

KTL Technologies Limited

ABN 75 009 089 981

Appendix 4D

Half year report for the half year ended 30 June 2011

“Results for announcement to market”

1(a) The reporting period is the half year ended 30 June 2011.

1(b) The previous corresponding reporting period is the half year ended 30 June 2010.

		<i>Movement</i>		<i>2011</i>
		<i>\$000's or</i>		<i>\$000's</i>
		<i>%</i>		
2.1(a)	The amount change up or down from the previous corresponding period of revenue from ordinary activities.	Down	- to -	-
2.1(b)	The percentage change up or down from the previous corresponding period of revenue from ordinary activities.	Up	- to -	-
2.2(a)	The amount change up or down from the previous corresponding period of profit (loss) from ordinary activities after tax attributable to members	Down	\$54 to	(191)
2.2(b)	The percentage change up or down from the previous corresponding period of profit (loss) from ordinary activities after tax attributable to members	Down	22% to	(191)
2.3(a)	The amount change up (or down) from the previous corresponding period of net profit (loss) for the period attributable to members.	Down	\$54 to	(191)
2.3(b)	The percentage change up (or down) from the previous corresponding period of net profit (loss) for the period attributable to members.	Down	22% to	(191)
2.4(a)	The amount per security and franked amount per security of final and interim dividends or a statement that it is not proposed to pay dividends.	Not Applicable		
2.4(b)	The amount per security and franked amount per security of final and interim dividends or a statement that it is not proposed to pay dividends.	Not Applicable		
2.5	The record date for determining entitlements to the dividends (if any).	Not Applicable		
2.6	A brief explanation of any of the figures in 2.1 to 2.4 necessary to enable the figures to be understood.	Not Applicable		

KTL Technologies Limited

ABN 75 009 089 981

Appendix 4D

Half year report for the half year ended 30 June 2011 (continued)

	<i>Item</i>	<i>Comment</i>
3(a)	Net tangible assets per security as at 30 June 2011.	\$0.003
3(b)	Net tangible assets per security as at 30 June 2010.	\$0.006
4	Details of entities over which control has been gained or lost during the period, including the following.	
4.1	Name of the entity.	Not Applicable
4.2	The date of the gain or loss of control.	Not Applicable
4.3	Where material to an understanding of the report – the contribution of such entities to the reporting entity’s profit from ordinary activities during the period and the profit or loss of such entities during the whole of the previous corresponding period.	Not Applicable
5	Details of individual and total dividends or distributions and dividend or distribution payments. The details must include the date on which each dividend or distribution is payable, and (if Known) the amount per security of foreign sourced dividend or distribution.	Not Applicable
6	Details of any dividend or distribution reinvestment plans in operation and the last date for the receipt of an election notice for participation in any dividend or distribution reinvestment plan.	Not Applicable
7	Details of associates and joint venture entities including the name of the associate or joint venture entity and details of the reporting entity’s percentage holding in each of these entities and – where material to an understanding of the report – aggregate share of profits (losses) of these entities, details of contributions to net profit for each of these entities, and with comparative figures for each of these disclosures for the previous corresponding period.	Not Applicable
8	For foreign entities, which set of accounting standards is used in compiling the report (e.g. International Accounting Standards).	International Accounting Standards
9	For all entities, if the +accounts are subject to audit dispute or qualification, a description of the dispute or qualification.	Qualified Auditor’s Conclusion in regards to interest bearing loans receivable from director related entities

KTL Technologies Limited
ABN 75 009 089 981

Half-year report for the half year ended 30 June 2011

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Corporate Information

ABN 75 009 089 981

This half-year report covers the consolidated entity comprising KTL Technologies Limited and its subsidiary (the Group). The Group's functional and presentation currency is AUD (\$).

A description of the Group's operations and of its principal activities is included in the review of operations and activities in the Director's Report on page 4. The Director's Report is unaudited and does not form part of the financial report.

Directors

Dayong Hu (Managing Director and Chairman)

Haolin Li (Non-executive director)

Jian Jiao (Non-executive director) (appointed on 17 March 2011)

Ying Zhou (Non-executive director) (appointed on 17 March 2011)

Rachel Wong (Director and Company Secretary)

Qingquan Cheng (Non-executive director) (resigned on 17 March 2011)

Weiwen Cheng (Non-executive director) (resigned on 17 March 2011)

Lei Li (Alternate director to Weiwen Cheng)(ceased alternate directorship on 17 March 2011)

Company Secretary

Rachel Wong

Principal & Registered office

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Share Register

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Yarra Falls

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Abbotsford Vic 3067

Telephone: 1300 850 505 / (03) 9473 2500

Facsimile: 61 3 9473 2500

Website: www.computershare.com

Bankers

ANZ Banking Corporation Limited

77 St Georges Terrace

PERTH WA 6000

Auditors

Deloitte Touche Tohmatsu

Woodside Plaza

Level 14

240 St Georges Terrace

PERTH WA 6000

Website: www.deloitte.com.au

Directors' Report

The Directors submit their report on KTL Technologies Limited ("KTL" or "the Company") for the half-year ended 30 June 2011.

DIRECTORS

The names of the Company's directors in office during the half-year and until the date of this report are as below. Directors were in office for this entire period unless otherwise stated.

Dayong Hu (Managing Director and Chairman)

Haolin Li (Non-Executive Director)

Rachel Wong (Director and Company Secretary)

Jian Jiao (Non-executive director) (appointed on 17 March 2011)

Ying Zhou (Non-executive director) (appointed on 17 March 2011)

Qingquan Cheng (Non-executive director) (resigned on 17 March 2011)

Weiwen Cheng (Non-executive director) (resigned on 17 March 2011)

Lei Li (Alternate director to Weiwen Cheng)(ceased alternate directorship on 17 March 2011)

REVIEW AND RESULTS OF OPERATIONS

Share Capital

On 1 March 2011, 66,637,234 ordinary shares were placed and allotted at AUD0.5 cents. The Company has an issued capital of \$7,997,066 and 512,885,462 fully paid ordinary shares on issue after the placement.

Ongoing operations - Cryolag

The Company continues to review its options in relation to the commercialisation of its Cryo-Lag asset.

The Company continues to maintain its Cryo-Lag patents and patent applications. In summary, the Company has now been granted a patent for Cryo-Lag in ten jurisdictions including Australia, USA and Europe. KTL awaits the award of a patent in one further jurisdiction.

Ongoing operations – Waterproofing Materials

KTL has imported sample products and is currently in the process of carry out all necessary local testing and certification procedures and market analysis.

Results

The Company's loss after income tax for the half year was \$191,244 (2010 Loss: \$ 245,535).

Significant Change in State of Affairs

There are currently no matters or circumstances that have arisen since the end of the financial period that have significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

EVENTS OCCURRING AFTER BALANCE DATE

On 24 August 2011, the Company completed its fully underwritten non-renounceable entitlement issue of one fully paid ordinary share in the capital of the Company for every Share held by shareholders of the Company at an issue price of 0.3 cents per Share, together with one free attaching option to acquire a Share for every two Shares subscribed for, and raised approximately \$1,538,656 before costs.

The entitlement issue resulted in 512,885,462 Shares and 256,442,731 Options being issued. After the entitlement issue, the Company has an issued capital of \$9,535,722 and 1,025,770,924 fully paid ordinary shares on issue after the placement.

Apart from the above, there has not arisen in the interval between the end of the half year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity, in future financial years.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the Auditor's independence declaration as required under section 307C Corporations Act 2001 is set out on page 19.

Signed in accordance with a resolution of the directors.



Mr Dayong Hu
31 August 2011

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
 For the half year ended 30 June 2011

	Consolidated 30 June 2011 \$	Consolidated 30 June 2010 \$
Continuing Operations		
Audit fees	16,356	13,353
Consultants	1,903	73,742
Depreciation	2,271	2,509
Listing and share registry expenses	3,758	3,414
Other administrative expenses	28,373	25,706
Directors fees and consultancy payments	239,094	256,138
Travel expenses	6,195	2,520
Results from operating activities	<u>(297,950)</u>	<u>(377,382)</u>
Finance Income	106,706	131,847
Finance Expenses	-	-
Net finance income	<u>106,706</u>	<u>131,847</u>
Loss before income tax	<u>(191,244)</u>	<u>(245,535)</u>
Income tax expense	-	-
Loss from continuing operations	<u>(191,244)</u>	<u>(245,535)</u>
Loss for the period	<u>(191,244)</u>	<u>(245,535)</u>
Other comprehensive income		
Foreign currency translation	(47,941)	125,414
Other comprehensive income (net of tax)	<u>(47,941)</u>	<u>125,414</u>
Total Comprehensive Income/(Loss) for the Period	<u>(239,185)</u>	<u>(120,121)</u>
Earnings per share – continuing operations		
	2011 Cents	2010 Cents
Basic earnings per share	(0.04)	(0.05)
Diluted earnings per share	(0.04)	(0.05)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
 as at 30 June 2011

	Consolidated 30 June 2011 \$	Consolidated 31 Dec 2010 \$
ASSETS		
Current Assets		
Cash and cash equivalents	1,169,697	650,849
Trade and other receivables	1,720	1,720
Other financial assets	28,727	417,863
Total current assets	<u>1,200,144</u>	<u>1,070,432</u>
Non-Current Assets		
Property, plant and equipment	24,390	26,285
Intangible Assets	137,777	135,723
Other financial assets	2,128,444	2,056,329
Total non-current assets	<u>2,290,611</u>	<u>2,218,337</u>
TOTAL ASSETS	<u>3,490,755</u>	<u>3,288,769</u>
LIABILITIES		
Current Liabilities		
Trade and other payables	789,623	657,555
Total Current Liabilities	<u>789,623</u>	<u>657,555</u>
TOTAL LIABILITIES	<u>789,623</u>	<u>657,555</u>
NET ASSETS	<u>2,701,132</u>	<u>2,631,214</u>
EQUITY		
Issued capital	7,997,066	7,687,963
Option reserve	405,504	405,504
Foreign exchange translation reserve	36,299	84,240
Accumulated losses	(5,737,737)	(5,546,493)
Total Equity attributable to equity holders of the Company	<u>2,701,132</u>	<u>2,631,214</u>
TOTAL EQUITY	<u>2,701,132</u>	<u>2,631,214</u>

	Consolidated 30 June 2011 \$	Consolidated 30 June 2010 \$
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS		
For the half year ended 30 June 2011		
Cash flows from operating activities		
Payments to suppliers and employees	(175,707)	(274,138)
Receipt from customers	-	-
Interest received	3,298	2,755
Net cash flows used in operating activities	<u>(172,409)</u>	<u>(271,383)</u>
Cash flows from investing activities		
Payments for research and development	(2,797)	(1,510)
Payment for property, plant and equipment	-	-
Payment for exploration and evaluation	-	(1,636)
Proceed from sale of KTL Uranium	-	366,000
Loan repaid by other entities	408,823	2,291
Net cash flows from investing activities	<u>406,026</u>	<u>365,145</u>
Cash flows from financing activities		
Proceed from share issue	333,186	25,000
Costs of issue of shares	(24,083)	(1,500)
Interest paid	-	-
Proceed from borrowings	-	-
Repayment of borrowings	-	-
Net cash flows from financing activities	<u>309,103</u>	<u>23,500</u>
Net increase in cash and cash equivalents	542,720	117,263
Cash and cash equivalents at the beginning of the period	650,849	117,835
Effect of exchange rate fluctuations on cash held	(23,872)	15
Cash and cash equivalents at the end of the period	<u>1,169,697</u>	<u>235,113</u>

Condensed Consolidated Statement of Changes in Equity
 For the half year ended 30 June 2011

	Issued Capital	Accumulated Losses	Option Reserve	Translation Reserve	Total
	\$	\$	\$	\$	\$
At 1 January 2011	7,687,963	(5,546,493)	405,504	84,240	2,631,214
Loss for the period	-	(191,244)	-	-	(191,244)
Other comprehensive income	-	-	-	(47,941)	(47,941)
Total comprehensive income for the period	-	(191,244)	-	(47,941)	(239,185)
Issue of share capital	333,186	-	-	-	333,186
Share issue costs	(24,083)	-	-	-	(24,083)
At 30 June 2011	<u>7,997,066</u>	<u>(5,737,737)</u>	<u>405,504</u>	<u>36,299</u>	<u>2,701,132</u>

	Issued Capital	Accumulated Losses	Option Reserve	Translation Reserve	Total
	\$	\$	\$	\$	\$
At 1 January 2010	7,661,163	(5,117,685)	408,804	332,687	3,284,969
Loss for the period	-	(245,535)	-	-	(245,535)
Other comprehensive income	-	-	-	125,414	125,414
Total comprehensive income for the period	-	(245,535)	-	125,414	(120,121)
Issue of share capital	28,300	-	(3,300)	-	25,000
Share issue costs	(1,500)	-	-	-	(1,500)
At 30 June 2010	<u>7,687,963</u>	<u>(5,363,220)</u>	<u>405,504</u>	<u>458,101</u>	<u>3,188,348</u>

Notes to the Condensed Financial Statements
For the Half-Year Ended 30 June 2011

NOTE 1: CORPORATE INFORMATION

The financial report of KTL Technologies Ltd (the Company) for the half year ended 30 June 2011 was authorised for issue in accordance with a resolution of directors on 30 August 2011. KTL Technologies Ltd is a company incorporated in Australia and limited by shares, which are publicly traded on the Australian Securities Exchange.

The nature of the operations and principal activities of the Group are as described in the Directors' Report.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This half-year financial report does not include all the notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position, and financing and investing activities of the consolidated entity as the full financial report.

This half-year financial report should be read in conjunction with the annual Financial Report of KTL Technologies Limited as at 31 December 2010.

It is also recommended that the half-year financial report be considered together with any public announcements made by KTL Technologies Limited and its controlled entity during the half year ended 30 June 2011 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001 and the Australian Securities Exchange Listing Rules.

(a) Basis of Preparation

The half-year consolidated financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, applicable Accounting Standards including AASB 134 "Interim Financial Reporting", and other mandatory professional reporting requirements. Compliance with AASB 134 ensures compliance with International Financial Reporting Standards IAS 34 Interim Financial Reporting.

The half year financial report has been prepared on a historical cost basis, except for financial instruments which are measured at fair value where stated.

For the purpose of preparing the half-year financial report, the half year has been treated as a discrete reporting period.

(b) Going Concern

For the period ended 30 June 2011, the consolidated entity had incurred a net loss of \$191,244.

The financial report of KTL Technologies Limited has been prepared on a going concern basis, based on the following reasons:

- The Company completed an underwritten rights issue offer on 24 August 2011 and raised approximately AUD1,465,000 after costs and all proceeds were received by 24 August 2011.
- The Company received repayment on its interest bearing loans to director-related entity of AUD408,823 during the period. The remaining outstanding interest bearing loans is scheduled to be repaid in installments over the next 18 months.

Notes to the Condensed Financial Statements
For the Half-Year Ended 30 June 2011 (continued)

- As at 30 June 2011, the directors were owed \$168,250 for accrued director fees. The directors have signed a deed of subordination which provides that they will not call the amount due at 30 June 2011 and directors fee payable relating to the period subsequent to 30 June 2011 until such time as the parent entity has the ability to do so without impacting its ability to pay its debts as and when they fall due;
- The directors have reviewed the working capital requirements for the next 12 months from reporting date and believe that the Company has sufficient funds to continue to operate; and
- The directors have confirmed that as a part of their cash monitoring and conservative measure, they will continue to suspend cash payments of their director's fees, until such time the company has surplus cash reserves.

Based on the cash flow forecast and the recoverability of the director related entities loans receivable, the directors of the company are satisfied that, the going concern basis of preparation is appropriate. The financial report has therefore been prepared on a going concern basis, which assumes the continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

(c) Significant accounting policies

The half year consolidated financial statements have been prepared using the same accounting policies as used and disclosed in the annual financial statements for the year ended 31 December 2010.

Certain Australian Accounting Standards and Australian Accounting Interpretations have recently been issued or amended but are not yet effective. These standards have not been adopted by the consolidated entity.

NOTE 3 SEGMENT INFORMATION

Identification of reportable segments

The group has identified its operating segments based on the internal reports that are reviewed and used by the executive management team (the chief operating decision makers) in assessing performance and in determining the allocation of resources.

The operating segments are identified by management based on the types of products and services. Discrete financial information about each of these operating businesses is reported to the executive management team on at least a monthly basis.

The reportable segments are based on aggregated operating segments determined by the similarity of the products produced and sold and/or the services provided, as these are the sources of the Group's major risks and have the most effect on the rates of return.

Types of products and services

Industrial insulation

The industrial insulation products industry and the commercialisation of its Cryo-Lag assets.

Waterproofing Materials

KTL entered into a three-year agreement with Dayu Weiye (Beijing) International Technology Company Limited ("DWB") in 2010 to become an exclusive distributor of its entire product range in Australia, along with technical support provided by DWB.

Notes to the Condensed Financial Statements
 For the Half-Year Ended 30 June 2011 (continued)

As part of the new agreement, KTL has also acquired exclusive rights to apply for Australian patents in connection with the technologies covered in the agreement, and also the exclusive rights to manufacture the products in Australia with raw materials and accessories supplied by DWB.

KTL has imported sample products which are currently undergoing necessary local testing and certification procedures and market analysis.

Period ended 30 June 2011

	Industrial Insulation	Waterproof Materials	Unallocated items	Total
	\$	\$	\$	\$
Revenue	-	-	-	-
Sales to external customers	-	-	-	-
Total segment revenue	-	-	-	-
Segment net operating (loss)/profit after tax	-	(3,281)	(187,963)	(191,244)
Segment assets	137,777	-	3,352,978	3,490,755

Period ended 30 June 2010

	Industrial Insulation	Waterproof Materials	Unallocated items	Total
	\$	\$	\$	\$
Revenue	-	-	-	-
Sales to external customers	-	-	-	-
Total segment revenue	-	-	-	-
Segment net operating (loss)/profit after tax	-	-	(245,535)	(245,535)
Segment assets	129,552	-	3,540,044	3,669,596

NOTE 4 INCOME TAXES

The major components of income tax expense for the half year ended 30 June 2011 and 2010 are:

Consolidated Income Statement	Consolidated 2011	Consolidated 2010
	\$	\$
Current income tax expense	(57,373)	(73,661)
Benefit of tax loss not brought to account	57,373	73,661
Income tax expense	-	-

Notes to the Condensed Financial Statements
 For the Half-Year Ended 30 June 2011 (continued)

NOTE 5 CASH AND CASH EQUIVALENTS

For the purpose of the half year Condensed Consolidated Statement of Cash Flows, cash and cash equivalents are comprised of the following:

	Consolidated 30 June 2011	Consolidated 30 June 2010
	\$	\$
Cash at bank and in hand	1,169,697	219,783
Cash on short-term deposit	-	15,330
	<u>1,169,697</u>	<u>235,113</u>

NOTE 6 – PROPERTY, PLANT AND EQUIPMENT

Acquisitions and disposals

During the period ended 30 June 2011, equipment of \$nil was purchased (2010: \$nil).

There were no asset disposals during the period ended 30 June 2011 (2010: \$nil).

NOTE 7 – INTANGIBLE ASSETS

	Consolidated 30 June 2011	Consolidated 31 December 2010
	\$	\$
Cryo-Lag	<u>137,777</u>	<u>135,723</u>
	<u>137,777</u>	<u>135,723</u>

NOTE 8 – TRADE AND OTHER RECEIVABLES

	Consolidated 30 June 2011	Consolidated 31 December 2010
	\$	\$
Trade receivables	-	-
Other receivables	<u>1,720</u>	<u>1,720</u>
	<u>1,720</u>	<u>1,720</u>

NOTE 9 – OTHER FINANCIAL ASSETS

	Consolidated 30 June 2011	Consolidated 31 December 2010
	\$	\$
CURRENT		
Tax account	4,449	1,075
Prepayments	14,042	4,486
Deposits	10,236	10,236
Interest bearing loans (director-related entities)	-	402,066
	<u>28,727</u>	<u>417,863</u>
NON CURRENT		
Interest bearing loans (director-related entities)	478,988	-
Interest bearing loans (director-related entities)*	<u>1,649,456</u>	<u>2,056,329</u>
	<u>2,128,444</u>	<u>2,056,329</u>

* secured on fixed and floating charge on the assets and undertakings of the companies.

Notes to the Condensed Financial Statements
 For the Half-Year Ended 30 June 2011 (continued)

NOTE 10 – TRADE AND OTHER PAYABLES

	Consolidated 30 June 2011 \$	Consolidated 31 December 2010 \$
Trade payables	122,955	102,554
Director fees payables	666,668	555,001
Total trade and other payables	<u>789,623</u>	<u>657,555</u>

The carrying amounts of trade and other payables approximate their fair values.

NOTE 11 - SUBSIDIARY

Significant investments in subsidiaries – parent entity	Country of incorporation Residence	Proportion of ownership interest	
		Jun 2011	Dec 2010
Jilin Australia Energy Technology Company Limited	PRC	100%	100%

NOTE 12 - COMMITMENTS AND CONTINGENCIES

	Consolidated 30 June 2011 \$	Consolidated 31 Dec 2010 \$
Employee compensation commitments Commitments under non-cancellable employment contracts not provided for in the financial statements and payable:		
Within one year	200,000	218,000
One year or later and no later than five years	100,000	218,000
	<u>300,000</u>	<u>436,000</u>

Apart from as listed above, the Company currently does not have commitments for expenditure. Since the last annual reporting date, there has been no material change of any contingent asset or contingent liability, listed as nil.

Notes to the Condensed Financial Statements
 For the Half-Year Ended 30 June 2011 (continued)

NOTE 13 - CONTRIBUTED EQUITY

	30 June 2011 \$	31 December 2010 \$
Ordinary shares (i)	7,997,066	7,687,963
	<u>7,997,066</u>	<u>7,687,963</u>

(i) Ordinary shares

Fully paid ordinary shares carry one vote per share and carry the right to dividends

Movements in ordinary shares on issue	Number	\$
At 1 January 2011	446,248,228	7,687,963
Issued on 1 March 2011	66,637,234	333,186
Transaction costs on share issues	-	(24,083)
At 30 June 2011	<u>512,885,462</u>	<u>7,997,066</u>

NOTE 14 - EVENTS AFTER BALANCE SHEET DATE

On 24 August 2011, the Company completed its fully underwritten non-renounceable entitlement issue of one fully paid ordinary share in the capital of the Company for every Share held by shareholders of the Company at an issue price of 0.3 cents per Share, together with one free attaching option to acquire a Share for every two Shares subscribed for, and raised approximately \$1,538,656 before costs.

The entitlement issue resulted in 512,885,462 Shares and 256,442,731 Options being issued. After the entitlement issue, the Company has an issued capital of \$9,535,722 and 1,025,770,924 fully paid ordinary shares on issue after the placement.

Apart from the above, there has not arisen in the interval between the end of the half year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity, in future financial years.

Directors' Declaration

The directors declare that:

- (a) in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
- (b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving true and fair view of the financial position and performance of the consolidated entity.

Signed in accordance with a resolution of the directors made pursuant to s.303(5) of the Corporations Act 2001.

On behalf of the Directors



Mr Dayong Hu
Managing Director

31 August 2011

Independent Auditor's Review Report to the Members of KTL Technologies Limited

We have reviewed the accompanying half-year financial report of KTL Technologies Limited, which comprises the condensed statement of financial position as at 30 June 2011, the condensed statement of comprehensive income, the condensed statement of cash flows and the condensed statement of changes in equity for the half-year ended on that date, selected explanatory notes and, the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 6 to 16.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of KTL Technologies Limited's financial position as at 30 June 2011 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of KTL Technologies Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Auditor's Independence Declaration

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

Basis for Qualified Auditor's Conclusion

As disclosed in Note 9 to the financial statements, within other financial assets, the consolidated entity has interest-bearing loans receivable from director-related entities of \$2,128,444 as at 30 June 2011 ("the assets"). The directors consider the carrying values of the assets to be recoverable. Australian Accounting Standard AASB 136 "Impairment of Assets", requires an asset to be carried at no more than its recoverable amount. We have been unable to obtain sufficient appropriate audit evidence of the recoverable amounts of the assets and, accordingly, we have been unable to determine whether the recoverable amounts of the assets are at least equal to their carrying values. In the event that the carrying values of the assets exceed their recoverable amounts, it would be necessary for the carrying values of the assets to be written down to their recoverable amounts.

Qualified Conclusion

Based on our review, which is not an audit, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to satisfy ourselves as to the recoverable amounts of the assets described in the previous paragraph, we have not become aware of any matter that makes us believe that the half-year financial report of KTL Technologies Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU



Conley Manifis

Partner

Chartered Accountants

Perth, 31 August 2011

The Board of Directors
KTL Technologies Limited
Level 33, AMP Centre
50 Bridge Street
SYDNEY NSW 2000

31 August 2011

Dear Board Members

KTL Technologies Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of KTL Technologies Limited.

As lead audit partner for the review of the financial statements of KTL Technologies Limited for the half-year ended 30 June 2011, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely



DELOITTE TOUCHE TOHMATSU



Conley Manifis
Partner
Chartered Accountants