

KTL Technologies Limited

ABN 75 009 089 981

Appendix 4E

Preliminary Final Report to the Australian Securities Exchange

Name of Entity	KTL Technologies Limited
ABN	75 009 089 981
Financial Year Ended	31 December 2009
Previous Corresponding Reporting Period	31 December 2008

Results for Announcement to the Market

	\$	Percentage increase/(decrease) over previous corresponding period
Revenue from ordinary activities	Nil	N/A
Profit/(loss) from ordinary activities after tax attributable to members	(498,278)	(75%)
Net profit/(loss) for the period attributable to members	(589,952)	(78%)
Dividends (distributions)	Amount per security	Franked amount per security
Final Dividend	N/A	Nil cents
Interim Dividend	N/A	Nil cents
Record date for determining entitlements to the dividends (if any)		N/A

NTA Backing

	Current period	Previous corresponding period
Net tangible asset backing per ordinary security (cents per share)	0.7 cents	1.0 cents

Other Significant Information Needed by an Investor to Make an Informed Assessment of the Entity's Financial Performance and Financial Position

At the Extraordinary General Meeting held on 22 January 2010, shareholders approved the sale of all of the shares in KTL Uranium Limited, including its 80% interest in the West Australian exploration licence EL 08/109, for a purchase price of \$400,000. The transaction was completed on the date of the meeting with sale consideration received in full. As at 31 December 2009, KTL Uranium Limited's results and assets were accounted as held for sale.

Details of Entities over which Control has been Gained or Lost during the Period

Name of entity (or group of entities)	
Date control lost	
Consolidated profit / (loss) from ordinary activities since the date in the current	

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period on which control was acquired.	
Profit / (loss) from ordinary activities of the controlled entity (or group of entities) for the whole of the previous corresponding period	

Commentary on the Results for the Period
Significant features of operating performance:

Capital Raising

During the 2009 financial year, the Company had not raised any capital by issuing shares.

Mundong Well Uranium, Copper and Lead Project E08/1609

During the 2009 financial year, the Company continued to maintain its 80% interest in the Exploration License Application 08/1609 Mundong Well Project.

The Company executed an agreement on 2 October 2009 with Artemis Resources Limited (ASX:ARV) whereby it was agreed that KTL would sell and Artemis would purchase all of the shares in KTL Uranium Limited, including its 80% interest in the West Australian exploration licence EL 08/109, for a purchase price of \$400,000.

The proceeds from the sale of KTLU shares will be used as working capital to facilitate:

- i. the development of strategic alliance with China Railway Materials Commercial Corporation to acquire mineral projects; and
- ii. current confidential negotiations for the acquisition of interests in Australian and/or overseas mineral tenements and other investment projects.

An Extraordinary General Meeting was called to be held on 22 January 2010 to seek shareholders approval on the above transaction.

Cryo-Lag

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.

KTL is still reviewing its strategy for the commercialization of the Cryo-Lag technology.

Significant Change in State of Affairs

The Company executed an agreement on 2 October 2009 with Artemis Resources Limited (ASX:ARV) whereby it was agreed that KTL would sell and Artemis would purchase all of the shares in KTL Uranium Limited, including its 80% interest in the West Australian exploration licence EL 08/109, for a purchase price of \$400,000.

The earnings per security and the nature of any dilution aspects:

Please refer to attached preliminary final report for the year ended 31 December 2009.

Audit/Review Status

This report is based on accounts to which one of the following applies: (Tick one)			
The accounts have been audited		The accounts have been subject to review	
The accounts are in the process of being audited or subject to review	✓	The accounts have not yet been audited or reviewed	

<p>If the account have not yet been audited or subject to review and are likely to be subject to dispute or qualification, a description of the likely dispute or qualification:</p> <p>N/A</p>
<p>If the account have been audited or subject to review and are subject to dispute or qualification, a description of the dispute or qualification:</p> <p>N/A</p>

Signed by Company Secretary	
Print Name	Rachel Wong
Date	26 February 2010

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STATEMENT OF COMPREHENSIVE INCOME (“SOCI”)
 For the Year Ended 31 December 2009

		Consolidated 2009	Consolidated 2008	Parent 2009	Parent 2008
		\$	\$	\$	\$
Continuing Operations					
Revenue	8	-	-	-	-
Impairment expense		-	-	(214,515)	-
Foreign exchange gain/(losses)		-	-	(720,986)	746,136
Depreciation		(3,435)	(4,607)	-	-
Consultants		(439,755)	(493,771)	(439,755)	(475,605)
Director payments		(167,500)	(201,328)	(167,500)	(201,328)
ASX Listing and share registry		(17,925)	(34,318)	(17,925)	(34,318)
Share based payments		(39,200)	(1,250,000)	(39,200)	(1,250,000)
Travel		(1,422)	(4,302)	(1,422)	(4,058)
Employee entitlements		(53,270)	(15,236)	(53,270)	-
Other administrative expenses		(34,316)	(71,505)	(25,831)	(69,156)
Results from operating activities		(756,823)	(2,075,067)	(1,680,404)	(1,288,329)
Finance Income	8	258,545	94,329	314,941	303,014
Finance expense		-	-	-	-
Net finance income		258,545	94,329	314,941	303,014
Loss before income tax		(498,278)	(1,980,738)	(1,365,463)	(985,315)
Income Tax Expense	9	-	-	-	-
Loss from continuing operations		(498,278)	(1,980,738)	(1,365,463)	(985,315)
Discontinued operation					
Loss from discontinued operations, net of income tax	7	(91,674)	(647,835)	-	-
Loss for the period		(589,952)	(2,628,573)	(1,365,463)	(985,315)
Other comprehensive income					
Foreign currency translation		(684,796)	845,508	-	-
Total other comprehensive income		(684,796)	845,508	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		(1,274,748)	(1,783,065)	-	-
Attributable to:					
Members of the parent		(589,952)	(2,628,573)	(1,365,463)	(985,315)
Non-controlling interest		-	-	-	-
Loss for the period		(589,952)	(2,628,573)	(1,365,463)	(985,315)
Total comprehensive income for the year attributable to:					
Non-controlling interest		-	-	-	-
Members of the parent		(1,274,748)	(1,783,065)	-	-
		(1,274,748)	(1,783,065)	-	-
Earnings per share – Continuing Operations					
Basic loss per share (cents)	16	(0.11)	(0.47)		
Diluted loss per share (cents)	16	(0.11)	(0.47)		
Earnings per share – Equity holders of the company					
Basic loss per share (cents)	16	(0.13)	(0.63)		
Diluted loss per share (cents)	16	(0.13)	(0.63)		

The SOCI are to be read in conjunction with the attached notes.

STATEMENT OF CHANGES IN EQUITY (“SOCIE”)
 For the Year Ended 31 December 2009

Consolidated

In AUD	Share Capital \$	Translation reserve \$	Option reserve \$	Accumulated Losses \$	Total \$	Non- controlling Interest \$	Total equity \$
Balance at 1 January 2008	6,330,213	171,975	427,654	(1,899,160)	5,030,682	327,079	5,357,761
Foreign currency translation	-	845,508	-	-	845,508	-	845,508
Loss for the period	-	-	-	(2,628,573)	(2,628,573)	-	(2,628,573)
Total comprehensive income for the year	-	845,508	-	(2,628,573)	(1,783,065)	-	1,783,065
Transactions with owners in their capacity as owners							
Disposal of non-controlling interest	-	-	-	-	-	(327,079)	(327,079)
Issue of share capital	53,850	-	(18,850)	-	35,000	-	35,000
Share based payment	1,250,000	-	-	-	1,250,000	-	1,250,000
Cost of share capital	(9,100)	-	-	-	(9,100)	-	(9,100)
Balance at 31 December 2008	7,624,963	1,017,483	408,804	(4,527,733)	4,523,517	-	4,523,517
Balance at 1 January 2009	7,624,963	1,017,483	408,804	(4,527,733)	4,523,517	-	4,523,517
Foreign currency translation	-	(684,796)	-	-	(684,796)	-	(684,796)
Loss for the period	-	-	-	(589,952)	(589,952)	-	(589,952)
Total comprehensive income for the year	-	(684,796)	-	(589,952)	(1,274,748)	-	(1,274,748)
Transactions with owners in their capacity as owners							
Issue of share capital	-	-	-	-	-	-	-
Share based payment	39,200	-	-	-	39,200	-	39,200
Cost of share capital	(3,000)	-	-	-	(3,000)	-	(3,000)
Balance at 31 December 2009	7,661,163	332,687	408,804	(5,117,685)	3,284,969	-	3,284,969

STATEMENT OF CHANGES IN EQUITY (“SOCIE”)
 For the Year Ended 31 December 2009

Parent

	Share Capital	Option Reserve	Accumulated Losses	Total
	\$	\$	\$	\$
Balance 1 January 2008	6,330,213	427,654	(1,579,456)	5,178,411
Loss for the period	-	-	(985,315)	(985,315)
Total comprehensive income for the year	-	-	(985,315)	(985,315)
Transactions with owners in their capacity as owners				
Issue of share capital	53,850	(18,850)	-	35,000
Share based payment	1,250,000	-	-	1,250,000
Costs of share capital	(9,100)	-	-	(9,100)
Balance as at 31 December 2008	7,624,963	408,804	(2,564,771)	5,468,996

	Share Capital	Option Reserve	Accumulated Losses	Total
	\$	\$	\$	\$
Balance 1 January 2009	7,624,963	408,804	(2,564,771)	5,468,996
Loss for the period	-	-	(1,365,463)	(1,365,463)
Total comprehensive income for the year	-	-	(1,365,463)	(1,365,463)
Transactions with owners in their capacity as owners				
Share based payment	39,200	-	-	39,200
Costs of share capital	(3,000)	-	-	(3,000)
Balance as at 31 December 2009	7,661,163	408,804	(3,930,234)	4,139,733

The SOCIEs are to be read in conjunction with the attached notes.

STATEMENT OF FINANCIAL POSITION (“SOPF”)
 As at 31 December 2009

		Consolidated	Consolidated	Parent	Parent
	Note	2009	2008	2009	2008
		\$	\$	\$	\$
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	14	117,835	535,914	117,453	535,158
Trade and other receivables	13	1,720	15,095	1,720	7,440
Other financial assets	15	3,009,237	1,546,110	3,476,067	637,826
Assets of disposal group held-for-sale	7	400,000	-	-	-
Total current assets		3,528,792	2,097,119	3,595,240	1,180,424
NON-CURRENT ASSETS					
Property, plant and equipment	10	31,205	34,640	-	-
Other financial assets	15	-	2,112,289	819,521	4,485,781
Exploration and evaluation expenditure	11	-	476,678	-	-
Intangible assets	12	127,185	113,898	127,185	113,898
Total non-current assets		158,390	2,737,505	946,706	4,599,679
TOTAL ASSETS		3,687,182	4,834,624	4,541,946	5,780,103
LIABILITIES					
CURRENT LIABILITIES					
Trade and other payables	17	402,213	311,107	402,213	311,107
Total current liabilities		402,213	311,107	402,213	311,107
TOTAL LIABILITIES		402,213	311,107	402,213	311,107
NET ASSETS		3,284,969	4,523,517	4,139,733	5,468,996
EQUITY					
Share capital	24	7,661,163	7,624,963	7,661,163	7,624,963
Option reserve	25	408,804	408,804	408,804	408,804
Foreign exchange translation reserve		332,687	1,017,483	-	-
Accumulated losses		(5,117,685)	(4,527,733)	(3,930,234)	(2,564,771)
Total equity attributable to equity holders of the Company		3,284,969	4,523,517	4,139,733	5,468,996
Non-controlling interest		-	-	-	-
TOTAL EQUITY		3,284,969	4,523,517	4,139,733	5,468,996

The SOPFs are to be read in conjunction with the attached notes.

STATEMENT OF CASH FLOWS (“SOCF”)
 For the Year Ended 31 December 2009

	Note	Consolidated	Consolidated	Parent	Parent
		2009	2008	2009	2008
Cash flows from operating activities		\$	\$	\$	\$
Payments to suppliers and employees		(627,283)	(1,635,109)	(626,230)	(673,439)
Receipt from customers		-	303,206	-	-
Interest received		4,674	35,947	4,671	32,226
Net cash from/(used in) operating activities	14b	(622,609)	(1,295,956)	(621,559)	(641,213)
Cash flows from investing activities					
Disposal of discontinued operation, net of cash disposed of		-	(334,912)	-	-
Deposit received for sale of subsidiary		10,000	-	10,000	-
Payments to subsidiaries		-	-	-	-
Payment for property, plant and equipment		-	(805,585)	-	-
Payment for exploration and evaluation		(9,858)	(25,725)	(9,858)	(25,725)
Payment of research and development costs		(13,287)	(8,148)	(13,287)	(8,148)
Net cash used in investing activities		(13,145)	(1,174,370)	(13,145)	(33,873)
Cash flows from financing activities					
Proceeds from issue of shares and options		-	35,000	-	35,000
Costs of issue of shares		(3,000)	(9,100)	(3,000)	(9,100)
Interest paid		-	(12,307)	-	-
Proceeds from borrowings		220,840	2,126,114	220,000	300,000
Repayment of borrowings		-	(1,795,916)	-	-
Loan to subsidiaries		-	-	-	(13,896)
Net cash provided by financing activities		217,840	343,791	217,000	312,004
Net increase (decrease) in cash and cash equivalents		(417,914)	(2,126,535)	(417,704)	(363,082)
Cash and cash equivalents at the beginning of the period		535,914	2,864,818	535,158	898,240
Effect of exchange rate fluctuations on cash held		(165)	(202,369)	(1)	-
Cash and cash equivalents at the end of the period		117,835	535,914	117,453	535,158

The SOCFs are to be read in conjunction with the attached notes.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – CORPORATE INFORMATION

KTL Technologies Limited (“the Company”) is incorporated in Australia and is the parent entity of the KTL group of companies. The address of the Company’s registered office is Level 34, AMP Centre, 50 Bridge Street Sydney, NSW 2000 Australia. The consolidated financial statements of the Company as at and for the year ended 31 December 2009 comprise the Company and its subsidiaries (together referred to as the “Group” and individually as “Group entities”). The Group primarily is involved in the commercialization of its Cryo-Lag assets (industrial insulation patents), exploration and of manufacture and sales of magnetic materials (see note 6).

NOTE 2 – BASIS OF PREPARATION

2a. Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASBs) (including Australian Accounting Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001.

Compliance with IFRS

The financial report complies with Australian Accounting Standards which ensures compliance with International Financial Reporting Standards (IFRSs).

2b. Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following:

- derivative financial instruments are measured at fair value
- financial instruments at fair value through profit or loss are measured at fair value
- liabilities for cash-settled share-based payment arrangements are measured at fair value. The methods used to measure fair values are discussed further in note 4.

2c. Going Concern

At 31 December 2009, the consolidated entity and the parent entity had incurred losses for the year ended of \$589,952 and \$1,365,463 respectively.

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

- The Company has no external debts outstanding.
- The directors are confident that the Company's interest bearing loans to director-related entities will be repaid in 2010, which are secured by fixed and floating charges over the assets and undertakings of the director related entities.
- Post year ended 31 December 2009, the Company received consideration of \$390,000 for the sale of KTL Uranium Limited.
- The directors confirm that they have suspended cash payments of their directors fees until such time the company has cash reserves.
- 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;
- The Company is also considering debt and/or equity raising options for use as working capital. The directors are confident that additional debt and/or equity raising is available to the entity, if required.

Based on the cash flow forecast and the debt and/or equity raising options available to the company, 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.

No allowance for such circumstances has been made in the Financial Report.

2d. Functional and presentation currency

These consolidated financial statements are presented in Australian dollars, which is the Company's functional currency and the functional currency of the majority of the Group.

2e. Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Judgements made in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements concern the future life of Cryo-Lag.

The following key assumption has been made concerning the future and other key sources of estimation uncertainty at the balance date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

It is currently assumed that Cryo-Lag will generate profitable results in the future, subject to a successful outcome of the current commercialisation activities. Should this assumption prove incorrect then material adjustments may have to be made for impairment losses in respect of Cryo-Lag.

2f. New accounting standards and interpretations

The Group has adopted all new and revised Australian Accounting Standards and AASB Interpretations that are relevant to its operations and effective for reporting periods beginning on 1 January 2009. The following standards have had an impact on the group:

New or revised requirement	Effective for annual reporting periods beginning/ending on or after	More information	Impact on Group
<i>AASB 8: Operating Segments, AASB 2007-3 Amendments to Australian Accounting Standards 5, 6, 102, 107, 119, 127, 134,</i>	Beginning 1 January 2009	This has been adopted for the year ended 31	The Group has revised its disclosure requirements in

New or revised requirement	Effective for annual reporting periods beginning/ending on or after	More information	Impact on Group
<p>136, 1023 & 1038 arising from AASB 8.</p> <p>This standard supersedes AASB 114, Segment Reporting introducing a US GAAP approach of management reporting as part of the convergence project with FASB.</p>		December 2009	accordance with AASB 8, for the group's operating segments as monitored by management.
<p><i>AASB 101: Presentation of Financial Statements (Revised September 2007), AASB 2007-8 Amendments to Australian Accounting Standards & Interpretations and AASB 2007-10 Further Amendments to AASBs arising from AASB 101.</i></p> <p>The revised standard affects the presentation of changes in equity and comprehensive income. It does not change the recognition, measurement or disclosure of specific transactions and other events required by other AASB standards.</p>	Beginning 1 January 2009	This has been adopted for the year ended 31 December 2009	The group has adopted the revised terminologies for presentation of its financial statements in accordance with AASB 101.
<p><i>AASB 123: Borrowing Costs (Revised), AASB 2007-6 Amendments to Australian Accounting Standards 1, 101, 107, 111, 116, 138 and Interpretations 1 & 12.</i></p> <p>This revision eliminates the option to expense borrowing costs on qualifying assets and requires that they be capitalised. The Amending Standard eliminates reference to the expensing option in various other pronouncements.</p>	Beginning 1 January 2009	This has been adopted for the year ended 31 December 2009	The adoption of this standard had no impact on the group.
<p><i>AASB 2008-1: Amendments to AASB 2 "Share Based Payments"</i></p> <p>The amendment clarifies that vesting conditions comprise service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. It also specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment.</p>	Beginning 1 January 2009	This has been adopted for the year ended 31 December 2009	The adoption of this standard had no impact on the group.
<p><i>AASB 2008-7: Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate</i></p> <p>This amends and clarifies the following standards AASB 101, AASB 118, AASB 127 & AASB 136 for the treatment of determining the cost of an investment in a subsidiary, jointly controlled entity or associate</p>	Beginning 1 January 2009	This has been adopted for the year ended 31 December 2009	The adoption of this standard had no impact on the group.
<p><i>Interpretation 16: Hedges of a Net Investment in a Foreign Operation concludes that:</i></p> <p>a) the presentation currency does not create an exposure to which an entity may apply hedge accounting. Consequently, a parent entity may designate as a hedged risk only the foreign exchange differences arising from a difference between its own functional currency and that of its</p>	Beginning 1 October 2008	This has been adopted for the year ended 31 December 2009	The adoption of this standard had no impact on the group.

New or revised requirement	Effective for annual reporting periods beginning/ending on or after	More information	Impact on Group
<p>foreign operation.</p> <p>b) the hedging instrument(s) may be held by any entity or entities within the group. that while AASB 139 must be applied to determine the amount that needs to be reclassified to profit or loss from the foreign currency translation reserve in respect of the hedging instrument, AASB 121 must be applied in respect of the hedged item.</p>			
<p><i>AASB 3 Business Combinations (Revised), AASB 127 Consolidated and Separate Financial Statements (Amended), AASB2008-3 Amendments to AASBs arising from AASB 3 and AASB 127</i></p> <p>This revision changes the application of acquisition accounting for business combinations and accounting for non - controlling interests. The revised and amended standards incorporate many changes which will have a significant impact on the profit and loss for entities entering into business combinations.</p>	Beginning 1 July 2009	This has been adopted for the year ended 31 December 2009	<p>These standards are applied prospectively and had no material impact on prior business combinations</p> <p>The adoption has amended the accounting policy of business combinations for the Group.</p>

The following Australian Accounting Standards and Interpretations have recently been issued or amended but are not yet effective and have not been adopted by the group for the year ended 31 December 2009.

New or revised requirement	Effective for annual reporting periods beginning/ending on or after	More information	Impact on Group
<p><i>AASB 2009-5: Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project. Amendments are made to AASB 5, 8, 101, 107, 117, 118, 136 & 139.</i></p>	Beginning 1 January 2010	This will be adopted for the year ending 31 December 2010.	Management does not anticipate any impact on adoption.
<p><i>AASB 2009-8: Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions AASB 2.</i></p> <p>The amendments clarify the scope of AASB 2 by requiring an entity that receives goods or services in a share-based payment arrangement to account for those goods or services no matter which entity in the group settles the transaction, and no matter whether the transaction is settled in shares or cash.</p> <p>The amendments incorporate the requirements previously included in Interpretation 8 and Interpretation 11 and as a consequence these two Interpretations are superseded by the amendments.</p>	Beginning 1 January 2010	This will be adopted for the year ending 31 December 2010.	Management does not anticipate any impact on adoption.
<p><i>AASB 9: Financial Instruments and AASB 2009-11: Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12].</i></p> <p>AASB 9 simplifies the</p>	Beginning 1 January 2013.	This will be adopted for the year ending 31 December 2013.	Management does not anticipate any impact on adoption.

New or revised requirement	Effective for annual reporting periods beginning/ending on or after	More information	Impact on Group
<p>classifications of financial assets into two categories:</p> <ul style="list-style-type: none"> • Those carried at amortised cost; and • Those carried at fair value. <p>Simplifies requirements related to embedded derivatives that exist in financial assets that are carried at amortised cost, such that there is no longer a requirement to account for the embedded derivative separately.</p> <p>Removes the tainting rules associated with held-to-maturity assets.</p> <p>Investments in unquoted equity instruments (and contracts on those investments that must be settled by delivery of the unquoted equity instrument) must be measured at fair value. However, in limited circumstances, cost may be an appropriate estimate of fair value.</p>			
<p><i>AASB 2009-10: Amendments to Australian Accounting Standards - Classification of Rights Issues.</i></p> <p><i>Clarifies that rights options or warrants to acquire a fixed number of an entities own equity instruments for a fixed amount in any currency are equity instruments if the entity offers the rights, options or warrants pro rata to all existing owners of the same class of its own non-derivative equity instruments.</i></p>	Beginning 1 February 2010	This will be adopted for the year ending 31 December 2010.	Management does not anticipate any impact on adoption.
<p><i>AASB 2009-12: Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052].</i></p> <p>AASB 2009-12 makes amendments to a number of Standards and Interpretations. In particular, it amends AASB 8 <i>Operating Segments</i> to require an entity to exercise judgement in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures.</p> <p>It also makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRSs by the IASB.</p>	Beginning 1 January 2011	This will be adopted for the year ending 31 December 2011.	Management does not anticipate any impact on adoption.
<p><i>Revised AASB 124: Related Party Disclosures (December 2009): Related Party Disclosures (December 2009).</i></p> <p>Simplifies the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition of a related party.</p>	Beginning 1 January 2011	This will be adopted for the year ending 31 December 2011.	Management does not anticipate any impact on adoption.
<p><i>Interpretation 19: Extinguishing Financial Liabilities with Equity Instruments.</i></p> <p>Requires the extinguishment of a financial liability by the issue of equity instruments to</p>	Beginning 1 July 2010	This will be adopted for the year ending 31 December 2010.	Management does not anticipate any impact on adoption.

New or revised requirement	Effective for annual reporting periods beginning/ending on or after	More information	Impact on Group
be measured at fair value (preferably using the fair value of the equity instrument issued) with the difference between the fair value of the instrument and the carrying value of the liability extinguished being recognised in profit or loss. The Interpretation does not apply where the conversion terms were included in the original contract (such as in the case of a convertible debt) or to common control transactions.			

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities.

3a Basis of consolidation

The consolidated financial statements comprise the financial statements of KTL Technologies Limited ("KTL") and its subsidiaries as at and for the period ended 31 December each year (the Group).

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether a group controls another entity.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full. Subsidiaries are fully consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date on which control is transferred out of the Group.

Investments in subsidiaries held by KTL are accounted for at cost in the separate financial statements of the parent entity less any impairment charges. The parent will assess whether any indicators of impairment of the carrying value of the investment in the subsidiary exist. Where such indicators exist, to the extent that the carrying value of the investment exceeds its recoverable amount, an impairment loss is recognised.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. The acquisition method of accounting involves recognising at acquisition date, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The identifiable assets acquired and the liabilities assumed are measured at their acquisition date fair values.

The difference between the above items and the fair value of the consideration (including the fair value of any pre-existing investment in the acquiree) is goodwill or a discount on acquisition.

A change in the ownership interest of a subsidiary that does not result in a loss of control is accounted for as an equity transaction.

Non-controlling interests are allocated their share of net profit after tax in the statement of comprehensive income and are presented within equity in the consolidated statement of financial position, separately from the equity of the owners of the parent.

3b Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the foreign exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in SOCI, except for differences arising on the retranslation of available-for-sale equity instruments, a financial liability designated as a hedge of the net investment in a foreign operation, or qualifying cash flow hedges, which are recognised directly in equity (see (ii) below).

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Australian dollars at exchange rates at the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to Australian dollars at exchange rates at the dates of the transactions.

The income and expenses of foreign operations in hyperinflationary economies are translated to Australian dollars at the exchange rate at the reporting date. Prior to translating the financial statements of foreign operations in hyperinflationary economies, their financial statements for the current period are restated to account for changes in the general purchasing power of the local currency. The restatement is based on relevant price indices at the reporting date.

Foreign currency differences are recognised directly in equity. Such differences have been recognised in the foreign currency translation reserve (FCTR). When a foreign operation is disposed of, in part or in full, the relevant amount in the FCTR is transferred to SOCI.

Foreign exchange gains and losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of a net investment in a foreign operation and are recognised directly in equity in the FCTR.

3c Financial Assets and Financial Liabilities

Financial assets and financial liabilities are recognised on the SOFP when the company becomes party to the contractual provisions of the financial instrument.

A financial asset is derecognised when the contractual rights to the cash flows from the financial assets expire or are transferred and no longer controlled by the entity. A financial liability is removed from the SOFP when the obligation specified in the contract is discharged or cancelled or expires.

Financial assets and financial liabilities classified as held for trading are measured at fair value through profit or loss. Upon initial recognition a financial asset or financial liability is designated as at fair value through profit or loss when:

- (a) an entire contract containing one or more embedded derivatives is designated as a financial asset or financial liability at fair value through profit or loss.
- (b) doing so results in more relevant information, because either:
 - (i) it eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising gains or losses on them on different bases.
 - (ii) a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to key management personnel.

Investments in equity instruments that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured are not designated as at fair value through profit or loss.

A gain or loss arising from a change in the fair value of a financial asset or financial liability classified as at fair value through profit or loss is recognised in SOCI.

Financial assets not measured at fair value comprise:

- (a) loans and receivables being non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are measured at amortised cost using the effective interest rate method.
- (b) held-to-maturity investments being non-derivative financial assets with fixed or determinable payments and fixed maturity that will be held to maturity. These are measured at amortised cost using the effective interest method.
- (c) investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured. These are measured at cost together with derivatives that are linked to and must be settled by the delivery of such investments.

Available-for-sale financial assets are non-derivative financial assets which are designated as available-for-sale or that are not classified as loans and receivables, held-to-maturity investments or financial assets as at fair value through SOCI.

A gain or loss arising from a change in the fair value of an available-for-sale financial asset is recognised directly in equity, through the statement of changes in equity (except for impairment losses and foreign exchange gains and losses) until the financial asset is derecognised at which time the cumulative gain or loss previously recognised in equity is recognised in SOCI.

Regular way purchases of financial assets are accounted for as follows:

- financial assets held for trading - at trade date
- held-to-maturity investments - at trade date
- loans and receivables - at trade date
- available-for-sale financial assets - at trade date

Except for the following all financial liabilities are measured at amortised cost using the effective interest rate method.

- (a) financial liabilities at fair value through profit and loss and derivatives that are liabilities measured at fair value.
- (b) financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or are accounted for using the continuing involvement approach.

The amortised cost of a financial asset or a financial liability is the amount initially recognised minus principal repayments, plus or minus cumulative amortisation of any difference between the initial amount and maturity amount and minus any write-down for impairment or uncollectability.

3d Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Cost also may include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. Borrowing costs related to the acquisition or construction of qualifying assets are recognised in SOCI as incurred.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within "other income" in SOCI. When revalued assets are sold, the amounts included in the revaluation reserve are transferred to retained earnings.

Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in SOCI as incurred.

Depreciation

Depreciation is recognised in SOCI on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

Plant and buildings 25 years
Motor vehicles 8 years
Production equipment 10 years
Office equipment 5-10 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

3e Intangible assets

Goodwill

Goodwill (discount on acquisition) arises on the acquisition of subsidiaries, associates and jointly controlled entities.

Acquisitions on or after 1 January 2003

For acquisitions on or after 1 January 2003, goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess is negative (discount on acquisition), it is recognised immediately in SOCI.

Acquisitions of minority interests

Goodwill arising on the acquisition of a minority interest in a subsidiary represents the excess of the cost of the additional investment over the carrying amount of the net assets acquired at the date of exchange.

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment.

Research and Development Expenditure

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in SOCI when incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalised includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use. Other development expenditure is recognised in SOCI as incurred.

Capitalised development expenditure is measured at cost less accumulated amortisation and accumulated impairment losses. Intangible assets arising from development activities are recognised when resources are available to complete the assets and future economic benefits from use or sale of the assets is probable.

The directors have currently assessed the useful life of the intangible asset as indefinite because it awaits the result of the commercialisation of Cryo-Lag. In any event, Directors have assessed realisable value to be higher than cost.

Other intangible assets

Other intangible assets that are acquired by the Group, which have finite useful lives, are measured at cost less accumulated amortisation and accumulated impairment losses.

Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in SOCI as incurred.

Amortisation

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use. The estimated useful lives for the current and comparative periods are as follows:

Capitalised development costs 5-7 years

3f Leased Assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and, except for investment property, the leased assets are not recognised on the Group's SOFP. Investment property held under an operating lease is recognised on the Group's SOFP at its fair value.

3g Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity. The cost of inventory may also include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of inventory.

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

3h Impairment

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to SOCI.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in SOCI. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in equity.

Non-financial assets

The carrying amounts of the Group's non-financial assets, other than biological assets, investment property, inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated at each reporting date.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

Impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in SOCI. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3i Share-based payment arrangements

Goods or services received or acquired in a share-based payment transaction are recognised as an increase in equity if the goods or services were received in an equity-settled share-based payment transaction or as a liability if the goods and services were acquired in a cash settled share-based payment transaction.

For equity-settled share-based transactions, goods or services received are measured directly at the fair value of the goods or services received provided this can be estimated reliably. If a reliable estimate cannot be made the value of the goods or services is determined indirectly by reference to the fair value of the equity instrument granted.

Transactions with employees and others providing similar services are measured by reference to the fair value at grant date of the equity instrument granted.

3j Revenue

Sales of goods

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

Interest revenue

Interest revenue is recognised using the effective interest method. It includes the amortisation of any discount or premium.

3k Lease payments

Payments made under operating leases are recognised in SOCI on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the contingency no longer exists and the lease adjustment is known.

3l Exploration and Evaluation Costs

Exploration, evaluation and development costs are accumulated in respect of each separate area of interest. Exploration and evaluation costs are carried forward where the right of tenure of the area of interest is current and they are expected to be recouped through sale or successful development and exploitation of the area of interest or, where exploration and evaluation activities in the area of interest have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Development costs related to an area of interest are carried forward to the extent that they are expected to be recouped either through sale or successful exploitation of the area of interest.

When an area of interest is abandoned or the directors decide that it is not commercial, any accumulated costs in respect of that area are written off in the financial year the decision is made. Each area of interest is also reviewed at the end of each accounting year and accumulated costs written off to the extent that they will not be recoverable in the future.

Amortisation is not charged on costs carried forward in respect of areas of interest in the development phase until production commences. When production commences, carried forward exploration, evaluation and development costs are amortised on a units of production basis over the life of the economically recoverable reserves.

3m Income Taxes

Income taxes are accounted for using the comprehensive balance sheet liability method whereby:

- the tax consequences of recovering (settling) all assets (liabilities) are reflected in the financial statements;
- current and deferred tax is recognised as income or expense except to the extent that the tax relates to equity items or to a business combination;
- a deferred tax asset is recognised to the extent that it is probable that future taxable profit will be available to realise the asset;
- deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability settled.

3n Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the SOFP.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

3o Finance income and expenses

Finance income comprises interest income on funds invested that are recognised in SOCI. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is recognised in SOCI on the date that the Group's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Finance expenses comprise interest expense on borrowings that are recognised in SOCI. All borrowing costs are recognised in SOCI using the effective interest method.

Foreign currency gains and losses are reported on a net basis.

3p Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

3q Operating segments

A segment is a distinguishable component of the Group that is engaged either in providing related products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and returns that are different from those of other segments. Segment information is presented in respect of the Group's business and geographical segments. The Group's primary format for segment reporting is based on business segments. The business segments are determined based on the Group's management and internal reporting structure. Inter-segment pricing is determined on an arm's length basis.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly investments (other than investment property) and related revenue, loans and borrowings and related expenses, corporate assets (primarily the Company's headquarters) and head office expenses, and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

3r Receivables

Trade accounts and notes receivable and other receivables represent the principal amounts due at balance date plus accrued interest and less, where applicable, any unearned income and provisions for doubtful accounts.

3s Trade and Other Payables

Trade accounts, other payables and accrued liabilities represented the principal amounts outstanding at balance date plus, where applicable, any accrued interest.

3t Contingent Liabilities

A contingent loss is recognised as an expense and a liability if it is probable that future events will confirm that, after taking into account any related probable recovery, an asset has been impaired or a liability incurred and, a reasonable estimate of the amount of the resulting loss can be made.

3u Events after the Balance Sheet Date

Assets and liabilities are adjusted for events occurring after the balance date that provide evidence conditions existing at the balance date. Important after balance date events, which do not meet this criterion, are disclosed where relevant.

3v Non-current assets and disposal groups held for sale and discontinued operations

Non-current assets and disposal groups are classified as held for sale and measured at the lower of their carrying amount and fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction instead of use. They are not depreciated or amortised. For an asset or disposal group to be classified as held for sale, it must be available for immediate sale in its present condition and its sale must be highly probable.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single coordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately on the face of the statement of comprehensive income and the assets and liabilities are presented separately on the face of the statement of financial position.

3w Comparative Figures

Comparative figures have been adjusted to conform to changes in presentation for the current financial year where required by Australian Accounting Standards or as a result of changes in accounting policies.

NOTE 4 - DETERMINATION OF FAIR VALUES

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Property, plant and equipment

The fair value of property, plant and equipment recognised as a result of a business combination is based on market values. The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The market value of items of plant, equipment, fixtures and fittings is based on the quoted market prices for similar items.

Intangible assets

The fair value of patents and trademarks acquired in a business combination is based on the discounted estimated royalty payments that have been avoided as a result of the patent or trademark being owned. The fair value of other intangible assets is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets.

Inventories

The fair value of inventories acquired in a business combination is determined based on its estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

Trade and other receivables

The fair value of trade and other receivables, excluding construction work in progress, is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

Share-based payment transactions

The fair value of employee stock options is measured using a binomial lattice model. The fair value of share appreciation rights is measured using the Black-Scholes formula. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behavior), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

NOTE 5 – FINANCIAL RISK MANAGEMENT

Overview

The Company and Group have exposure to the following risks from their use of financial instruments:

- credit risk
- interest rate risk
- liquidity risk
- market risk
- currency risk

This note presents information about the Company's and Group's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital. Further quantitative disclosures are included throughout this financial report.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. Risk management policies are established to identify and analyse the risks faced by the Company and Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's and Group's activities. The Company and Group, through their training and management standards and procedures, aim to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group Audit Committee oversees how management monitors compliance with the Company's and Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company and Group.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities. For the Company it arises from receivables due from director-related entities.

The Company does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The carrying amount of financial assets recorded in the financial statements, net of any provisions for losses, represents the Company's maximum exposure to credit risk.

Interest Rate Risk

The Company's principal financial instruments comprise cash and short term deposits. The main purpose of the financial instruments is to earn the maximum amount of interest at a low risk to the Company. The Company also has other financial instruments such as trade receivables and payables which arise directly from its operations. For the period under review, it has been the Company's policy not to trade in financial instruments.

The Company's exposure to interest rate risk is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rate for each class of financial assets and financial liabilities. The Company's interest-bearing loans are fixed rate instruments and therefore this risk is minimal.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency risk

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of Group entities, primarily the Australian dollar (AUD), but also the Chinese Renminbi (RMB) and Hong Kong Dollar (HKD). The currencies in which these transactions primarily are denominated are AUD, RMB and HKD.

NOTE 6 – OPERATING SEGMENTS

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.

Exploration

The Company's subsidiary commenced its 80% involvement in the Mundong Well Uranium, Copper and Lead Project E08/1609 in the 2006 financial year. The project was sold at \$400,000 after 31 December 2009.

Accounting policies and inter-segment transactions

The accounting policies used by the Group in reporting segments internally are the same as those contained in note 3 to the accounts and in the prior period.

Year ended 31 December 2009

	Industrial Insulation	Exploration (discontinued)	Magnet Material (discontinued)	Unallocated items	Total
	\$	\$	\$	\$	\$
Revenue					
Sales to external customers	-	-	-	-	-
Total segment revenue	-	-	-	-	-
Segment net operating (loss)/profit after tax	-	(91,674)	-	(756,823)	(848,497)
Interest revenue	-	-	-	-	-
Depreciation & amortisation	-	-	-	(3,435)	(3,435)
Other non-cash expenses	-	-	-	-	-
Segment assets	127,185	400,000	-	3,159,997	3,687,182
Capital expenditure	-	-	-	-	-
Segment liabilities	-	-	-	402,213	402,213
Cash flow information					
Net cash flow from operating activities	-	-	-	(622,609)	(622,609)
Net cash flow from financing activities	-	-	-	217,840	217,840

Year ended 31 December 2008

	Industrial Insulation	Exploration (discontinued)	Magnet Material (discontinued)	Unallocated items	Total
	\$	\$	\$	\$	\$
Revenue					
Sales to external customers	-	-	266,143	-	266,143
Total segment revenue	-	-	266,143	-	266,143
Segment net operating (loss)/profit after tax	-	(2,050)	(645,785)	(2,075,067)	(2,722,902)
Interest revenue	-	-	-	-	-
Depreciation & amortisation	-	-	(209,388)	(4,607)	(213,995)
Other non-cash expenses	-	-	-	-	-
Segment assets	113,898	476,768	-	4,243,958	4,834,624
Capital expenditure	-	-	2,341,516	39	2,341,555
Segment liabilities	-	-	-	311,107	311,107
Cash flow information					
Net cash flow from operating activities	-	-	(847,650)	(448,306)	(1,295,956)
Net cash flow from financing activities	-	-	88,533	255,258	343,791

	Consolidated 2009 \$	Consolidated 2008 \$
i. Segment revenue reconciliation to the statement of comprehensive income		
Total segment revenue	-	-
Proportionately consolidated revenue	-	266,143
Inter segment sales elimination	-	-
Other revenue from continuing activities	-	-
Total revenue	-	266,143

Revenue from external customers by geographical locations is detailed below. Revenue is attributed to geographic location based on the location of the customers. The company does not have external revenues from external customers that are attributable to any foreign country other than as shown.

Australia	-	-
China	-	266,143
Total revenue	-	266,143

ii. Segment net operating profit after tax reconciliation to the statement of comprehensive income

A segment's net operating profit after tax excludes non operating income and expenses such as finance income, gains and losses on disposal of assets and impairment charges. Income tax expenses are calculated as 30% (2008:30%) of the segment's net operating profit.

Reconciliation of segment net operating loss after tax to net profit/loss before tax

Segment net operating loss after tax	(848,497)	(2,722,902)
Net loss on disposal of held-for-sale asset/discontinued operations	91,674	647,835
Finance income	258,545	94,329
Total net loss before tax per the statement of comprehensive income	(498,278)	(1,980,738)

iii. Segment assets reconciliation to the statement of financial position

Segment assets are those operating assets of the entity that the management views as directly attributing to the performance of the segment. These assets include plant and equipment, receivables, inventory and intangibles and exclude available-for-sale assets, derivative assets, deferred tax assets and pension assets.

Reconciliation of segment operating assets to total assets

Segment operating assets	3,287,182	4,834,624
Assets of disposal group classified as held-for-sale (KTLU)	400,000	-
Total assets per the statement of financial position	<u>3,687,182</u>	<u>4,834,624</u>

The analysis of the location of non-current assets other than financial instruments and deferred tax assets is as follows:

Australia	127,185	590,576
China	31,205	34,640
Total assets	<u>158,390</u>	<u>625,216</u>

iv. Segment liabilities reconciliation to the statement of financial position

Segment liabilities include trade and other payables and debt.

Reconciliation of segment operating liabilities to total liabilities

Segment operating liabilities	402,213	311,107
Total liabilities per the statement of financial position	<u>402,213</u>	<u>311,107</u>

NOTE 7 – DISCONTINUED OPERATIONS/CURRENT ASSETS HELD FOR SALE

On 24 December 2008 the Group disposed its entire Magnet Material segment (JHSM and BBMMT) and KTL Technologies Hong Kong Limited by in specie distribution. Management committed to a plan to dispose these companies late in 2008 due to the strategic decision to solely focus on its mineral business.

The Company executed an agreement on 2 October 2009 with Artemis Resources Limited (ASX:ARV) whereby it was agreed that KTL would sell and Artemis would purchase all of the shares in KTL Uranium Limited (“KTLU”), including its 80% interest in the West Australian exploration licence EL 08/109, for a purchase price of \$400,000. KTLU was not discontinued or held for sale at 31 December 2008, comparative have been represented to show the discontinued operations.

(a) Assets classified as held for sale

	Note	Consolidated
		2009
Exploration and evaluation expenditure		\$ 400,000
		<u>400,000</u>

(b) Financial results of discontinued operations and held for sale

	KTLU	Consolidated	JHSM/ BBMMT	KTLU	Consolidated
	2009	2009	2008	2008	2008
	\$	\$	\$	\$	\$
Results of discontinued operations					
Revenue	-	-	266,143	-	266,143
Expenses	(3,677)	(3,677)	(911,928)	(2,050)	(913,978)
Results from operating activities	(3,677)	(3,677)	(645,785)	(2,050)	(647,835)
Income tax	-	-	-	-	-
Results from operating activities, net of income tax	(3,677)	(3,677)	(645,785)	(2,050)	(647,835)
Gain/(loss) on sale of discontinued operation	(87,997)	(87,997)	-	-	-
Income tax on gain on sale of discontinued operation	-	-	-	-	-
Profit (loss) for the period	(91,674)	(91,674)	(645,785)	(2,050)	(647,835)
Basic earnings (loss) per share (cents)	(0.02)	(0.02)	(0.15)	(0.00)	(0.15)
Diluted earnings (loss) per share (cents)	(0.02)	(0.02)	(0.15)	(0.00)	(0.15)
Cash flows from (used in) discontinued operation					
Net cash used in operating activities	-	-	(847,650)	-	(847,650)
Net cash from investing activities	-	-	(805,585)	-	(805,585)
Net cash from financing activities	-	-	88,533	-	88,533
Cash acquired from acquisition of subsidiary	-	-	-	-	-
Effect of exchange rate fluctuations on cash held	-	-	34,591	-	34,591
Net cash from (used in) discontinued operations	-	-	(1,530,111)	-	(1,530,111)

(c) Assets and liabilities of disposed entities

	2009	2009	2008	2008	2008
Effect of disposal on the financial position of the Group					
Property, plant and equipment	-	-	8,534,187	-	8,534,187
Inventories	-	-	1,334,626	-	1,334,626
Trade and other receivables	-	-	1,721,702	-	1,721,702
Cash and cash equivalents	-	-	334,912	-	334,912
Intangible assets	-	-	2,122,289	-	2,122,289
Trade and other payables	-	-	(4,287,947)	-	(4,287,947)
	-	-	(10,340,381)	-	(10,340,381)
Net assets and liabilities	-	-	(580,612)	-	(580,612)
Consideration received	-	-	-	-	-
Cash disposed of	-	-	(334,912)	-	(334,912)
Net cash flow	-	-	(334,912)	-	(334,912)

NOTE 8 - REVENUE

Continuing Operations

	Consolidated	Consolidated	Parent	Parent
	2009	2008	2009	2008
	\$	\$	\$	\$
Sales	-	-	-	-
Interest received – Unrelated	258,544	94,329	36,487	32,226
Interest - subsidiary	-	-	278,454	270,788
	258,544	94,329	314,941	303,014

Discontinued operations

	Consolidated	Consolidated
	2009	2008
	\$	\$
Sales	-	266,143
	-	266,143
Interest received – Unrelated	-	-
	-	266,143

NOTE 9 - INCOME TAX EXPENSE

Major components of income tax expense

	Consolidated	Consolidated	Parent	Parent
	2009	2008	2009	2008
	\$	\$	\$	\$
Current income tax expense (benefit)	(176,986)	(788,572)	(409,639)	(295,595)
Benefit of tax loss not brought to account	176,986	788,572	409,639	295,595
Income tax expense	-	-	-	-
Reconciliation between income tax expense and prima facie tax on accounting loss				
Accounting loss	(589,952)	(2,628,573)	(1,365,463)	(985,315)
Tax at 30% (2008: 30%)	(176,986)	(788,572)	(409,639)	(295,595)
Tax effect of non-deductible expenses	-	-	-	-
Benefit of tax loss not brought to account	176,986	788,572	409,639	295,595
Income tax expense from continuing operations	-	-	-	-
Income tax expense from discontinued operations	-	-	-	-
Income tax expense on gain on sale of discontinued operations	-	-	-	-
Total income tax expense				

Applicable tax rate

The applicable tax rate is the national tax rate in Australia.

Analysis of deferred tax assets

No deferred tax assets have been recognised as yet. The Company currently has income tax losses of \$1,263,448. The Company's ability to utilise the carry forward tax losses rests with it being able to pass the necessary requirements in the tax legislation.

Tax-consolidated group

The entity has yet to make an election to consolidate and be treated as single entity for income tax purposes. The method adopted for measuring the current and deferred tax amounts is:

- consolidated current and deferred tax amounts have been determined in accordance with AASB 112;
- each entity in the consolidated group has been allocated consolidated current and deferred tax amounts in a manner consistent with the broad principles of AASB 112.

NOTE 10 – PROPERTY, PLANT AND EQUIPMENT

<i>in AUD</i>	Land	Plant	Production Equipment	Office Equipment	Motor Vehicles	Total	Parent Total
Cost							
Balance at 1 January 2008	655,355	2,045,195	3,530,982	45,921	171,160	6,448,613	-
Acquisitions		1,865,237	460,242	16,076	-	2,341,555	-
Disposals	(655,355)	(3,910,432)	(3,991,224)	(61,997)	(131,472)	(8,750,480)	-
Effect of movements in foreign exchange	-	-	-	-	-	-	-
Balance at 31 December 2008	-	-	-	-	39,688	39,688	-
Balance at 1 January 2009	-	-	-	-	39,688	39,688	-
Acquisitions		-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-
Effect of movements in foreign exchange	-	-	-	-	-	-	-
Balance at 31 December 2009	-	-	-	-	39,688	39,688	-
Depreciation and impairment losses							
Balance at 1 January 2008	-	-	904	2,781	3,661	7,346	-
Depreciation charge for the year	27,070	69,173	76,787	17,471	23,494	213,995	-
Offset of accumulated depreciation of discontinued operations	(27,070)	(69,173)	(77,691)	(20,252)	(22,107)	(216,293)	-
Effect of movements in foreign exchange	-	-	-	-	-	-	-
Balance at 31 December 2008	-	-	-	-	5,048	5,048	-
Balance at 1 January 2009	-	-	-	-	5,048	5,048	-
Depreciation charge for the year	-	-	-	-	3,435	3,435	-
Effect of movements in foreign exchange	-	-	-	-	-	-	-
Balance at 31 December 2009	-	-	-	-	8,483	8,483	-
Carrying amounts							
At 1 January 2008	655,355	2,045,195	3,530,078	43,140	167,499	6,441,267	-
At 31 December 2008	-	-	-	-	34,640	34,640	-
At 1 January 2009	-	-	-	-	34,640	34,640	-
At 31 December 2009	-	-	-	-	31,205	31,205	-

During the year ended 31 December 2009, \$Nil (2008:\$1,865,237) was spent on construction of the production plant and production equipment of \$Nil (2008:\$476,318) was purchased during the year.

NOTE 11 – EXPLORATION AND EVALUATION EXPENDITURE

	Consolidated	Consolidated	Parent	Parent
	2009	2008	2009	2008
	\$	\$	\$	\$
Exploration and evaluation expenditure	-	476,678	-	-
Reconciliation of carrying amount				
Carrying amount at 1 January	476,678	450,953	-	-
Expenditure in current period	11,319	25,725	-	-
Write down to recoverable value	(87,997)	-	-	-
Expenditure classified as held for sale	(400,000)	-	-	-
Carrying amount 31 December	-	476,678	-	-

NOTE 12 – INTANGIBLE ASSETS

	Consolidated	Consolidated	Parent	Parent
	2009	2008	2009	2008
	\$	\$	\$	\$
Cryo-Lag	127,185	113,898	127,185	113,898
HDDR Technology	-	-	-	-
	127,185	113,898	127,185	113,898
Reconciliation of carrying amount				
Cryo-Lag				
Carrying amount at 1 January	113,898	105,750	113,898	105,750
Expenditure in current period	13,287	8,148	13,287	8,148
Carrying amount 31 December	127,185	113,898	127,185	113,898
HDDR Technology				
Carrying amount at 1 January	-	1,091,618	-	-
Disposal of discontinued operation	-	(1,091,618)	-	-
Carrying amount 31 December	-	-	-	-

The intangible assets of \$1,091,618 is the technology of producing Hydrogenation Disproportionation Desorption Recombination (HDDR) Anisotropic Bonded Neodymium Iron Boron (NdFeB) Powder, anisotropic injection /compression molded bonded NdFeB magnet, isotropic injection/compression molded bonded NdFeB magnet and injection molded hard ferrite magnet. The products are mainly used in micro-motors, instruments, sensors, electro-magnetic acoustic devices. University of Science & Technology Beijing and Jilin Huisheng Strong Magnet Co Ltd entered into a contract on Oct 16, 2001 to permanently transfer the technology in relation to manufacturing HDDR powder to Strong Magnet at RMB7,000,000.

NOTE 13 - TRADE AND OTHER RECEIVABLES

	Consolidated	Consolidated	Parent	Parent
	2009	2008	2009	2008
	\$	\$	\$	\$
Trade receivables	-	-	-	-
Other receivables	1,720	15,095	1,720	7,440
Carrying amount 31 December	1,720	15,095	1,720	7,440

NOTE 14 - CASH AND CASH EQUIVALENTS

14a Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and balances with banks and investments in money market instruments, net of outstanding bank overdrafts. Cash and cash equivalents included in the cash flow statement comprise the following amounts:

	Consolidated	Consolidated	Parent	Parent
	2009	2008	2009	2008
	\$	\$	\$	\$
Cash and cash equivalents	117,835	535,914	117,453	535,158
Carrying amount 31 December	117,835	535,914	117,453	535,158

14b Reconciliation of net cash used in operating activities to profit or loss

	Consolidated	Consolidated	Parent	Parent
	2009	2008	2009	2008
	\$	\$	\$	\$
Profit (Loss) after income tax	(589,952)	(2,628,573)	(1,365,463)	(985,315)
Adjustment for:				
Depreciation	3,435	4,607	-	-
Share based payment	39,200	1,250,000	39,200	1,250,000
Loss on disposal of subsidiary	87,997	-	-	-
Loss on disposal of discontinued operations	-	645,785	-	-
Finance expense	-	-	-	-
Impairment loss on KTLU receivable	-	-	214,515	-
Foreign exchange loss/(gain)	-	-	720,933	(745,898)
Interest income from controlled entities	-	-	(278,454)	(270,788)
Operating loss before changes in working capital and provisions	(459,320)	(728,181)	(669,269)	(752,001)
Changes in assets and liabilities during the financial period:				
Decrease/(increase) in accounts receivable and prepayments	(2,974)	(12,437)	(3,384)	(5,396)
Increase/(decrease) in inventories	-	-	-	-
Increase in intangible assets	-	-	-	-
Increase/(decrease) in accounts payable and other creditors payable	94,259	117,947	86,826	117,982
Decrease/(increase) in other assets	(254,574)	(673,285)	(35,732)	(1,798)
	(622,609)	(1,295,956)	(621,559)	(641,213)

14c Non cash investing and financing activities

The Group did not carry out non-cash investing and financing activities during the year ended 31 December 2009.

NOTE 15 – OTHER FINANCIAL ASSETS

	Consolidated	Consolidated	Parent	Parent
	2009	2008	2009	2008
	\$	\$	\$	\$
CURRENT				
Tax account	2,363	3,585	2,363	3,585
Prepayments	8,239	4,855	8,239	4,855
Deposits	10,236	10,236	10,236	10,236
Interest bearing loans	2,557,433	908,284	-	-
Receivable from KTL HK	430,966	619,150	430,966	619,150
Loan to controlled entities	-	-	3,024,263	-
Carrying amount 31 December	3,009,237	1,546,110	3,476,067	637,826
NON-CURRENT				
Loan to controlled entities	-	-	-	3,666,260
Investment in controlled entities – at cost	-	-	819,521	819,521
Interest bearing loan	-	2,112,289	-	-
Carrying amount 31 December	-	2,112,289	819,521	4,485,781

NOTE 16 – EARNINGS PER SHARE

	Consolidated 2009	Consolidated 2008	Parent 2009	Parent 2008
	Cents	Cents	Cents	Cents
Reconciliation of earnings per share				
Earnings per share – Continuing Operations				
Basic loss per share (cents)	(0.11)	(0.47)		
Diluted loss per share (cents)	(0.11)	(0.47)		
Earnings per share – Equity holders of company				
Basic earnings per share (cents)	(0.13)	(0.63)		
Diluted earnings per share (cents)	(0.13)	(0.63)		
Profit (loss) from continuing operations used in the calculation of the basic earnings per share and diluted earnings per share	(498,278)	(1,980,738)		
Profit (loss) from ordinary activities attributable to parent entity after income tax being the earnings used in the calculation of the basic earnings per share and diluted earnings per share	(589,952)	(2,628,573)		
Reconciliation of weighted average number of ordinary shares				
Weighted average number of ordinary shares:				
Used in calculating basic earnings per ordinary shares	441,430,475	419,824,118		
Adjustments: Dilutive potential ordinary shares (i)	-	-		
Used in calculating diluted earnings per share	441,430,475	419,824,118		

(i) The options are excluded from calculation of diluted earnings per share due to them potentially diluting basic earnings per share because they are anti-dilutive in both years.

NOTE 17 – TRADE AND OTHER PAYABLES

	Consolidated 2009	Consolidated 2008	Parent 2009	Parent 2008
	\$	\$	\$	\$
CURRENT				
Trade accounts payable	392,213	311,107	392,213	311,107
Deposit received for sale of KTL Uranium	10,000	-	10,000	-
	402,213	311,107	402,213	311,107
Total trade and other payables	402,213	311,107	402,213	311,107

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

NOTE 18 - SHARE BASED PAYMENTS

An aggregate of 3,920,000 ordinary shares was allotted and issued to Somerley China Associates Limited during September and October 2009 as consideration for consultancy services provided.

The fair value of the 3,920,000 ordinary shares was measured at AUD0.01 which was the market price on the dates of issuance totalling \$39,200.

No options were granted during year ended 31 December 2009.

NOTE 19 – FINANCIAL INSTRUMENTS

Credit Risk

Exposure to credit risk

The carrying amount of the Group's financial assets represents the maximum credit exposure.

The Group's maximum exposure to credit risk at the reporting date was:

	Consolidated	
	2009	2008
	\$	\$
Trade and other receivables	1,720	15,095
Other financial assets	3,009,237	3,658,399
Cash and cash equivalents	117,835	535,914
	3,128,792	4,209,408

The Company's maximum exposure to credit risk at the reporting date was \$1,720 (2008:\$15,095) for trade and other receivables, \$3,009,237(2008: \$3,658,399) for other financial assets, and \$117,835 (2008: \$535,914) for cash and cash equivalents, totalling \$3,128,792 (2008: \$4,209,408).

The Group's maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:

	Consolidated	
	2009	2008
	\$	\$
Australia	1,720	7,440
China	-	7,655
	1,720	15,095

The Company's maximum exposure to credit risk for receivables at the reporting date by geographic region was \$1,720 (2008: \$7,440) for Australia, \$Nil (2008: \$7,655) for China, totalling \$1,720 (2008: \$15,095). All receivables are within subsidiaries.

Impairment losses

As at 31 December 2009, \$nil (2008: \$nil) of the Company's receivables was past due. The ageing of the Group's trade receivables at the reporting date was:

	2009		2008	
	Gross \$	Impairment \$	Gross \$	Impairment \$
Not past due	1,720	-	15,095	-
Past due 0-30 days	-	-	-	-
Past due 31-150 days	-	-	-	-
Past due 151-365 days	-	-	-	-
More than one year	-	-	-	-
	1,720	-	15,095	-

Liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

Consolidated

31 December 2009

Non-derivatives
financial liabilities

Trade and other
payables

Carrying amount	Contractual cashflow	Under 6 months	6-12 months	1-2 years	2-5 years	More than 5 years
(402,213)	-	(402,213)	-	-	-	-
(402,213)	-	(402,213)	-	-	-	-

Consolidated

31 December 2008

Non-derivatives
 financial liabilities

Trade and other
 payables

Carrying amount	Contractual cashflow	Under 6 months	6-12 months	1-2 years	2-5 years	More than 5 years
(311,107)	-	(311,107)	-	-	-	-
(311,107)	-	(311,107)	-	-	-	-

Parent

31 December 2009

Non-derivatives
 financial liabilities

Trade and other
 payables

Carrying amount	Contractual cashflow	Under 6 months	6-12 months	1-2 years	2-5 years	More than 5 years
(402,213)	-	(402,213)	-	-	-	-
(402,213)	-	(402,213)	-	-	-	-

Parent

31 December 2008

Non-derivatives
 financial liabilities

Trade and other
 payables

Carrying amount	Contractual cashflow	Under 6 months	6-12 months	1-2 years	2-5 years	More than 5 years
(311,107)	-	(311,107)	-	-	-	-
(311,107)	-	(311,107)	-	-	-	-

Currency risk

The following significant exchange rates applied during the year:

AUD\$1	Average Rate		Reporting date rate	
	2009	2008	2009	2008
HKD	NA	6.6444	NA	5.3534
RMB	5.4204	5.9449	6.1064	4.7342
USD	0.7924	0.8530	0.8931	0.6907

Sensitivity analysis

A 20 percent strengthening of the Australian dollar against the following currencies at 31 December would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

Effect in AUD	Consolidated		Parent	
	Equity \$	Profit \$	Equity \$	Profit \$
31 December 2009				
HKD	-	-	-	-
RMB	45,681	1,755	-	-
USD	-	-	-	-
31 December 2008				
HKD	(10,700)	(10,700)	-	-
RMB	(322,533)	182,298	-	-
USD	-	-	-	-

A 20 percent weakening of the Australian dollar against the above currencies at 31 December would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

Interest rate risk

At the reporting date the Company has no interest-bearing financial instruments.

The other financial instruments of the Company are non-interest bearing and therefore not subject to interest rate risk.

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

Fair Values

Set out below is a comparison by category of the carrying amounts and fair values of all of the Company's financial instruments that are carried in the balance sheet:

Consolidated

	Note	Carrying amount		Fair Value	
		2009	2009	2008	2008
		\$	\$	\$	\$
ASSETS					
Cash and cash equivalents	14	117,835	117,835	535,914	535,914
Trade and other receivables	13	1,720	1,720	15,095	15,095
Other financial assets – current	15	3,009,237	3,009,237	1,546,110	1,546,110
Other financial assets – non-current	15	-	-	2,112,289	2,112,289
LIABILITIES					
Trade and other payables	17	402,213	402,213	311,107	311,107
Interest bearing loan – current		-	-	-	-
Interest bearing loan – non-current		-	-	-	-

Parent

	Note	Carrying amount		Fair Value	
		2009	2009	2008	2008
		\$	\$	\$	\$
ASSETS					
Cash and cash equivalents	14	117,453	117,453	535,158	535,158
Trade and other receivables	13	1,720	1,720	7,440	7,440
Other financial assets – current	15	3,479,067	3,479,067	637,826	637,826
Other financial assets – non-current	15	819,521	819,521	4,485,781	4,485,781
LIABILITIES					
Trade and other payables	17	402,213	402,213	311,107	311,107

NOTE 20 – CAPITAL AND OTHER COMMITMENTS

	Consolidated		Parent	
	2009	2008	2009	2008
	\$	\$	\$	\$
Joint venture commitments				
<i>Expenditure commitments of the group to the joint venture operation:</i>				
Within one year	54,000	54,000	54,000	54,000
	54,000		54,000	
Employee compensation commitments				
<i>Commitments under non-cancellable employment contracts not provided for in the financial statements and payable:</i>				
Within one year	218,000	218,000	218,000	218,000
One year or later and no later than five years	436,000	436,000	436,000	436,000
	654,000		654,000	

KTL Uranium Limited, along with its interests in the E08/1609 tenement, was sold on 22 January 2010 to Artemis Resources Limited (ASX:ARV) prior to the anniversary date. The 2009/2010 expenditure commitment was therefore no longer borne by the Company. A fine in lieu of forfeiture of the E08/1609 tenement was paid to the Department of Mines and Energy for the non-compliance of 2008 expenditure commitment by the Company.

NOTE 21 – CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Since the last annual reporting date, there has been no material change of any contingent liabilities or contingent assets, listed as nil (2008: nil).

NOTE 22 – RELATED PARTY DISCLOSURES

Details of Directors

Dayong Hu - Director and general manager (CEO)
Haolin Li - Non- executive director
Gang Xu - Non- executive director (resigned on 31 July 2009)
Weiwen Cheng - Non- executive director
Qingquan Cheng - Non- executive director
Rachel Wong – Director and company secretary
Lei Li - Alternate director to Weiwen Cheng

Remuneration, shareholdings and options holdings of directors

Remuneration Policy

The remuneration policy of KTL Technologies Limited has been designed to align directors' objectives with shareholder and business objectives by providing a fixed remuneration component which is assessed on an annual basis in line with market rates. The Board of KTL Technologies Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best directors to run and manage the company, as well as create goal congruence between directors and shareholders.

The Board's policy for determining the nature and amount of remuneration for board members is as follows:

The remuneration policy, setting the terms and conditions (where appropriate) for the executive directors and other senior staff members is reviewed by the remuneration committee and their recommendations must be approved by the Board.

In determining competitive remuneration rates, the Remuneration Committee & Board seek independent advice (where appropriate) on local and international trends among comparative companies and industry generally. It examines terms and conditions for employee incentive schemes benefit plans and share plans. Independent advice may be obtained to confirm that executive remuneration is in line with market practice and is reasonable in the context of Australian executive reward practices.

Consistent with (and where appropriate) attracting and retaining talented executives, directors and senior executives, are paid market rates associated with individuals in similar positions within the same industry.

Options and performance incentives may be issued, and key performance indicators such as profit and share price growth can be used as measurements for assessing executive performance.

All remuneration paid to directors is valued at the cost to the company and expensed. Shares given to directors and executives are valued as the difference between the market price of those shares and the amount paid by the director or executive. Options are valued using the Black-Scholes methodology.

The Board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The Remuneration Committee in consultation with independent advisors (where appropriate) determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting and is currently \$300,000 per annum approved by shareholders on 4 March 2005.

Fees for non-executive directors are not linked to the performance of the Company. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the company.

Service contracts

All references to the Chief Executive Officer (CEO) are references to the CEO or equivalent.

Mr Dayong Hu, CEO, has a renewed contract of employment, dated 31 August 2009, with the Company. The contract specifies the duties and obligations to be fulfilled by the CEO and provides that the board and CEO will, early in each financial year, consult and agree objectives for achievement during that year.

The service contract has a four-year term with effect from 1 September 2009 and can be terminated either by the Group or the CEO providing three months' notice. The Company may make a payment in lieu of notice of 3 months plus one month's pro rata for each year of service. This payment represents market practice at the time the terms were agreed.

The CEO has no entitlement to termination payment in the event of removal for misconduct.

Ms Rachel Wong, Company Secretary and director, has an independent contractor agreement with the Company. This contract is for an unlimited term and is capable of termination on two months' notice. The Group retains the right to terminate the contract immediately by making payment equal to two months' pay in lieu of notice.

Directors' and Executive Officers' Emoluments

Directors' remuneration and other terms of employment are reviewed annually by the Board having regard to performance against goals set at the start of the year, relative comparative information and independent expert advice.

Except as detailed in the Remuneration Report, no director has received or become entitled to receive, during or since the financial period, a benefit because of a contract made by the Company or a related body corporate with a director, a firm of which a director is a member or an entity in which a director has a substantial financial interest. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by directors and shown in the Remuneration Report, prepared in accordance with the Corporations regulations, or the fixed salary of a full time employee of the Company

The remuneration for each director of the consolidated entity during the year was as follows:

Period ended:	Short-term employee benefits		Equity Compensation	Post-employment	TOTAL
	Base Salary and Fees \$	Employee entitlements \$	Value of Options \$	Superannuation Contributions \$	
Weiwen Cheng					
31 December 2009	30,000	-	-	-	30,000
31 December 2008	30,000	-	-	-	30,000
Qingquan Cheng					
31 December 2009	30,000	-	-	-	30,000
31 December 2008	30,000	-	-	-	30,000
Dayong Hu					
31 December 2009	30,000	-	-	-	30,000
31 December 2008	30,000	-	-	-	30,000
Russell Byfield (resigned on 11 July 2008) (i)					
31 December 2009	-	-	-	-	-
31 December 2008	39,232	-	-	-	39,232
Rachel Wong (appointed on 1 September 2008)					
31 December 2009	30,000	-	-	-	30,000
31 December 2008	10,000	-	-	-	10,000
Haolin Li					
31 December 2009	30,000	-	-	-	30,000
31 December 2008	31,048	-	-	-	31,048
Gang Xu (resigned on 31 July 2009)					
31 December 2009	17,500	-	-	-	17,500
31 December 2008	31,048	-	-	-	31,048
Lei Li (appointed on 1 April 2008)					
31 December 2009	-	-	-	-	-
31 December 2008	-	-	-	-	-
Dayong Hu (appointed on 1 January 2008) (ii)					
31 December 2009	200,000	3,269	-	4,500	207,769
31 December 2008	201,100	-	-	-	201,200
Rachel Wong (iii)					
31 December 2009	108,967	-	-	-	108,967
31 December 2008	156,483	-	-	-	156,483
Totals					
31 December 2009	476,467	3,269	-	4,500	484,236
31 December 2008	558,911	-	-	-	558,911

- (i) In the twelve months to 31 December 2009, consulting fees of \$Nil (2008: \$39,232) were paid and accrued to Strategy Central Pty Ltd for technical services provided by Mr Russell Byfield. Mr Byfield was a director and shareholder of Strategy Central Pty Ltd.
- (ii) In the twelve months to 31 December 2009, fees of \$200,000 (31 December 2008: \$201,100) were paid and or accrued to Lion Liaison Limited (an associated entity of Mr Hu), for the services provided for the year in his role as the General Manager to the Company.
- (iii) In the twelve months to 31 December 2009, fees of \$108,967 (31 December 2008: \$156,483) were paid and or accrued to Abilia Pty Limited (a Company in which Ms Wong is a Director and Shareholder), for company secretarial and accounting services provided for the year in its role as consultant to the Company.

All transactions were entered into on normal commercial terms.

Remuneration Options

No remuneration options were granted during the year ended 31 December 2009 (2008: Nil).

Shares held by Directors

Period from 1 January 2009 to 31 December 2009

	Balance at beginning of year	Received as Remuneration	Options Exercised	Net Change Other	Balance at end of year
Weiwen Cheng	27,000,000	-	-	-	27,000,000
Qingquan Cheng	3,000,000	-	-	-	3,000,000
Dayong Hu	5,000,000	-	-	-	5,000,000(i)
Rachel Wong	-	-	-	-	-
Haolin Li	-	-	-	-	-
Gang Xu	-	-	-	-	-
Li Lei	-	-	-	-	-
	35,000,000	-	-	-	35,000,000

i. Held indirectly by Ms Lei Li, wife of Mr Hu.

Period 1 January 2008 to 31 December 2008

	Balance at beginning of year	Received as Remuneration	Options Exercised	Net Change Other	Balance at end of year
Weiwen Cheng	27,000,000	-	-	-	27,000,000
Qingquan Cheng	3,000,000	-	-	-	3,000,000
Dayong Hu	5,000,000	-	-	-	5,000,000(i)
Russell Byfield*	7,000,000	-	-	800,000	7,800,000(ii)
Rachel Wong	-	-	-	-	- (iii)
Haolin Li	-	-	-	-	-
Gang Xu	-	-	-	-	-
	42,000,000	-	-	800,000	42,800,000

i. Held indirectly by Ms Lei Li, wife of Mr Hu.

ii. Held indirectly by Mr R Byfield as director of Strategy Central Pty Ltd who is trustee of the Strategy Central Management Trust.

iii. 4,396,000 shares held by parents of Ms Wong was incorrectly disclosed as shares held on behalf of Ms Wong in the 2008 annual report.

* Russell Byfield resigned as director on 11 July 2008.

Options Held By Directors

Period from 1 January 2009 to 31 December 2009

	Balance at beginning of year	Received as Remuneration	Net Change Other	Balance at end of year	Total Vested	Total Exercisable+
Weiwen Cheng*	3,000,000	-	-	3,000,000	3,000,000	3,000,000
Qingquan Cheng*	3,000,000	-	-	3,000,000	3,000,000	3,000,000
Dayong Hu*	3,000,000	-	-	3,000,000	3,000,000	3,000,000
Rachel Wong	-	-	-	-	-	-
Haolin Li	-	-	-	-	-	-
Gang Xu	-	-	-	-	-	-
Lei Li	-	-	-	-	-	-
	9,000,000	-	-	9,000,000	9,000,000	9,000,000

+ Please note that these options have yet to be exercised, and refers to options that can be exercised.

* Options held by each director include 1,000,000 options exercisable at \$0.0125 before 4 March 2010 and 2,000,000 and options exercisable at \$0.05 before 29 May 2011.

Period from 1 January 2008 to 31 December 2008

	Balance at beginning of year	Received as Remuneration	Net Change Other	Balance at end of year	Total Vested	Total Exercisable+
Weiwen Cheng (i)	3,000,000	-	-	3,000,000	3,000,000	-
Qingquan Cheng (i)	3,000,000	-	-	3,000,000	3,000,000	-
Dayong Hu (i)	3,000,000	-	-	3,000,000	3,000,000	-
Russell Byfield*	6,000,000	-	-	6,000,000	6,000,000	3,000,000
Rachel Wong	-	-	-	-	-	- (iii)
Haolin Li						
Gang Xu						
Lei Li						
	15,000,000	-	-	15,000,000	15,000,000	3,000,000

+ Please note that these options have yet to be exercised, and refers to options that can be exercised.

- (i) Options held by each director include 1,000,000 options exercisable at \$0.0125 before 4 March 2010 and 2,000,000 and options exercisable at \$0.05 before 29 May 2011.
- (ii) Options held by Russell Byfield, who resigned on 11 July 2008, include 1,000,000 options exercisable at \$0.0125 before 4 March 2010 and 2,000,000, options exercisable at \$0.05 before 29 May 2011 and include 1,000,000 options exercisable at \$0.0125 before 4 March 2010 and 2,000,000 and 3,000,000 options exercisable at \$0.05 before 29 May 2011.
- (iii) 2,608,000 options held by parents of Ms Wong was incorrectly disclosed as shares held on behalf of Ms Wong in the 2008 annual report.

Other key management personnel transactions

During the years ended 31 December 2008 and 31 December 2009, there were no other key management personnel transactions other than those disclosed above.

Loans from the Company

As at 31 December 2009, the outstanding loan balances due from KTL Uranium Limited, Jilin Australia Energy Technology Company Limited and Jilin Huisheng Strong Magnet Company Limited was \$400,000 (2008:\$557,024), \$2,624,265 (2008:\$3,109,237) and \$2,557,433 (2008:\$3,020,573) respectively. Interest is charged on the inter-company loan at a rate of 7% per annum on the outstanding balance. A total of \$42,496 (2008:\$37,048), \$235,958 (2008:\$171,759) and \$222,057 (2008:\$222) has been charged to KTL Uranium Limited, Jilin Australia Energy Technology Company Limited and Jilin Huisheng Strong Magnet Company Limited for respective outstanding balances between the companies.

Loans to Company

There were no loans made to the Company for the financial years ended 31 December 2009 (2008: nil).

NOTE 23 – GROUP ENTITIES

Parent Entity – KTL Technologies Limited

Note	Country of incorporation	Proportion of ownership interest	
	Residence	2009	2008
Significant subsidiaries			
KTL Uranium Limited	Australia	100%	100%
Jilin Australia Energy Technology Company Limited	China	100%	100%

The Company has no investments in associates and no jointly controlled entities.

NOTE 24 – SHARE CAPITAL

Authorised: Ordinary shares – no par value
Issued: Ordinary shares – no par value
 Issued shares

Reconciliation of movement during year

Opening balance
 Share issue – 7 May 2008
 Share issue – 20 November 2008
 Costs of share capital
 Share issue – 2 September 2009
 Share issue – 8 October 2009
 Costs of share capital
 Closing balance

Parent Entity 2009 Shares	Parent Entity 2008 Shares	Parent Entity 2009 \$	Parent Entity 2008 \$
440,328,228	386,828,228	7,624,963	6,330,213
	50,000,000		1,250,000
	3,500,000		53,850
			(9,100)
1,920,000		19,200	-
2,000,000		20,000	-
		(3,000)	-
444,248,228	440,328,228	7,661,163	7,624,963

NOTE 25 – OPTION RESERVE

Total Options

Reconciliation of movement during year

Opening balance
 Option issue – 1 May 2006
 Option issue – 29 May 2006
 Option issue – 28 July 2006
 Option issue – 9 October 2006
 Option issue – 15 November 2006
 Option exercise – 20 November 2008
 Option expired – 29 May 2009
 Closing balance

Parent Entity 2009 Options	Parent Entity 2008 Options	Parent Entity 2008 \$	Parent Entity 2008 \$
27,000,000	107,000,000	408,804	408,804
107,000,000	18,500,000	408,804	427,654
-	10,000,000	-	-
-	12,000,000	-	-
-	40,000,000	-	-
-	5,000,000	-	-
-	25,000,000	-	-
-	(3,500,000)	-	(18,850)
(80,000,000)			
27,000,000	107,000,000	408,804	408,804

NOTE 26 – SIGNIFICANT AFTER BALANCE DATE EVENTS

At the Extraordinary General Meeting held on 22 January 2010, shareholders approved the sale of all of the shares in KTL Uranium Limited, including its 80% interest in the West Australian exploration licence EL 08/109, for a purchase price of \$400,000. The transaction was completed on the date of the meeting with sale consideration received in full.

Apart from the event described above, 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.

NOTE 27 – AUDITORS' REMUNERATION

For the year ended 31 December 2009

	Consolidated		Parent	
	2009 \$	2008 \$	2009 \$	2008 \$
Audit Services				
Auditor of the Company PKF Perth:				
Audit and review of financial reports	79,109	53,159	79,109	53,159
	79,109	53,159	79,109	53,159
Other auditors				
Audit and review of financial reports	-	17,326	-	-
	79,109	70,485	79,109	53,159
Other services				
Auditor of the Company PKF Perth:				
Other assurance services	962	-	962	-
Taxation services	-	7,820	-	7,820
PKF Perth related practices	-	-	-	-
Due diligence services	-	-	-	-