

KTL TECHNOLOGIES LIMITED

ABN 75 009 089 981

PROSPECTUS

For an offer of up to 2,000,000 Shares at an issue price of 2 cents per share (to raise up to \$40,000) and up to 40,000,000 Options at 0.5 cents per option (to raise up to \$200,000) giving the holder the right to subscribe for a Share at 5 cents on or before 29 May 2009.

This document is important and requires your immediate attention. It should be read in its entirety. Due to the nature of the Company's activities, the Shares and Options offered by this Prospectus should be considered speculative. Accordingly, investors should consult their professional advisers before making an application for Shares offered by this Prospectus.

IMPORTANT NOTES

This Prospectus is dated 31 May 2006 and was lodged with ASIC and the ASX on that date.

The ASIC and the ASX and their respective officers take no responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates.

No Shares or Options will be allotted or issued on the basis of this Prospectus later than 13 months after the date of this Prospectus. Shares that are allotted or issued pursuant to the exercise of any Options issued on the basis of this Prospectus will be allotted or issued in the manner and on the terms referred to in this Prospectus.

Applicants should read this document in its entirety and, if in any doubt, consult with their professional advisers before deciding whether to apply for the Shares and/or Options. There are risks associated with an investment in KTL Technologies Limited and the Shares and Options offered under this Prospectus must be regarded as a speculative investment. The Shares and Options offered under this Prospectus carry no guarantee with respect to return on capital investment, payment of dividends or the future value of the Options or Shares issued upon exercise of the Options.

No person is authorised to give any information or to make any representation in connection with the Issue described in this Prospectus. Any information which is not contained in this Prospectus or disclosed by the Company pursuant to its continuous disclosure obligations may not be relied upon as having been authorised by the Company in connection with the Issue or this Prospectus.

This Prospectus does not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer. The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and therefore persons who come into possession of this document should seek advice on and observe any of these restrictions. Failure to comply with these restrictions may violate securities laws. Applicants who are residents in countries other than Australia should consult their professional advisers as to whether any governmental or other consents are required or whether any other formalities need to be considered and followed to enable them to subscribe for Shares and Options.

Certain terms used in this Prospectus are defined in the Glossary of this Prospectus. Defined terms are usually identifiable by the use of an upper case first letter.

Electronic Prospectus

An electronic version of this Prospectus is available online at www.ktltek.com.au. The Offer of Shares and Options constituted by the electronic version of this Prospectus is only available to persons receiving an electronic version of this Prospectus within Australia. Applications for Shares or Options may only be made on the Application Forms attached to or accompanying this Prospectus. There is no facility for Applications to be accepted electronically or by applying online.

The Corporations Act prohibits any person from passing on to another person an Application Form unless it is attached to or accompanied by a complete and unaltered version of the Prospectus. The Company will not accept a completed Application Form if it has reason to believe that the Applicant has not received a complete and unaltered copy of the Prospectus. During the Offer Period, any person may obtain a hard copy of this Prospectus by contacting the Company by e-mail at info@ktltek.com.au or by telephone on 08 9367 8066.

Privacy Disclosure

The Company collects information in relation to each Applicant as provided on an Application Form for the purposes of processing the Application Form and, should the Application be successful, to administer the Applicant's security holding in the Company ("Purposes").

By submitting an Application Form, each Applicant agrees that the Company may use the information for the Purposes and the Company may disclose the Information for the Purposes to the Share Registry, the Company's related bodies corporate, agents, contractors and third party service providers, and to the ASX, ASIC and other regulatory authorities.

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SECTION 1**CORPORATE DIRECTORY****Directors**

Mr John Fletcher
Chairman

Madam Cheng Weiwen
Director

Mr Hu Dayong
Director

Mr Qinqang Weiwen
Director

Mr Russell Byfield
Director

Mr Barry Woodhouse
Director

Company Secretary

Mr Barry Woodhouse

Registered Office

Level 1, 28 Ord Street West Perth WA 6005
Telephone: +618 9211 3600
Facsimile: +618 9211 3690
Email: info@klttek.com.au
Website: www.klttek.com.au

Auditor

PKF Chartered Accountants and Business Advisers
Level 7, BGC Centre, 28 The Esplanade Perth WA 6000

Solicitors to the Offer

Gadens Lawyers
Level 32, St Martins Tower, 44 St Georges Terrace Perth WA 6000

Share Registry

Computershare Investor Services Pty Ltd*
Level 2, Reserve Bank Building, 45 St George's Terrace Perth WA 6000
Telephone: +618 9323 2000
Facsimile: +618 9323 2033

Stock Exchange Listing

ASX Code - "KTL"

*This entity has not been involved in the preparation of any part of this Prospectus and has not consented to being named in this Prospectus. The name of the entity has been included for information purposes only.

SECTION 2 DETAILS OF THE OFFER

2.1 The Offer

By this Prospectus, the Company is inviting investors to participate in the issue of up to 1,000,000 Shares at 2 cents per Share and up to 20,000,000 Options at 0.5 cents per Option giving the holder the right to subscribe for a Share at 5 cents per Share on or before 29 May 2009.

The Shares will have an issue price of 2 cents each, payable in full on Application. The Options will have an issue price of 0.5 cents each, payable in full on Application. The Company will apply for Quotation of the Shares and Options.

2.2 Indicative Timetable

Event	Date
Prospectus lodged with the ASX & ASIC	31 May 2006
Opening Date and Despatch of Prospectus	31 May 2006
Closing Date	30 June 2006
Expected quotation on the ASX	5 July 2006

These dates are indicative only. The Directors may extend the Closing Date. As such the date the Shares and Options are expected to commence trading on the ASX may vary.

2.3 Purpose of the Offer

The purpose of the Offer is to raise funds for the working capital of KTL Technologies Limited and to meet the costs of the Issue.

The information set out in the above table is a statement of intention as at the date of this Prospectus. The exact quantum of funds expended by the Company will be dependent on many factors that cannot be ascertained with complete accuracy at the date of this Prospectus. It is important to recognise that the use of funds may be subject to change in line with results, circumstances and other opportunities.

2.4 Minimum Subscription

There is no minimum subscription in relation to this Offer and over-subscriptions will not be accepted.

2.5 Underwriting

The offer is not underwritten.

2.6 The Offer Period

The Opening Date for Applications in respect of the Offer is anticipated to be 31 May 2006. The Closing Date for the Offer is anticipated to be 30 June 2006. These dates may be varied by the Directors without prior notice.

2.7 Acceptance

This Offer may be accepted in whole or in part. Your Application Form and payment in full of 2 cents per Share and/or 0.5 cents per Options must be received before 5.00pm WST on 30 June 2006. Instructions for completion and lodgement of acceptances are set out on the back of the enclosed Application Form.

2.8 Applying for Share and/or Options

If you are requested by the Company and wish to apply for Shares and/or Options, complete the enclosed Share Application Form or Option Application Form as appropriate in accordance with the instructions set out on the reverse side of the Application Form and provide it and the application money to the Company's share registry as set out below.

Applications

In order to participate in the Issue the completed Application Form together with the application money must be lodged (in person or by post) with the Company's share registry:

Computershare Investor Services Pty Ltd, Level 2, Reserve Bank Building, 45 St
George's Terrace Perth WA 6000

The completed Application Form and application money must reach the Company's share registry by no later than 5.00pm on 30 June 2006.

Cheques for the application money must be in Australian currency drawn on an Australian bank, made payable to "KTL Technologies Limited-Share and Option Application Account" and crossed "Not Negotiable". Cash will not be accepted and receipts will not be issued.

Applications for Shares must be for a minimum of 50,000 Shares and applications for Options must be for a minimum of 100,000 Options.

Pending the issue and allotment of Shares and Options or payment of refunds pursuant to this Prospectus, all application money will be held by the Company in trust for the Applicants in a separate bank account as required by the Corporations Act. The Company, however, will be entitled to retain all interest that accrues on the bank account and each Applicant waives the right to claim any interest.

2.9 Allotment

No Applications will be processed by the Company unless and until permission is granted (whether conditional or otherwise) by the ASX for the Shares and Options the subject of the Offer to be granted Quotation. Once this matter is satisfied, Shares and Options will be allotted to successful Applicants as soon as practicable.

Allotment of Shares will be made as soon as possible after the Closing Date. The Company reserves the right to allocate the Shares or Options in full on any application, or to allocate any lesser

number, or to decline any application. Where no allotment is made, the amount tendered will be returned in full with the relevant Application Form.

Where the number of Shares or Options allotted is less than the number of Shares or Options applied for, the surplus application money will be despatched to the applicant within 21 days of the Closing Date. Interest will not be paid on refunded application money. Any interest earned on application money prior to allotment or return will belong to the Company.

2.10 ASX Listing

The Company is presently admitted to the official list of the ASX, and the Shares of the Company are quoted on the ASX (ASX code: KTL)

An application for admission of the Shares and Options for Quotation will be made to the ASX within 7 days after the date of this Prospectus. If permission for Quotation of the Shares and Options is not granted within 3 months of the date of this Prospectus then the Shares and Options will not be issued or allotted and the Company will repay any application money received pursuant to this Prospectus within the time prescribed under the Corporations Act, without interest. The ASX takes no responsibility for the contents of this Prospectus. The fact that the ASX may grant Quotation of the Shares and Options is not to be taken in any way as an indication of the merits of the Company or the Shares and Options now offered.

2.11 Overseas Shareholders

This Prospectus and Application Forms do not constitute an offer in any jurisdiction outside of Australia and New Zealand, or to any person to whom it would be illegal to make such an offer. The Directors consider that it is unreasonable to extend the Offer to other jurisdictions having regard to the small number of Shareholders in other jurisdictions, the small number of Shares and Options which could be offered to them and the cost of complying with the legal requirements and other requirements of the regulatory authorities in the overseas jurisdictions.

2.12 Conditions of Options Rights and Liabilities Attaching to Shares and Options

Conditions of the Shares and Options being issued are shown in section 6. The Corporations Act and KTL's constitution set out the rights attaching to Shares. Details of the rights attaching to Shares in relation to voting, dividends, and a winding up are also shown in section 6 of this Prospectus.

2.13 Allotments after 13 months

Other than Shares allotted or issued pursuant to the exercise of options, no Shares or Options will be allotted, issued or sold on the basis of this Prospectus later than 13 months after the date of this Prospectus.

2.14 Jurisdiction

This Prospectus does not constitute an offer in any place in which or to any person to whom it would not be lawful to make such an offer.

2.15 Taxation

You should be aware that there might be taxation implications in acquiring Shares and Options and on the exercise of those Options. You should consult your professional tax adviser to obtain taxation advice relevant to your circumstances.

SECTION 3 EFFECT OF THE ISSUE

3.1 Capital Structure

KTL Technologies Limited currently has 252,860,047 shares, and 40,500,000 unlisted options (“existing options”) on issue.

The following tables show the Company’s capital structure both before and after the Issue (assuming that all Options offered under this Prospectus are issued).

	Ordinary Shares	Options*
Currently Issued	252,860,047	40,500,000
Shares & Options offered under the Offer	2,000,000	40,000,000
Revised Capital Structure	254,860,047	80,500,000

The following options are currently on issue:

Code	Exercise Date	Exercise Price	No. of Options
Unlisted	4 March 2010	1.00 cent	3,500,000
Unlisted	4 March 2010	1.25 cents	6,000,000
Unlisted	29 July 2010	1.25 cents	9,000,000
Unlisted	29 May 2011	5 cents	12,000,000
To be listed	29 May 2009	5 cents	10,000,000
		TOTAL	40,500,000

After completion of the Issue the following options will be on issue (assuming that all Options offered under this Prospectus are issued):

	To be Listed	Unlisted	TOTAL
Exercise Price	5 cents	1 – 5 cents	
Existing	10,000,000	30,500,000	40,500,000
<i>Offer</i>	40,000,000	0	40,000,000
TOTAL	50,000,000	30,500,000	80,500,000

3.2 Effect of the Offer

Assuming all the Shares and Options under this Prospectus are issued, the principal effect of the Issue will be to:

- (a) Increase Company cash reserves by approximately \$240,000 (before deduction of the costs of the Issue);
- (b) Increase the number of shares from 252,860,047 to 254,860,047.
- (c) **Increase the number of Company options on issue (to be listed) from 10,000,000 as at the date of this Prospectus, to 50,000,000.**

SECTION 4**STATEMENT OF FINANCIAL POSITION****4.1 Annual Report 2005**

The 2005 Annual Report contains a set of audited accounts to 31 December 2005. The 2005 Annual Report is dated 15 March 2006 and was lodged with the ASX and ASIC on that date. A copy of the 2005 Annual Report is available upon request from the Company free of charge or from the Company's website.

4.2 Balance Sheet

Set out below is an audited consolidated balance sheet of the Company as at 31 December 2005, an unaudited consolidated balance sheet of the Company as at 31 March 2006 and a pro-forma consolidated balance sheet illustrating the effect the Issue would have on the balance sheet if the Issue was completed and had the funds been received as at 31 March 2006. Other than pro forma transactions, no material events since 31 March 2006 have occurred which would impact upon the pro forma consolidated statement of the Company's financial position as at 31 March 2006.

	Audited Consolidated 31 Dec 2005	Unaudited Consolidated 31 March 2006	Proforma Unaudited Consolidated 31 March 2006
	\$	\$	\$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	1,010,549	895,029	1,515,029
Other financial assets	1,911	1,144	1,144
Total current assets	1,012,460	896,173	1,516,173
NON-CURRENT ASSETS			
Receivables	-	-	-
Other financial assets	-	-	-
Intangible assets	44,991	50,734	50,734
Total non-current assets	44,991	50,734	50,734
TOTAL ASSETS	1,057,451	946,907	1,566,907
LIABILITIES			
Trade and other payables	76,405	40,012	40,012
Total current liabilities	76,405	40,012	40,012
TOTAL LIABILITIES	76,405	40,012	40,012
NET ASSETS	981,046	906,895	1,526,895
EQUITY			
Share Capital	1,868,853	1,868,852	2,488,852
Accumulated losses	(887,807)	(961,957)	(961,957)
TOTAL EQUITY	981,046	906,895	1,526,895

Notes

1. The pro forma balance sheet presented above shows the effect of the placement of 20,000,000 shares at 2 cents per share and 10,000,000 free options to raise \$400,000 cash, as announced on 1 May 2006.
2. The proforma balance sheet presented above shows the effect of the issue of 2,000,000 shares at 2 cents and 40,000,000 options at 0.5 cents to raise \$240,000 cash less capital raising costs of \$20,000 as outlined in this Prospectus.
3. As a result of the transactions listed above, cash will increase as listed below:

Description	\$
Cash on hand at 31 March 2006	895,029
Issue of 20,000,000 shares at 2 cents and 10,000,000 free options	400,000
Issue of 2,000,000 shares at 2 cents	40,000
Issue of 40,000,000 options at 0.5 cents	200,000
Costs of the issues	(20,000)
Proforma cash balance	1,515,029

4. As a result of the transactions listed above, shares and options on issue will increase as listed below:

Description	Shares	Options
Opening balance	232,860,047	30,500,000
Issue of 20,000,000 shares at 2 cents and 10,000,000 free options	20,000,000	10,000,000
Issue of 2,000,000 shares at 2 cents	2,000,000	-
Issue of 40,000,000 options at 0.5 cents	-	40,000,000
Pro forma closing balance	254,860,047	80,500,000

SECTION 5

RISKS ASSOCIATED WITH THE INVESTMENT

The Directors wish to make Investors aware that investing in KTL is subject to various risk factors.

The risk factors outlined in this section should be carefully considered before subscribing for Shares. The Directors consider that the following summary, which is not exhaustive, represents some of the major risk factors, which shareholders need to be aware of. In evaluating the Company's business and risks of increasing your investment in the Company, Investors should carefully consider the following factors in addition to other information presented in this Prospectus. Investors should also have regard to their own investment objectives and financial circumstances and should consider seeking appropriate professional advice before deciding whether to invest in the Shares.

Investors should appreciate that the value of the Company's Shares on the ASX may rise or fall depending on a range of factors beyond the control of the Company. This is especially the case with companies undertaking technology development activities. Any of the factors set out in this section or any other factors identified in this Prospectus may materially affect the financial performance of the Company and the market price of the Company's Shares. To that extent the Company's Shares carry no guarantee with respect to the payment of dividends, return on capital or the price at which those Shares will trade on the ASX.

The Directors consider the Company's Shares to be speculative due to:

- (a) **volatility in publicly listed entities on world stock markets generally; and**
- (b) **the speculative nature of technology development and commercialisation activities generally.**

This Section should be read in its entirety.

General Risks

The general risk factors include, but are not limited to, the following:

Movement in Australian and Overseas Share Markets and Financial Markets Generally

The market price of the Company's Shares will be subject to the varied and often unpredictable influences on the share market generally and the Company in particular. Therefore the Shares offered by this Entitlements Issue Prospectus might trade above or below their issue price. Specific factors may influence the price at which the Company's Share trade. These include, but are not limited to, the following:

- movements on international share markets;
- local interest rates;
- exchange rates;
- domestic and international economic conditions;
- government taxation and other policy changes.

The share market and in particular the market for technology development companies, has at times experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of the companies. Investors should therefore note that such price and volume fluctuations may materially affect the market price of the Company's Securities regardless of the Company's operational performance.

Changes in Legislation and Government Regulation

Government legislation, including changes to the taxation system, may affect future earnings and the relative attractiveness of investing in the Company. Changes in government policy or statutory changes may affect the Company and the attractiveness of investing in it.

Economic Conditions

Economic conditions, both domestic and global, may affect the performance of the Company. Factors such as currency fluctuations, inflation, interest rates, supply and demand and industrial disruption may have an impact on the Company's operating costs and revenues, and share market prices. These factors, which are beyond the control of the Company and its Directors, may affect the Company's future potential revenue streams, share price and its ability to raise additional capital in the future should such a requirement arise.

Neither the Company nor its Directors warrant the future performance of the Company or any return on an investment in the Company.

Termination of Contracts

The Company may in the future enter into agreements and/or licences with third parties. Irrespective of the legal obligations imposed under such agreements there remains a risk that third parties, who have entered into such agreements/licences, may not perform their obligations under the agreements/licences, possibly causing the termination of the agreements/licences prematurely. The failure of these parties to act as expected or in accordance with contractual obligations may have an adverse affect on the performance of the Company.

The Company will seek to include clauses in any future agreements/licences that are entered into with third parties, requiring termination payments to be paid to the Company in the event that these agreements/licences are terminated prematurely due to default by the third party. The Directors can provide no assurance, however, that such clauses will be included in any future agreements/licences that are entered into with third parties.

Accounting Standards - Research and Development

Under current accounting standards, research costs are expensed as incurred. Qualifying expenditure in relation to development phase costs may be capitalised and impairment tested annually until the related asset is complete at which time they will be amortised over the useful life of the related asset.

The company must review the amortisation period and the amortisation method at least at the end of each annual reporting period.

Any material adverse changes in accounting policies may affect the profitability of the Company.

Specific Risks

A number of specific risk factors may affect the future performance of the Company. Shareholders should note that this list of risk factors is not exhaustive. Some of the risks may be mitigated by the use of

appropriate safeguards and systems, whilst others are outside the control of the Company and cannot be mitigated.

The specific risk factors include, but are not limited to, the following:

Technological Change

Although the Company considers that Cryo-Lag could be more cost effective and efficient when compared with currently available cryogenic insulation products success will, in part, depend on the Company's ability to develop and offer products that keep pace with continuing changes in technology, evolving industry standards and changing market demands. There can be no assurances that the Company will be successful in keeping pace with these developments.

It is possible that new technologies may render some of the applications for Cryo-Lag obsolete or non-competitive.

Development and Commercialisation

The Company and its Directors do not presently consider the development of Cryo-Lag to be complete. Cryo-Lag still requires further technical assessments/testing, field trials and commercial validation. Whilst the Company will endeavour to minimise its exposure to the risks associated with the development process through milestone-based staged funding and disciplined project management, there is no guarantee that Cryo-Lag will receive any regulatory approvals for market use or be commercially viable.

The Company has entered a joint venture contract to commercialise Cryo-Lag in the Chinese market. The Company's success in the early stages of commercialisation largely depends on the core competencies and services of Petro China Second Construction Company and Jilin Guangya Chemicals Company Ltd. The loss or non-performance of Petro China Second Construction Company and Jilin Guangya Chemicals Company Ltd as joint venture partners and / or manager could have a material adverse effect on the Company. The Joint Venture Contract remains subject to approvals required to be given by the Chinese authorities.

No assurance can be given that future research or studies will not disprove Cryo-lag claims, nor that another product may be found to be more successful than Cryo-Lag. Should this occur, it is likely to have a material adverse effect on the business.

The Company will ensure that realistic milestones and targets are in place during the assessment of the available technical and field data on Cryo-Lag and/or during further technical work and any field trials in respect of Cryo-Lag and will monitor progress closely. However, there is no guarantee that these milestones will be achieved in the desired time frames, or if at all. This may lead to increased funding requirements, a loss of scientific advantage, or delays in achieving a return on capital costs and a corresponding reduction in the value of any future investment. Any delay in the conduct or completion of the assessment of the available technical and field data on Cryo-Lag and/or further technical work and field trials in respect of Cryo-Lag could delay the marketing and commercialisation of Cryo-Lag.

Achieving a commercial outcome for any given scientific project through negotiation of appropriate licensing, technology sale or manufacturing arrangements is crucial to achieving adequate investment returns. Whilst the Company will endeavour to put in place such arrangements at the earliest possible stage, there is no guarantee that market acceptance of Cryo-Lag will occur.

Commercialisation negotiations in the future with strategic partners for marketing and distribution may have long lead times which may compromise the ability to earn revenues within an optimal time frame for the Company's cash flow.

The Company's success with Cryo-Lag depends upon its ability to differentiate its products from other competing products. Whilst the Company has identified Cryo-Lag to be unique there is a risk that the efficacy of the product may not be sufficiently differentiated from other such products to warrant any market acceptance or a premium pricing.

To commercialise Cryo-Lag the Company will be dependent upon entering into a contract for the manufacturing supply of insulation sections to Cryo-Lag specifications. There is no guarantee that a contract for the supply of the product can be achieved on commercially acceptable terms and conditions, which will fulfil the volume and pricing structures suitable to the Company.

Limited Operating History

The Company expects to have to carry out further field trials in order to commercialise Cryo-Lag. Accordingly, it is not possible to accurately predict the future rate of take up of Cryo-Lag. Due to the limited nature of the field trials undertaken to date, the Company has not yet secured any regulatory approvals to be able to market Cryo-Lag, nor achieved any contracts for the installation of Cryo-Lag. Failure to achieve any regulatory approvals for the marketing of Cryo-Lag and/or subsequent sale of products will likely have a material adverse affect on the business of the Company. Given the limited operational history, there can be no assurance that revenues will be generated or that the Company will be profitable.

Should the level of costs required to operate the Company's business or produce Cryo-Lag be higher than anticipated then it may have a materially adverse effect on the future performance and prospects of the business.

Increased Competition

Larger international incumbents, who are generally well capitalised and profitable, may be better positioned to compete aggressively in the markets that the Company intends to pursue. There is no guarantee that the efficacy of Cryo-Lag will not be superseded by another competitive offering in the future.

There is also the possibility of new entrants into the markets in which the Company proposes to operate. Increased competition may adversely affect the Company's anticipated financial performance.

Intellectual Property Rights

Patent law is complex. Disputes regularly arise as to patent validity and rights to use patented technology. Such disputes can be complex and expensive to resolve. Usual risk factors include:

Examination of Patent Applications

Patents are national rights. If patent protection is sought in a particular country, the patent must comply with the patent laws of that country. Such laws can change at short notice. Special provisions often relate to biotechnological inventions.

In most countries, patent applications are examined for compliance with patent laws by Government Patent Offices. The examination process can be lengthy and expensive to negotiate. Patent Examiners also have considerable discretion. Patent applications may be refused in some jurisdictions regardless of the merits of the case. European, Japanese and United States Patent Offices undertake particularly rigorous examination and successful examination results cannot be guaranteed.

Patent scope can also be reduced considerably during patent examination. Granted patents may be limited to material of little commercial value. Accordingly, no representation can be made that the Company's patent

applications will be granted. Further, as examining Patent Offices do not guarantee the validity of patents they grant, validity of granted patents cannot be guaranteed. Consequently, it is also not possible to guarantee that the Company's patent assets will be enforceable.

Challenges to Validity

Most countries have procedures allowing third parties to challenge patent validity. The proceedings may be called Opposition, Cancellation or Revocation Proceedings. If they arise, such proceedings can be complex, time consuming and difficult to resolve. Such proceedings may also result in further reduction of patent scope or complete loss of patent rights.

Rights of Use and Enforcement

The making of patent applications and the grant of patents does not guarantee that the owner of the patent rights or the owner's licensees can make and use the inventions described in the patent assets. Such use may be prevented by third parties with prior patent rights through the taking of infringement proceedings in Courts of law. Irrespective of the outcome, such proceedings are complex, time consuming and expensive to resolve. Commercial detriment may also result from such infringement proceedings due to possible loss of income, damages and legal costs.

Similarly, patent owners have the onus to protect their patent rights by taking infringement action in the Courts if deemed commercially appropriate by the patent owner. Such proceedings are expensive and complex. If patent validity is challenged during such proceedings, patent rights may be lost.

Inventorship and Joint Ownership

Correct naming of Inventors is important to patent validity, particularly in the United States. Generally, disputes may arise as to the ownership and inventorship of patent rights. Such ownership and inventorship disputes are not uncommon and their resolution may be expensive and complex to resolve. If patent rights are jointly owned, there may also be the potential for conflict between joint owners. Lack of entitlement to patent rights can result in invalidity or unenforceability of patent rights.

Partnering Risk

The Company may in the future be subject to the need to consider whether it should partner or transfer its investment in Cryo-Lag to a larger company. However the mere achievement of a licensing or partnering arrangement does not guarantee that the partner will be as equally committed as the Company to progressing Cryo-Lag to the market.

On occasion, it may be the interest of the partner to bury or stifle the technology.

In the event that a suitable international partner is, or partners are, secured, the Company's income stream might be affected by delays in formulating products, in conducting studies or trials, in building and certifying manufacturing facilities, in producing batches, in filing for and receiving market approvals from regulatory agencies, by actions required to maintain all requisite registrations and authorisations in good standing, or by other unforeseen delays.

If suitable international partners are secured, it is not known whether the Company's products will be capable of being produced in commercial quantities at an acceptable cost.

Potential partners, if secured, may become involved in acquisitions, takeovers, mergers or insolvencies, which might cause delays or loss of any income stream expected by the Company. In negotiating license agreements, the Company will endeavour to seek compensation for significant delays.

Regulatory Requirements and Changes

Failure to receive the necessary regulatory approvals to utilise Cryo-Lag in a particular jurisdiction may prevent the Company from ultimately selling Cryo-Lag in that jurisdiction. Failure to receive the necessary regulatory approvals in a timely fashion may cause the Company to fail to meet its financial budgets.

The Company may be affected by compliance based regulatory risk, which pertains to the ability of a company's facilities or products to meet prescribed standards of operation, manufacture, marketing or labelling. Failure to achieve approval in a key market can potentially cause the failure of a product. There is no available reasonable method of predicting approval for products such as Cryo-Lag, and past product approval successes are not always reliable indicators of future successes.

The requirements of regulatory authorities substantially determine the stages to be completed before a product can be released in a market. Unsatisfactory performance of a proposed product at any stage can result in a project being discontinued before any commercial return is received, with a consequential loss of research and other expenditure without expectation of recovery. Alternatively, substantial additional costs may be incurred in repeating stages if it is considered appropriate to continue development.

Regardless of the robustness of intellectual property or the technology development project, a product under development may be found to be toxic to or may not have a satisfactory level of efficacy for the indication sought for the product. It is not unusual for products being developed to undergo many years of trials only to fail at one of the final regulatory steps to be taken. Thus no assurances can be given that any of the Company's products will become a commercial success.

Regulatory guidelines can change from time to time which may result in product development delays, increased costs and have an adverse effect on the Company. In most instances, it is fair to anticipate that such changes will equally impact upon the Company's competitors, which may provide some mitigation with respect to the ultimate outcome.

Reliance on Key Personnel

The Company will be reliant on a number of key personnel and consultants. The loss of one or more of these key contributors could have an adverse impact on the business.

In addition the Company's ability to manage growth effectively will require it to continue to implement and improve its management systems and to recruit and train new employees. Although the Company expects to be able to do so in the future, there can be no assurance that the Company will be able to attract and retain skilled and experienced personnel.

Funding

The Company acknowledges that even after completion of the proposed capital raising to raise to meet its anticipated growth and working capital requirements, there can be no assurance that the Company will not seek to exploit other opportunities of a kind which will require it to raise additional capital from equity or debt sources. There can be no assurance that the Company will be able to raise such capital on favourable terms, if at all. If the Company is unable to obtain such additional capital, it may not be able to exploit such opportunities.

A range of unforeseen circumstances could result in increased funding requirements. These include but are not limited to a failure to achieve development milestones, delay of regulatory approvals, under-estimation of development costs, competitor activity and poor economic conditions affecting commercial parties with which the Company is dealing.

Technology development companies have the potential to consume large quantities of development capital, although the objective is to generate assets and increase asset value. Cryo-Lag has been advanced within the resources available to the Company.

Product Liability

Whilst Cryo-Lag will undergo testing and trialling to achieve regulatory approval prior to release to the market, the Company will face an inherent risk of exposure to product liability claims due to possible product failure or defect, or harm/injuries caused during the installation, maintenance or use of Cryo-Lag. The Directors provide no guarantee that such liabilities will not arise. Although product liability insurance might be available, there can be no assurance that such insurance cover will be sufficient or available at an acceptable cost, or that any adverse event would necessarily be covered.

The Company may engage other companies to undertake the manufacturing, trials, post-approval general marketing and distribution of Cryo-Lag. Whilst the Company will endeavour to ensure such companies have appropriate product liability insurance in relation to Cryo-Lag, the Directors provide no guarantee that this will be the case.

Foreign Exchange

The Company may market, sell and/or install Cryo-Lag in many countries around the world and this may expose the Company to movements in exchange rates, the impact of which cannot be reliably predicted.

Any fluctuations in foreign exchange rates may have a materially adverse affect on the Company's costs and revenues, which as a consequence may affect the Company's operations and performance. The Company may decide in the future to implement a course of action such as currency hedging or pro-active foreign currency management to mitigate this risk. However, the Directors provide no guarantees that such actions will be implemented and if implemented, that they will ensure the Company's performance is not adversely affected by fluctuations in foreign exchange rates.

Introducing New Businesses and Investments

The Company may, from time to time, acquire more businesses or expand its capital generally in order to generate additional revenues, attract more consumers and respond to competition. In this respect, the Company may seek businesses that will add value to the Company. There can be no guarantee that these new businesses or investments or the Company's current businesses or investments will be successful. However, the Company will exercise due diligence on any proposed acquisition to ensure the application will benefit the Company and its Shareholders.

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

Potential investors should consider that an investment in the Company is speculative and should consult their professional advisers before deciding whether to apply for Shares or Options.

SECTION 6

TERMS OF SHARES AND OPTIONS AND RIGHTS ATTACHING TO SHARES

6.1 Rights and Liabilities Attaching to Ordinary Shares

The rights attaching to the Shares arise from a combination of the Company's Constitution, the Corporations Act, the ASX Listing Rules and the general law.

The following is a summary of the more significant rights attaching to the Shares. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of Shareholders. To obtain such a statement, you should seek independent legal advice.

(a) General Meetings

Shareholders are entitled to receive notice of, be present in person, in the case of companies by body corporate representative, or by proxy or attorney and vote at general meetings of the Company.

(b) Voting Rights

At meetings of Shareholders:

- (i) Each Shareholder entitled to vote may vote in person, by body corporate representative, or by proxy or attorney;
- (ii) On a show of hands, every person present who is a Shareholder or a representative of a Shareholder has 1 vote; and
- (iii) On a poll, every person present who is a Shareholder, body corporate representative, or a proxy or attorney of a Shareholder has, in respect of each Share held by the Shareholder, or in respect of which the Shareholder has appointed a proxy or attorney, 1 vote for the Share.

(c) Dividends

The Company in a general meeting may declare a dividend to be distributed to Shareholders out of the profits of the Company, subject to the dividend having been recommended by the Directors. The amount of the Dividend may not exceed the amount recommended by the Directors. The Directors may authorise the payment by the Company to the Shareholders of such interim dividends as appear to the Directors to be justified by the profits of the Company and for that purpose may declare interim dividends.

(d) Winding-Up

Shareholders will, upon the Company being wound up, participate in any distribution of excess capital and assets of the Company remaining after the liabilities of the Company have been paid in proportion to the amount paid, or credited as paid in respect of each of the Shareholder's shares.

(e) Transfer of Shares

Generally, shares in the Company are freely transferable, subject to formal requirements and in particular subject to the requirements detailed in the Company's Constitution, the Corporations Act and the ASX Listing Rules.

(f) Future Increase in Capital

The allotment and issue of any shares is under the control of the Directors of the Company. Subject to restrictions on the issue or grant of securities contained in the ASX Listing Rules, the Company's Constitution and the Corporations Act, the Directors may issue shares as they shall, in their absolute discretion, determine.

(g) Variation of Rights

Under section 246B of the Corporations Act and the Company's Constitution, the Company may, by a special resolution passed by the Shareholders vary or abrogate the rights attaching to Shares.

6.2 Terms and Conditions of the Options

The terms and conditions of the Options issued under the Offer are as follows:

- (a) Each Option entitles the holder to 1 Share;
- (b) The Options are exercisable at any time on or prior to 5.00pm (WST) on 29 May 2009 by completing an option exercise form and delivering it together with the payment for the number of Shares in respect of which the Options are exercised to the registered office of KTL or to the share registry of KTL;
- (c) The Option exercise price is 5 cents per Option;
- (d) An Option does not confer the right to a change in exercise price or a change in the number of underlying Shares over which the Option can be exercised;
- (e) The Options may be transferred by an instrument (duly stamped where necessary) in the form commonly used for transfer of Options at any time until 15 May 2009 subject to any restrictions which may be imposed by ASX if the Company is listed on ASX.;
- (f) Shares issued on the exercise of the Options will be issued not more than fourteen (14) days after receipt of a properly executed exercise notice and application moneys. Shares allotted pursuant to the exercise of an Option will rank equally with the then issued ordinary shares of the Company in all respects. Official Quotation of the shares will be sought;
- (g) Option holders shall be permitted to participate in new issues of securities on the prior exercise of options in which case the Options holders shall be afforded the period of at least nine (9) business days prior to and inclusive of the record date (to determine entitlements to the issue) to exercise the Option; and
- (h) In the event of any reconstruction (including consolidation, sub-division, reduction or return) of the issued capital of the Company, all rights of the option holder will be changed to the extent necessary to comply with the Listing Rules applying to the reconstruction of capital at the time of the reconstruction.

- (i) If there is a bonus issue to shareholders, the number of shares over which the Option is exercisable may be increased by the number of shares which the holder of the Option would have received if the Option had been exercised before the record date for the bonus issue; and
- (j). In the event that a pro rata issue (except a bonus issue) is made to the holders of the underlying securities in the Company, the exercise price of the Option may be reduced in accordance with Listing Rule 6.22.

SECTION 7 ADDITIONAL INFORMATION

7.1 **Market Price of Shares**

Shares have traded between 1.1 cents and 2.7 cents over the 3 months preceding the date of this Prospectus. The last traded price for Shares was 1.5 cents on 30 May 2006 before this Prospectus was lodged with ASIC and the ASX.

The Company has no options currently quoted on the ASX.

7.2 **Continuous Disclosure Obligations and Documents Available for Inspection**

This Prospectus is issued pursuant to section 713 of the Corporations Act using the special prospectus content rules for continuously quoted securities. This Prospectus is a “transaction specific prospectus” and is required to contain information in relation to the effect of the issue of the Shares and Options on the Company and the rights and liabilities attaching to them. It is not necessary to include general information in relation to all of the assets and liabilities, financial position, profits and losses or prospects of the Company. Accordingly, information that is already in the public domain as a result of the periodic reporting and continuous disclosure obligations of the Company has not been included in this Prospectus other than that which is considered necessary to make the Prospectus complete.

The Company is a “disclosing entity” under the Corporations Act and, as such, is subject to regular reporting and disclosure requirements. As an ASX listed company, the Company is subject to continuous disclosure obligations under the Listing Rules which require it to immediately notify the ASX of any information concerning the Company of which it is or becomes aware and which a reasonable person would expect to have a material effect on the price or value of securities of the Company.

Copies of all documents lodged with ASIC in relation to the Company may be obtained from, or inspected at, an office of ASIC.

The Company will provide free of charge to any person on request during the Application Period in relation to this Prospectus, a copy of each of the following documents:

- (a) *the Annual Report 2005; and*
- (b) *any documents used to notify the ASX of information relating to the Company in accordance with its continuous disclosure obligations after the lodgement of the 2005 Annual Report and before the date of this Prospectus.*

Copies of all documents lodged with ASIC in relation to the Company can be inspected at the registered office of the Company during normal office hours.

The following is a list of documents lodged with the ASX since the 2005 Annual Report:

Date	Details
21/3/2006	KTL – Update on commercialisation of Cryolag
06/04/2006	KTL – Commitments Test Entity – First Quarter Report
01/05/2006	KTL – Placement of Shares

01/05/2006	KTL – Appendix 3B
01/05/2006	KTL – Notice of Annual General Meeting
29/05/2006	KTL – Chairman’s Address
29/05/2006	KTL – Cryolag Presentation
29/05/2006	KTL – Results of AGM

None of the information referred to in this section 7.2 is incorporated by reference into this Prospectus or is issued with this Prospectus.

7.3 Interests and benefits of Directors

Other than as set out below or elsewhere in this Prospectus:

- (a) no Director or proposed Director or any firm in which the Director or proposed Director is a partner has, or during the last two years before the date of this Prospectus has had, any interest in:
- (i) the formation or promotion of the Company; or
 - (ii) property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer; or
 - (iii) the Offer; and
- (b) no amounts (whether in cash or shares or otherwise) have been paid or agreed to be paid by any person and no benefits have been given or agreed to be given by any person to a Director or proposed Director or any firm which the Director or proposed Director is a partner to induce him to become, or to qualify him as, a Director of the Company, or otherwise for services provided by him in connection with the formation or promotion of the Company or the Offer.

Directors' interests in Securities

No Director or proposed Director as at the date of this Prospectus, has any direct, or indirect interest in securities in the Company other than as set out below:

	Ordinary Shares held directly	Ordinary Shares held indirectly	Options
Mr John Fletcher	-	23,077,054	9,500,000
Madam Cheng Weiwen	27,000,000	-	3,000,000
Mr Qinqang Weiwen	3,000,000	-	3,000,000
Mr Hu Dayong	-	5,000,000	3,000,000
Mr Russell Byfield	-	7,000,000	6,000,000
Mr Barry Woodhouse	-	1,000,000	6,000,000

The Directors are not participating in the Offer under this Prospectus.

Remuneration of Directors

The Constitution of the Company provides as follows in relation to remuneration and expenses of Directors:

- (a) Remuneration of non-executive Directors: The Company may pay to the Non-Executive Directors a maximum total amount of director's fees, determined by the Company in general meeting. The fixed sum is to be divided among the non-executive Directors in such proportion and manner as the Directors agree, and in default of agreement, equally. The remuneration may not be set as a commission on, or percentage of, profits or operating revenue;
- (b) Remuneration of executive Directors: The remuneration of executive Directors is subject to the provisions of any service contract between each of them and the Company. The remuneration may not be set as a commission on, or percentage of, operating revenue.
- (c) Expenses: The Company must pay all reasonable travelling, accommodation and other expenses incurred by a Director in connection with the execution of their duties as Directors. If a Director performs extra or special services at the request of the Company, the Company may pay additional remuneration or provide benefits to that Director as the Directors resolve.

None of the directors has received any fees or other remuneration (including superannuation) from the Company during the 2 years prior to the date of this Prospectus other than as follows:

Period ended:	Primary		Equity	Post-	TOTAL
	Base Salary and Fees	Bonus and Non Monetary Benefits	Compensation Value of Options	employment Superannuation Contributions	
	\$	\$	\$	\$	\$
John Fletcher					
31 December 2005	12,500	-	38,250	-	50,750
30 May 2006	10,000	-	14,600	-	24,600
Cheng Weiwen					
31 December 2005	-	-	1,700	-	1,700
30 May 2006	-	-	14,600	-	14,600
Cheng Qingquan					
31 December 2005	-	-	1,700	-	1,700
30 May 2006	-	-	14,600	-	14,600
Hu Dayong					
31 December 2005	12,500	-	1,700	-	14,200
30 May 2006	10,000	-	14,600	-	24,600
Russell Byfield					
31 December 2005	20,650	-	19,700	-	40,350
30 May 2006	10,000	-	14,600	-	24,600
Barry Woodhouse					
31 December 2005	68,332	-	19,700	-	88,032
30 May 2006	22,916	-	14,600	-	37,516

Asian Cleveland Limited

Asian Cleveland Limited, a company of which Chairman Mr John Fletcher is director and shareholder, provided interim funding of up to \$100,000 on commercial terms and conditions to the Company. A 2% establishment fee was deducted from the amount of the loan. Interest on the loan was calculated at 7.74% per annum. The loan was made in several advances, the first of which occurred on 10 May 2005.

Total interest charged amounted to \$1,496.

On 4 August 2005, shareholders approved the conversion of the loan amount to equity. On the date of conversion, the total amount outstanding was \$99,664.59 for which 9,996,459 shares were issued (at a rate of 1 cent per share) in satisfaction of the debt.

7.4 Interests and fees of experts, advisers and other named persons

Other than as set out in this Prospectus:

- (a) no person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus, nor any firm in which any of those persons is or was a partner, nor the Underwriter has, or had, in the two years period ending on the date of this Prospectus, an interest in:
 - (i) the formation or promotion of the Company; or
 - (ii) any property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer; or
 - (iii) the Offer; and
- (b) no amounts (whether in cash or shares or otherwise) have been paid or agreed to be paid by any person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus, nor any firm in which any of those persons is or was a partner, nor the Underwriter in the two year period ending on the date of this Prospectus, and no benefits have been given or agreed to be given to any such person or the Underwriter for services rendered in connection with the formation or promotion of the Company or the Offer.

Gadens Lawyers provided legal advice in regards to the preparation of this Prospectus. The fee is estimated to be approximately \$9,000 (exclusive of GST). To the extent Gadens Lawyers, Perth will be required to provide future legal services, fees will be charged at usual commercial rates. *Gadens Lawyers has acted for the Company in the two years prior to the date of this Prospectus and is entitled to be paid fees totalling approximately \$3,750 (exclusive of GST).*

PKF Chartered Accountants & Business Advisers acted as the Company's auditors for the 2004 and 2005 financial year. PKF Chartered Accountants & Business Advisers has acted for the Company in the two years prior to the date of this Prospectus and has been paid fees totalling \$30,932(exclusive of GST) for audit services. PKF Corporate Advisory Services (WA) Pty Ltd (an entity controlled by the partners of PKF Chartered Accountants & Business Advisers) has acted for the Company in the two years prior to the date of this Prospectus and has been paid fees totalling \$16,376 (exclusive of GST)in relation to the preparation of independent accounting reports. To the extent that PKF Chartered Accountants & Business Advisers will provide future audit and other services fees will be charged at usual commercial rates.

7.5 Consents and Disclaimers

Gadens Lawyers has given its written consent to being named in this Prospectus as the solicitors of the Company and has not withdrawn its consent prior to lodgement of this Prospectus with ASIC. For the purposes of the Corporations Act, notwithstanding that they may be referred to elsewhere in

this Prospectus, Gadens Lawyers did not authorise or cause the issue of this Prospectus and, to the maximum extent permitted by law, makes no representation regarding, and does not accept any liability to any person in respect of any statements or information in, or omissions from, any part of this Prospectus.

PKF Chartered Accountants & Business Advisers has given its written consent to the inclusion of the audited balance sheet of the Company as at 31 December 2005 contained in section 4 of the Prospectus in the form and context in which those statements are included in this Prospectus. PKF Chartered Accountants & Business Advisers also consents to being named in the Corporate Directory section of this Prospectus as the auditor of the Company and has not withdrawn its consent prior to lodgement of this Prospectus with ASIC. For the purposes of the Corporations Act, notwithstanding that they may be referred to elsewhere in this Prospectus, PKF Chartered Accountants & Business Advisers was not involved in the preparation of this Prospectus, and did not authorise or cause the issue of this Prospectus and, to the maximum extent permitted by law, makes no representation regarding, and does not accept any liability to any person in respect of any statements of information in, or omissions from, any part of this Prospectus.

7.6 Taxation

The acquisition and disposal of Shares and Options in the Company will have tax consequences which will differ depending on the personal financial affairs of each Shareholder.

All potential investors are urged to take independent financial advice about the consequences of acquiring Shares or Options to acquire Shares pursuant to this Prospectus from a taxation point of view and generally.

To the maximum extent permitted by law, the Company, its officers and each of their respective advisers accept no liability or responsibility with respect to the consequences of subscribing for Shares or Options to acquire Shares under this Prospectus.

7.7 Documents Available for Inspection

Copies of the following documents may be inspected and/or obtained free of charge by any person at any time during normal business hours at the registered office of the Company at Level 1, 28 Ord Street, West Perth WA:

- (a) The Constitution of the Company;
- (b) The consents referred to under the heading 'Consents and Disclaimers'; and
- (c) This Prospectus.

7.8 Cash Expenses of the Offer

The total costs of the Issue payable by the Company are estimated at approximately \$20,000 (exclusive of GST). These costs include ASIC fees, ASX fees, legal and due diligence costs, printing and distribution and other administrative expenses.

7.9 Dividend Policy

The Directors cannot give any assurance concerning the extent and timing of future dividends (if any) as this will depend on the future profitability and financial position of the Company as well as other economic factors. There is no current proposal to pay dividends.

7.10 Litigation

The Company is not involved in any legal or arbitration proceedings, nor, so far as the Directors are aware, are any such proceedings pending or threatened against the Company other than proceedings undertaken in the ordinary course of business.

7.11 Directors' Consent

In accordance with sections 720 and 351 of the Corporations Act, the issue of this Prospectus has been consented to and duly authorised by all of the Directors. This Prospectus is signed by or on behalf of all of the Directors.

Signed in accordance with a resolution of the Directors.

On behalf of the Board

Barry Woodhouse
Director and Company Secretary

Dated 31 May 2006

On behalf of KTL Technologies Limited (ABN 75 009 089 981)
With the Authority of the Board of Directors

SECTION 8

GLOSSARY

Where the following terms are used in this Prospectus they have the following meanings:

“**Annual Report 2005**” means the annual report of the Company for the 2005 financial year dated 31 December 2005 and lodged with ASIC and the ASX on 15 March 2006

“**Applicant**” means a person who submits an Application Form

“**Application**” or “**Applications**” means a valid application for a specified number of Options under this Prospectus

“**Application Form**” means a Share Application Form or an Option Application Form as the case may be

“**Application Period**” means the period commencing on the Opening Date and ending on the Closing Date

“**ASIC**” means the Australian Securities & Investments Commission

“**ASX**” means Australian Stock Exchange Limited

“**ASX Listing Rules**” or “**Listing Rules**” means Listing Rules of the ASX

“**Board**” means the board of Directors of KTL Technologies Limited

“**Business Day**” has the same meaning as that expressed in the ASX Listing Rules

“**Closing Date**” means the date on which the Offer closes as determined by the Directors

“**Company**” and “**KTL**” means KTL Technologies Limited (ABN 75 009 089 981)

“**Corporations Act**” means the Corporations Act 2001 (Cth) as enacted and amended from time to time

“**Cryo-Lag**” means a prefabricated product which is a modular insulation system suitable for cryogenic pipe work

“**Directors**” means the current directors of KTL Technologies Limited

“**Dollar**” or “**\$**” means Australian dollars unless otherwise stated

“**Issue**” means the issue of Shares and Options pursuant to this Prospectus

“**Offer**” means the offer to participate in the Issue

“**Opening Date**” means the date on which the Offer opens as determined by the Directors

“**Option**” means the options offered under this Prospectus to subscribe for a Share, exercisable at 5 cents on or before 29 May 2009

“**Option Application Form**” means the Option Application Form attached to or accompanying this prospectus

“**Quotation**” has the same meaning as that expressed in the ASX Listing Rules

“**Prospectus**” means this Prospectus dated 31 May 2006 and includes all material implied or expressly incorporated in this Prospectus by reference

“**Shares**” means fully paid ordinary shares in KTL Technologies Limited

“**Shareholder**” means a holder of Shares

“**Share Application Form**” means the Share Application Form attached to or accompanying this Prospectus

“**Shortfall**” means the number of Options not applied for by investors.

NOTE: Funds should be sent to

ANZ Banking Group Limited
SWIFT Code ANZBAU3M
BSB Number and Account Number: 016 002 4949 - 07728
Account Name KTL Technologies Limited – Share Application Account,

NOTE: Funds should be sent to arrive no later than 2pm (WST) on **30 June 2006**.

Declaration

This Share Application Form does not need to be signed. By lodging this Share Application Form and funds for the application money this Applicant hereby:

- (1) applies for the number of Shares and Options specified in the Share Application Form or such lesser number as may be allocated by the Directors;
- (2) agrees to be bound by the constitution of the Company; and
- (3) authorises the Directors to complete or amend this Share Application Form where necessary to correct any errors or omissions.

INSTRUCTIONS TO APPLICANTS

Please post or deliver the completed Share Application Form together with funds to the Company. If an Applicant has any questions on how to complete this Share Application Form, please telephone the Company on (618) 9367 8066. The Form must be received by the Company no later than 2pm WST on **30 June 2006**.

A. Application for Shares

The Share Application Form must be completed in full. The Application must be for a minimum of 50,000 shares.

B. Name of Applicant

Write the Applicant's FULL NAME. This must be either an individual's name or the name of a company. Please refer to the bottom of this page for the correct form of registerable title. Applications using the incorrect form of registerable title may be rejected.

C. Name of Joint Applicants or Account Designation

If JOINT APPLICANTS are applying, up to three joint Applicants may register. If applicable, please provide details of the Account Designation in brackets. Please refer to the bottom of this page for instructions on the correct form of registerable title.

D. Address

Enter the Applicant's postal address for all correspondence. If the postal address is not within Australia, please specify Country after City/Town.

E. Contact Details

Please provide a contact name and daytime telephone number so that the Company can contact the Applicant if there is an irregularity regarding the Share Application Form.

F. CHESS HIN or existing SRN Details

The Company participates in CHESS. If the Applicant is already a participant in this system, the Applicant may complete this section with their existing CHESS HIN. If the applicant is an existing shareholder with an Issuer Sponsored account, the SRN for this existing account may be used. Otherwise leave the section blank and the Applicant will receive a new Issuer Sponsored account and statement.

G. Funds

Funds should be transferred to "**KTL Technologies Limited – Share and Option Application Account**" in Australian currency to the details listed below. Cheques must be drawn on an Australian Bank. The amount of the funds should agree with the amount shown on the Share Application Form.

H. Declaration

By completing the Share Application Form, the Applicant will be taken to have made to the Company the declarations and statements therein. The Share and Option Application Form does not need to be signed.

If a Share Application Form is not completed correctly, or if the accompanying payment is for the wrong amount, it may still be accepted. Any decision of the Directors as to whether to accept a Share Application Form, and how to construe, amend or complete it, shall be final. A Share Application Form will not however, be treated as having offered to subscribe for more Shares and Options than is indicated by the amount of the accompanying cheque.

Forward your completed Share Application Form and cheque to the Company's Share Registry. If you wish to transfer funds to the ANZ Bank banking details are as follows:

Share Registry
Computershare Investor Services Pty Ltd
Level 2, Reserve Bank Building, 45 St George's
Terrace Perth WA 6000

Bank
ANZ Banking Group Limited
SWIFT Code ANZBAU3M
BSB Number and Account Number: 016 002 4949 – 07728
Account Name KTL Technologies Limited – Share and
Option Application Account

CORRECT FORMS OF REGISTRABLE TITLE

Note that ONLY legal entities are allowed to hold securities. Share and Option Application Forms must be in the name(s) of a natural person(s), companies or other legal entities acceptable to the Company. At least one full given name and the surname is required for each natural person. Share and Option Application Forms cannot be completed by persons under 18 years of age. Examples of the correct form of registrable title are set out below.

Type of Investor	Correct Form of Registration	Incorrect Form of Registration
Individual Use given names in full, not initials	Mr John Alfred Smith	J A Smith
Company Use the company's full title, not abbreviations	ABC Pty Ltd	ABC P/L or ABC Co
Joint Holdings Use full and complete names	Mr Peter Robert Williams & Ms Louise Susan Williams	Peter Robert & Louise S Williams
Trusts Use the trustee(s) personal name(s).	Mrs Susan Jane Smith <Sue Smith Family A/C>	Sue Smith Family Trust
Deceased Estates Use the executor(s) personal name(s).	Ms Jane Mary Smith & Mr Frank William Smith <Est John Smith A/C>	Estate of late John Smith or John Smith Deceased
Minor (a person under the age of 18) Use the name of a responsible adult with an appropriate designation.	Mr John Alfred Smith <Peter Smith A/C>	Master Peter Smith
Partnerships Use the partners personal names.	Mr John Robert Smith & Mr Michael John Smith <John Smith and Son A/C>	John Smith and Son
Long Names.	Mr John William Alexander Robertson-Smith	Mr John W A Robertson-Smith
Clubs/Unincorporated Bodies/Business Names Use office bearer(s) personal name(s).	Mr Michael Peter Smith <ABC Tennis Association A/C>	ABC Tennis Association
Superannuation Funds Use the name of the trustee of the fund.	Jane Smith Pty Ltd <Super Fund A/C>	Jane Smith Pty Ltd Superannuation Fund

SWIFT Code ANZBAU3M
BSB Number and Account Number: 016 002 4974 - 57259
Account Name KTL Technologies Limited – Share and Option Offer Account,

NOTE: Funds should be sent to arrive no later than 2pm (WST) on **30 June 2006**.

Declaration

This Option Application Form does not need to be signed. By lodging this Option Application Form and funds for the application money this Applicant hereby:

- (4) applies for the number of Options specified in the Option Application Form or such lesser number as may be allocated by the Directors;
- (5) agrees to be bound by the constitution of the Company; and
- (6) authorises the Directors to complete or amend this Option Application Form where necessary to correct any errors or omissions.

INSTRUCTIONS TO APPLICANTS

Please post or deliver the completed Option Application Form together with funds to the Company. If an Applicant has any questions on how to complete this Option Application Form, please telephone the Company on (618) 9367 8066. The Form must be received by the Company no later than 2pm WST on **30 June 2006**.

A. Application for Options

The Option Application Form must only be completed in accordance with these instructions. The Application must be for a minimum of 100,000 Options.

B. Name of Applicant

Write the Applicant's FULL NAME. This must be either an individual's name or the name of a company. Please refer to the bottom of this page for the correct form of registerable title. Applications using the incorrect form of registerable title may be rejected.

C. Name of Joint Applicants or Account Designation

If JOINT APPLICANTS are applying, up to three joint Applicants may register. If applicable, please provide details of the Account Designation in brackets. Please refer to the bottom of this page for instructions on the correct form of registerable title.

D. Address

Enter the Applicant's postal address for all correspondence. If the postal address is not within Australia, please specify Country after City/Town.

E. Contact Details

Please provide a contact name and daytime telephone number so that the Company can contact the Applicant if there is an irregularity regarding the Option Application Form.

F. CHESS HIN or existing SRN Details

The Company participates in CHESS. If the Applicant is already a participant in this system, the Applicant may complete this section with their existing CHESS HIN. If the applicant is an existing shareholder with an Issuer Sponsored account, the SRN for this existing account may be used. Otherwise leave the section blank and the Applicant will receive a new Issuer Sponsored account and statement.

G. Funds

Funds should be transferred to "**KTL Technologies Limited – Share and Option Application Account**" in Australian currency to the details listed below. Cheques must be drawn on an Australian Bank. The amount of the funds should agree with the amount shown on the Option Application Form.

H. Declaration

By completing the Option Application Form, the Applicant will be taken to have made to the Company the declarations and statements therein. The Option Application Form does not need to be signed.

If an Option Application Form is not completed correctly, or if the accompanying payment is for the wrong amount, it may still be accepted. Any decision of the Directors as to whether to accept an Option Application Form, and how to construe, amend or complete it, shall be final. An Option Application Form will not however, be treated as having offered to subscribe for more Options than is indicated by the amount of the accompanying cheque.

Forward your completed Share Application Form and cheque to the Company's Share Registry. If you wish to transfer funds to the ANZ Bank banking details are as follows:

Share Registry
Computershare Investor Services Pty Ltd
Level 2, Reserve Bank Building, 45 St George's
Terrace Perth WA 6000

Bank
ANZ Banking Group Limited
SWIFT Code ANZBAU3M
BSB Number and Account Number: 016 002 4949 – 07728
Account Name KTL Technologies Limited – Share and
Option Application Account

CORRECT FORMS OF REGISTRABLE TITLE

Note that ONLY legal entities are allowed to hold securities. Option Application Forms must be in the name(s) of a natural person(s), companies or other legal entities acceptable to the Company. At least one full given name and the surname is required for each natural person. Option Application Forms cannot be completed by persons under 18 years of age. Examples of the correct form of registrable title are set out below.

Type of Investor	Correct Form of Registration	Incorrect Form of Registration
Individual Use given names in full, not initials	Mr John Alfred Smith	J A Smith
Company Use the company's full title, not abbreviations	ABC Pty Ltd	ABC P/L or ABC Co
Joint Holdings Use full and complete names	Mr Peter Robert Williams & Ms Louise Susan Williams	Peter Robert & Louise S Williams
Trusts Use the trustee(s) personal name(s).	Mrs Susan Jane Smith <Sue Smith Family A/C>	Sue Smith Family Trust
Deceased Estates Use the executor(s) personal name(s).	Ms Jane Mary Smith & Mr Frank William Smith <Est John Smith A/C>	Estate of late John Smith or John Smith Deceased
Minor (a person under the age of 18) Use the name of a responsible adult with an appropriate designation.	Mr John Alfred Smith <Peter Smith A/C>	Master Peter Smith
Partnerships Use the partners personal names.	Mr John Robert Smith & Mr Michael John Smith <John Smith and Son A/C>	John Smith and Son
Long Names.	Mr John William Alexander Robertson-Smith	Mr John W A Robertson-Smith
Clubs/Unincorporated Bodies/Business Names Use office bearer(s) personal name(s).	Mr Michael Peter Smith <ABC Tennis Association A/C>	ABC Tennis Association
Superannuation Funds Use the name of the trustee of the fund.	Jane Smith Pty Ltd <Super Fund A/C>	Jane Smith Pty Ltd Superannuation Fund