428) ⁽¹⁾	-	-
30/09/2019	30/04/2021	\$0.23	5,472,152	-	-	-	5,472,152
21/02/2020	30/09/2023	\$0.30	960,000	-	-	-	960,000
26/06/2020	30/09/2023	\$0.30	180,000	-	-	-	180,000
			<u>8,713,580</u>	<u>-</u>	<u>(2,101,428)</u>	<u>-</u>	<u>6,612,152</u>

⁽¹⁾ Of these options, 233,697 were exercised in accordance with an underwriting agreement.

Note 33. Share-based payments (continued)

Performance Rights

The performance rights are subject to the satisfaction of certain milestones and the Board's discretion as per the tables listed below. Mark Twycross resigned as a director on 1 December 2021. The board exercised their discretion to remove the service conditions of his unvested (class c) performance shares. This modification has no impact on the fair value of the performance rights or the other vesting conditions.

Class	Number of Performance Rights	Milestone	Milestone Date
A	2,000,000	The Company achieving of at least \$0.35 over twenty consecutive trading day period before Milestone Date	1 April 2021
B	2,000,000	The Company achieving of at least \$0.50 over twenty consecutive trading day period before Milestone Date	1 October 2021
C	2,000,000	The Company achieving of at least \$0.70 over twenty consecutive trading day period before Milestone Date	1 October 2022

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

			2022	2021
	Grant Date	Expiry Date	Exercise Price	Number
	27/11/2020	22/12/2025	-	2,000,000
	27/11/2020	22/12/2025	-	2,000,000
				<u>4,000,000</u>

2022

Grant Date	Expiry Date	Exercise Price	Balance at the Start of the Year	Granted	Exercised / Expired / Cancelled	Balance at the End of the Year	Vested at the End of the Year
27/11/2020	22/12/2025	-	2,000,000	-	-	2,000,000	2,000,000
27/11/2020	22/12/2025	-	2,000,000	-	-	2,000,000	2,000,000
27/11/2020	22/12/2025	-	2,000,000	-	-	2,000,000	-
			<u>6,000,000</u>	<u>-</u>	<u>-</u>	<u>6,000,000</u>	<u>4,000,000</u>

2021

Grant Date	Expiry Date	Exercise Price	Balance at the Start of the Year	Granted	Exercised / Expired / Cancelled	Balance at the End of the Year	Vested at the End of the Year
27/11/2020	22/12/2025	-	2,000,000	-	-	2,000,000	2,000,000
27/11/2020	22/12/2025	-	2,000,000	-	-	2,000,000	2,000,000
27/11/2020	22/12/2025	-	2,000,000	-	-	2,000,000	-
			<u>6,000,000</u>	<u>-</u>	<u>-</u>	<u>6,000,000</u>	<u>4,000,000</u>

K-TIG Limited and Its Controlled Entities
Notes to the financial statements
For the year ended 30 June 2022

Note 33. Share-based payments (continued)

Long-term incentive shares

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

2022

Tranche Number	Grant Date	Expiry Date	Exercise Price	Balance at the Start of the Year	Granted	Converted to Ordinary Shares	Balance at the End of the Year
Adrian Smith							
- Tranche 1	27/11/2020	01/11/2021	\$0.27	1,000,000	-	1,000,000	-
- Tranche 2	27/11/2020	01/11/2022	\$0.27	1,500,000	-	-	1,500,000
- Tranche 3	27/11/2020	01/11/2023	\$0.27	2,000,000	-	-	2,000,000
				<u>4,500,000</u>	<u>-</u>	<u>1,000,000</u>	<u>3,500,000</u>

2021

Tranche Number	Grant Date	Expiry Date	Exercise Price	Balance at the Start of the Year	Granted	Converted to Ordinary Shares	Balance at the End of the Year
Adrian Smith							
- Tranche 1	27/11/2020	01/11/2021	\$0.27	-	1,000,000	-	1,000,000
- Tranche 2	27/11/2020	01/11/2022	\$0.27	-	1,500,000	-	1,500,000
- Tranche 3	27/11/2020	01/11/2023	\$0.27	-	2,000,000	-	2,000,000
				<u>-</u>	<u>4,500,000</u>	<u>-</u>	<u>4,500,000</u>

Performance Rights to Staff

The performance rights for staff are subject to the satisfaction of certain milestones; the performance rights are valued using the monte carlo, black scholes methods and KPI milestones. The valuation model inputs used to determine the fair value at the grant date are as follows:

Grant Date	Expiry Date	Share Price at Grant Date	Exercise Price	Expected Volatility	Dividend Yield	Risk-Free Interest Rate	Fair Value at Grant Date
30/04/2021	30/04/2026	\$0.425	-	100%	0%	0.070%	\$0.309
25/06/2021	25/06/2026	\$0.440	-	100%	0%	0.070%	\$0.440
25/06/2021	25/06/2026	\$0.440	-	100%	0%	0.070%	\$0.322
26/06/2021	26/06/2026	\$0.440	-	-	-	-	\$0.440
19/07/2021	19/07/2026	\$0.385	-	100%	0%	0.035%	\$0.385

Performance Rights	Grant Date	Expiry Date	Methodology	Balance at the Start of the Year	Granted	Converted to Ordinary Shares	Balance at the End of the Year
- Tranche 1	30/04/2021	30/04/2026	Monte Carlo	-	150,000	-	150,000
- Tranche 2	25/06/2021	25/06/2026	Black Scholes	-	300,000	-	300,000
- Tranche 3	25/06/2021	01/07/2026	Monte Carlo	-	300,000	-	300,000
- Tranche 4	26/06/2021	01/07/2026	KPI milestone	-	280,000	-	280,000
- Tranche 5	19/07/2021	01/07/2026	Black Scholes	-	300,000	-	300,000
				<u>-</u>	<u>1,330,000</u>	<u>-</u>	<u>1,330,000</u>

Options granted pre 01 July 2021 were considered to be granted during the current period when the employment commenced.

Note 34. Operating Segment

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

**K-TIG Limited and Its Controlled Entities
Directors' Declaration
For the year ended 30 June 2022**

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in Note 1 to the financial statements;
- the attached financial statements and notes give a true and fair view of the consolidated group's financial position as at 30 June 2022 and of its performance for the financial year ended on that date;
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

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

On behalf of the directors



Stuart Carmichael
Chairman

30 August 2022
Perth

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

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of K-TIG Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2022, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

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

- (i) Giving a true and fair view of the Group's financial position as at 30 June 2022 and of its financial performance for the year ended on that date; and
- (ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

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

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

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Share Based Payments

Key audit matter	How the matter was addressed in our audit
<p>During the year ended 30 June 2022, the Company issued employee performance rights ('performance rights') to employees, which were accounted for as share based payments under AASB 2: <i>Share Based Payments</i>. Share-based payments are a complex accounting area including assumptions utilised in the fair value calculations and judgments regarding the performance rights and incentive shares issued during the year. There is a risk in the financial report that amounts are incorrectly recognised and/or inappropriately disclosed. Refer to Note 1 and 2 of the financial report for a description of the accounting policy and significant estimates and judgements applied to these transactions.</p>	<p>Our audit procedures included but were not limited to:</p> <ul style="list-style-type: none"> Evaluating management's assessment of the valuation and recognition of the performance rights. Obtaining an understanding of the key terms and conditions of the performance rights and incentive shares by inspecting relevant agreements. Holding discussions with management to understand the share-based payment arrangements in place and evaluating management's assessment of the likelihood of meeting any condition attached to the performance rights. Assessing the fair value of performance rights determined by an expert management engaged. This included assessing the reasonableness of the key inputs used in the valuation model and valuation methodology. Reviewing the adequacy of the Company's disclosures in respect of the accounting treatment of share-based payments in the financial statements, including the significant judgments involved, and the accounting policy adopted.

Revenue recognition and measurement

Key audit matter	How the matter was addressed in our audit
<p>Refer to Note 3 of the financial report and Note 1 for the accounting policy.</p> <p>For the year ended 30 June 2022 the Group recognised \$3,702,512 (2021: \$1,561,556).</p> <p>Revenue recognition was identified as a key audit matter due to:</p> <ul style="list-style-type: none"> The significance of revenue to the financial report The complex nature and terms of revenue transactions and associated payment arrangements The large size of individual revenue transactions, and Sales being recorded by overseas Group entities. 	<p>Our audit procedures included but were not limited to:</p> <ul style="list-style-type: none"> Understanding and documenting the processes and controls used by the Group in recording revenue Assessing the revenue recognition policy for compliance with AASB 15 Revenues Checking a sample of revenue transactions to evaluate whether they were appropriately recorded as revenue ensuring the amounts recorded agreed to supporting evidence Reviewing the terms and conditions of a sample of executed sales agreements and ensuring that the accounting treatment has been correctly applied Checking, for a sample of revenue in advance amounts, whether the amount recognised in the current period was consistent with services supplied per the terms of the customer agreement

Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2022, but does not include the financial report and the auditor's report thereon, which we obtained prior to the date of this auditor's report, and the annual report, which is expected to be made available to us after that date.

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

In connection with our audit of the financial report, our responsibility is to read the other information 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, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

Responsibilities of the directors for the Financial Report

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

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

Auditor's responsibilities for the audit of the Financial Report

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

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

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 7 to 15 of the directors' report for the year ended 30 June 2022.

In our opinion, the Remuneration Report of K-TIG Limited, for the year ended 30 June 2022, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

A stylized blue ink signature of the BDO firm, written in a cursive-like font.

BDO Audit Pty Ltd

A blue ink signature of G K Edwards, written in a cursive-like font.

G K Edwards
Director

Adelaide, 30 August 2022

K-TIG Limited and Its Controlled Entities ASX Additional Information

Additional information required by the Australian Stock Exchange Ltd and not shown elsewhere in this report is as follows.
The information is current at 26 August 2022.

Ordinary Fully Paid Shares Distribution of Share Holders

Shareholders	Number of Holders	Number of Shares
1 - 1,000	190	85,750
1,001 - 5,000	789	2,209,176
5,001 - 10,000	391	3,174,510
10,001 - 100,000	903	31,247,775
100,001 - and over	213	144,394,050
	2,486	181,111,261

There were 661 holders holding a total of 983,963 ordinary shares holding less than a marketable parcel.

Top Twenty Share Holders

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

Name		Number of Shares	%
ADVANCED SCIENCE & INNOVATION	COMPANY (ASIC) LLC	19,717,068	10.89%
HSBC CUSTODY NOMINEES	(AUSTRALIA) LIMITED - A/C 2	17,936,977	9.90%
MR NEIL GARRY LE QUESNE	<STIRLING GROUP A/C>	11,962,407	6.61%
CITICORP NOMINEES PTY LIMITED		7,755,869	4.28%
CS FOURTH NOMINEES PTY LIMITED	<HSBC CUST NOM AU LTD 11 A/C>	5,965,265	3.29%
MR RICHARD SMITH		5,150,000	2.84%
MRS KAREN CHRISTINE JARVIS		2,612,807	1.44%
SYED BASAR SHUEB		2,528,155	1.40%
SRG PARTNERS PTY LTD		2,370,000	1.31%
GREAT PLAINS HOLDING COMPANY PTY LTD	<GREAT PLAINS INVESTMENT A/C>	2,123,299	1.17%
MRS LYNETTE ANNE SHARMAN & MR MICHAEL DAVID SHARMAN	<M & L SHARMAN FAMILY A/C>	1,908,613	1.05%
SWHL INVESTMENTS PTY LTD	<SWHL FAMILY A/C>	1,775,833	0.98%
MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED		1,702,228	0.94%
WIGTOWN PTY LIMITED		1,250,000	0.69%
BBR HOLDINGS PTY LTD	<BRAWLIN INVESTMENT A/C>	1,192,833	0.66%
JAGEN PTY LTD		1,150,000	0.64%
GARDEN ENTERPRISES PTY LTD	<THE SPECIALTY METALS SU A/C>	1,129,867	0.62%
BNP PARIBAS NOMINEES PTY LTD	<IB AU NOMS RETAILCLIENT DRP>	1,017,709	0.56%
SYDAC NOMINEES PTY LTD	<THE ADRIAN SMITH FAMILY A/C>	1,000,000	0.55%
WIGTOWN PTY LTD		1,000,000	0.55%
		91,248,930	50.38%

Substantial Share Holders of Issued Capital

Name		Number of Shares	%
ADVANCED SCIENCE & INNOVATION	COMPANY (ASIC) LLC	19,717,068	10.89%
HSBC CUSTODY NOMINEES	(AUSTRALIA) LIMITED - A/C 2	17,936,977	9.90%
MR NEIL GARRY LE QUESNE	<STIRLING GROUP A/C>	11,962,407	6.61%
		49,616,452	27.40%

K-TIG Limited and Its Controlled Entities
ASX Additional Information

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

Distribution of Option Holders		Number of Holders	Number of Options
	10,001 - 100,000	11	762,904
	100,001 - and over	20	5,849,248
		<u>31</u>	<u>6,612,152</u>

Substantial Option Holders

Name	Number of Options	%
DIVERSE CAPITAL PTE LTD	649,770	9.83%
LONHRO (WA) PTY LTD <LONHRO A/C>	541,510	8.19%
LDHW PTY LTD <LDH & JL WILLIAMS FAM A/C>	500,000	7.56%
SOLAR MATE PTY LTD <SFN FAMILY TRUST A/L>	425,000	6.43%
SRG PARTNERS PTY LTD	399,770	6.05%
SBC CAPITAL PTY LTD	370,000	5.60%
ACNS CAPITAL MARKETS PTY LTD	353,213	5.34%
TR NOMINEES PTY LTD	350,000	5.29%
	<u>3,589,263</u>	<u>54.29%</u>

Performance Rights

Distribution of Performance Right Holders - Class A		Number of Holders	Number of Performance Rights
	100,001 - and over	4	2,000,000
		<u>4</u>	<u>2,000,000</u>

Substantial Performance Rights Holders – Class A

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

Distribution of Performance Right Holders - Class B		Number of Holders	Number of Performance Rights
	100,001 - and over	4	2,000,000
		<u>4</u>	<u>2,000,000</u>

Substantial Performance Rights Holders – Class B

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

K-TIG Limited and Its Controlled Entities
ASX Additional Information

Distribution of Performance Right Holders - Class C		Number of Holders	Number of Performance Rights
	100,001 - and over	4	2,000,000
		4	2,000,000

Substantial Performance Rights Holders – Class C

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

Restricted Securities

Restricted Class	Number of Securities	Restriction Period
Fully Paid Ordinary Shares	500,000	Voluntary escrow to 1 November 2022

On-Market Buy Back

There is no current on-market buyback.

Voting Rights

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

Corporate Governance

The Company's corporate governance statement is found on the Company's website at <https://www.k-tig.com/investors#governance>