

KTL TECHNOLOGIES LIMITED

009 089 981

ENTITLEMENT ISSUE PROSPECTUS

For a pro rata non-renounceable entitlement issue of one Share for every one Share held by Shareholders on the Record Date at an issue price of \$0.0025 per Share, together with one free attaching Option for every two Shares subscribed for, to raise approximately \$1,282,214 (**Entitlement Issue**).

The Entitlement Issue is fully underwritten by First Pioneer Holdings Limited and KNT International Company Limited. Refer to Section 7.2 for details of the Underwriting Agreement.

IMPORTANT NOTICE

This document is important and should be read in its entirety. If after reading this Prospectus you have any questions about the Securities being offered under this Prospectus or any other matter, then you should consult your stockbroker, accountant or other professional adviser.

The Securities offered by this Prospectus should be considered as speculative.

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1. SUMMARY OF IMPORTANT DATES AND IMPORTANT NOTES

TIMETABLE AND IMPORTANT DATES*

Lodgement of Prospectus with ASIC	24 May 2011
Notice sent to Shareholders	26 May 2011
Ex Date	27 May 2011
Record Date for determining Shareholder entitlements	2 June 2011
Prospectus despatched to Shareholders	8 June 2011
Closing Date of Offer	23 June 2011 at 5.00pm WST
Securities quoted on a deferred settlement basis	24 June 2011
Notify ASX of under-subscriptions	28 June 2011
Despatch date/Shares entered into Shareholders' security holdings	29 June 2011

* These dates are determined based upon the current expectations of the Directors and may be changed with 6 Business Days prior notice.

IMPORTANT NOTES

Shareholders should read this document in its entirety and, if in doubt, should consult their professional advisors.

This Prospectus is dated 24 May 2011 and a copy of this Prospectus was lodged with the ASIC on that date. The ASIC and ASX take no responsibility for the content of this Prospectus.

The expiry date of the Prospectus is 23 June 2012 (**Expiry Date**). No Securities will be allotted or issued on the basis of this Prospectus after the Expiry Date.

Applications for Securities offered pursuant to this Prospectus can only be submitted on an original Entitlement and Acceptance Form which accompanies this Prospectus.

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

The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any of these restrictions. Failure to comply with these restrictions may violate securities laws. Applicants who are resident in countries other than Australia should consult their professional advisers as to whether any governmental or other consents are required or whether any other formalities need to be considered and followed.

The Offer to New Zealand investors are regulated offers made under Australian and New Zealand law. In Australia, this is Chapter 8 of the Corporations Act and the Corporations Regulations 2001. In New Zealand, this is Part 5 of the Securities Act 1978 and the Securities (Mutual Recognition of Securities Offerings – Australia) Regulations 2008.

The Offer and the content of the Prospectus are principally governed by Australian rather than New Zealand law. In the main, the Corporations Act sets out how the Offer must be made.

There are differences in how securities are regulated under Australian law.

The rights, remedies, and compensation arrangements available to New Zealand investors in Australian securities may differ from the rights, remedies, and compensation arrangements for New Zealand securities.

Both the Australian and New Zealand securities regulators have enforcement responsibilities in relation to the Offer. If you need to make a complaint about the Offer, please contact the Securities Commission, Wellington, New Zealand. The Australian and New Zealand regulators will work together to settle your complaint.

The taxation treatment of Australian securities is not the same as for New Zealand securities.

If you are uncertain about whether this investment is appropriate for you, you should seek the advice of an appropriately qualified financial adviser.

The Offer may involve a currency exchange risk. The currency for the Securities is not New Zealand dollars. The value of the Shares and Options will go up or down according to changes in the exchange rate between that currency and New Zealand dollars. These changes may be significant. If you expect the Shares and/or Options to pay any amounts in a currency that is not New Zealand dollars, you may incur significant fees in having the funds credited to a bank account in New Zealand in New Zealand dollars.

As noted in the Prospectus at Section 3.9, the Company will apply to the ASX for quotation of the Shares offered under this Prospectus. If quotation is granted, the Shares offered under this Prospectus will be able to be traded on the ASX. If you wish to trade the Shares through that market, you will have to make arrangements for a participant in that market to sell the Shares on your behalf. As the ASX does not operate in New Zealand, the way in which the market operates, the regulation of participants in that market, and the information available to you about the securities and trading may differ from securities markets that operate in New Zealand.

No person is authorised to give information or to make any representation in connection with this Prospectus which is not contained in the Prospectus. Any information or representation not so contained may not be relied on as having been authorised by the Company in connection with this Prospectus.

In making representations in this Prospectus regard has been had to the fact that the Company is a disclosing entity for the purposes of the Corporations Act and certain matters may reasonably be expected to be known to investors and professional advisers whom potential investors may consult.

RISK FACTORS

Prospective investors in the Company should be aware that subscribing for Securities the subject of this Prospectus involves a number of specific risks, including (but not limited to):

- **The effect of underwriting on control of the Company:** The Offer is underwritten by First Pioneer and KNT. If some or all of the Shareholders do not take up their Entitlement and there is a Shortfall, then the Offer and the underwriting of the Offer by First Pioneer and KNT may have an effect on the control of the Company.
- **The ability to obtain future funding:** The Company's ongoing activities will require substantial expenditures. If the Company is unable to continue to use debt or equity to fund expansion after the substantial exhaustion of the net proceeds of the Offer, there can be no assurances that it will be able to obtain additional fundraising on terms acceptable to the Company or at all.

- **Financial risk:** The Directors consider the carrying values of certain loans receivable from controlled and director-related entities to be recoverable. In the event that the loans are not recoverable, it would be necessary for the carrying values of the loans to be written down.
- **The risk of product liability claims:** The Company will face an inherent risk of exposure to product liability claims due to possible product failure or defect, or harm/injuries caused during the installation, maintenance or use of Cryo-Lag or due to the manufacture of DWB's products using raw materials and accessories supplied by DWB from China.
- **Foreign exchange risk:** The Company is exposed to movement in the exchange rates as the Company will be sourcing building and construction materials from China and may market, sell and/or install Cryo-Lag in many countries around the world.
- **Continuing changes in technology:** The Company's success will, in part, depend on its ability to develop and offer products that keep pace with continuing changes in technology, evolving industry standards and changing market demands.
- **Continued development and commercialisation of its technologies:** Cryo-Lag still requires further technical assessments/testing, field trials and commercial validation. There is no guarantee that Cryo-Lag will receive any regulatory approvals for market use or be commercially viable.
- **The effect of competition:** Increased competition may adversely affect the Company's anticipated financial performance.
- **Disputes regarding, and protection of, intellectual property rights:** The Company's success depends, in part, on its ability to obtain patents, maintain trade secret protection and operate without infringing the proprietary rights of third parties. There can be no assurance that any patents the Company may own or control or licence now and in the future will afford the Company commercially significant protection of its technologies.

Details of these risks and other risks are set out in Section 6 of this Prospectus and investors are urged to consider those risks carefully (and, if necessary, consult their professional adviser) before deciding whether to invest in the Company.

The risk factors set out in Section 6 of this Prospectus, and other general risks applicable to all investments in listed securities not specifically referred to, may in the future affect the value of the Securities. Accordingly, an investment in the Company should be considered speculative.

ELECTRONIC PROSPECTUS

Any person accessing the electronic version of this Prospectus for the purpose of making an investment in the Company must be an Australian resident or New Zealand resident and must only access the Prospectus from within Australia or New Zealand.

The Corporations Act prohibits any person passing onto another person an Entitlement and Acceptance Form unless it is attached to a hard copy of this Prospectus or it accompanies the complete and unaltered version of this Prospectus. Any person may obtain a hard copy of this Prospectus free of charge by contacting the Company.

2. CORPORATE DIRECTORY

Directors

Mr Dayong Hu (Managing Director)
Mr Haolin Li (Non-Executive Director)
Mr Jian Jiao (Non-Executive Director)
Mrs Ying Zhou (Non-Executive Director)
Ms Tsz Yung Rachel Wong (Director)

Company Secretary

Ms Tsz Yung Rachel Wong

Principal Place of Business & Registered Office

Level 34
AMP Centre
50 Bridge Street
SYDNEY NSW 2000

Telephone: +61 2 8216 0937
Facsimile: +61 2 8216 0701

Website: www.ktitek.com.au

Auditor*

Deloitte Touche Tohmatsu
Level 14, Woodside Plaza
240 St Georges Terrace
PERTH WA 6000

Underwriters

First Pioneer Holdings Limited
Floor 52, Apt No.29 Celestial Heights,
Kowloon, Hong Kong

KNT International Company Limited
3908 Two Exchange Square
8 Connaught Place, Central, Hong Kong

Share Registry*

Computershare Investor Services Pty
Limited
Level 2, Reserve Bank Building
45 St Georges Terrace
PERTH WA 6000
Telephone: 1300 850 505
or +61 3 9415 4000 (outside Australia)
Facsimile: +61 8 9323 2033

Solicitors

Steinepreis Paganin
Lawyers and Consultants
Level 4, The Read Building
16 Milligan Street
PERTH WA 6000

*These parties have been included for information purposes only. They have not been involved in the preparation of this Prospectus.

3. DETAILS OF THE OFFER

3.1 Offer

By this Prospectus, the Company offers for subscription approximately 512,885,462 new Shares and approximately 256,442,731 new Options pursuant to a pro-rata non-renounceable entitlement issue to Shareholders of one new Share for every one Share held on the Record Date at an issue price of \$0.0025 per Share together with one free attaching Option for every two new Shares subscribed for. Fractional entitlements will be rounded up to the nearest whole number.

The Options issued will be exercisable at \$0.0225, are exercisable after 30 June 2012 and expire on 30 June 2016.

Based on the capital structure of the Company (and assuming no existing Options are exercised prior to the Record Date), the maximum number of Shares to be issued pursuant to the Offer is approximately 512,885,462. The Offer will raise approximately \$1,282,214 (before costs). The purpose of the Offer and the use of funds raised are set out in Section 4 of this Prospectus.

Holders of existing Options will not be entitled to participate in the Offer. The Company currently has 12,000,000 Options on issue as at the date of this Prospectus, which Options may be exercised by the Option holder prior to the Record Date in order to participate in the Offer.

3.2 How to Accept the Offer

Your acceptance of the Offer must be made on the Entitlement and Acceptance Form accompanying this Prospectus. Your acceptance must not exceed your Entitlement as shown on that form. If it does, your acceptance will be deemed to be for the maximum Entitlement.

You may participate in the Offer as follows:

- (a) if you wish to accept your Entitlement in full:
 - (i) complete the Entitlement and Acceptance Form, filling in the details in the spaces provided; and
 - (ii) either:
 - (A) attach your cheque for the amount indicated on the Entitlement and Acceptance Form; or
 - (B) pay by BPAY® by following the instructions below and on the Entitlement and Acceptance Form;
- (b) if you only wish to accept part of your Entitlement:
 - (iii) fill in the number of Securities you wish to accept in the space provided on the Entitlement and Acceptance Form; and
 - (iv) either:
 - (A) attach your cheque for the appropriate application monies (at \$0.0025 per Share); or

- (B) pay by BPAY® (at \$0.0025 per Share) by following the instructions below and on the Entitlement and Acceptance Form; or
- (c) if you do not wish to accept all or part of your Entitlement, you are not obliged to do anything.

Payment by Cheque/Bank Draft

All cheques must be drawn on an Australian bank or bank draft made payable in Australian currency to "KTL Technologies Limited – NRE A/C" and crossed "Not Negotiable".

Your completed Entitlement and Acceptance Form and cheque must reach the Company's share registry no later than 5.00pm WST on the Closing Date.

Payment by BPAY®

For payment by BPAY®, please follow the instructions on the Entitlement and Acceptance Form. You can only make a payment via BPAY® if you are the holder of an account with an Australian financial institution that supports BPAY® transactions. Please note that should you choose to pay by BPAY®:

- (a) you do not need to submit the Entitlement and Acceptance Form but are taken to have made the declarations on that Entitlement and Acceptance Form; and
- (b) if you do not pay for your Entitlement in full, you are deemed to have taken up your Entitlement in respect of such whole number of Shares which is covered in full by your application monies.

It is your responsibility to ensure that your BPAY® payment is received by the share registry by no later than 4.00pm (WST) on the Closing Date. You should be aware that your financial institution may implement either cut-off times with regards to electronic payment and you should therefore take this into consideration when making payment. Any application monies received for more than your final allocation of Shares (only where the amount is \$1.00 or greater) will be refunded. No interest will be paid on any application monies received or refunded.

3.3 Non-Renounceable Offer

The Offer is non-renounceable. Accordingly, a Shareholder may not sell or transfer all or part of their Entitlement.

3.4 Minimum Subscription

The minimum subscription in respect of the Offer is approximately \$1,282,214 (being the full subscription).

No Securities will be allotted or issued until the minimum subscription has been received. If the minimum subscription is not achieved within 4 months after the date of issue of this Prospectus, the Company will either repay the Application monies to the Applicants or issue a supplementary prospectus or replacement prospectus and allow Applicants one month to withdraw their Application and be repaid their Application monies.

3.5 Shortfall

Any Entitlement not taken up pursuant to the Offer will form the Shortfall and will be dealt with by the Directors in consultation with the Underwriters in accordance with the Underwriting Agreement. Accordingly, Shareholders should not apply for the Shortfall unless directed to do so by the Underwriters.

The offer of any Shortfall Shares and Options is a separate offer made pursuant to this Prospectus and will remain open after the Closing Date. The issue price of any Shortfall Shares shall be \$0.0025 together with one free Option for every two Shares subscribed for, being the price and terms at which the Entitlement has been offered to Shareholders pursuant to this Prospectus.

3.6 Underwriting

The Offer is underwritten by First Pioneer Holdings Limited (**First Pioneer**) and KNT International Company Limited (**KNT**) (**Underwriters**). Refer to Section 7.2 of this Prospectus for further details of the material terms of the underwriting agreement with the Underwriters.

The Underwriters have agreed to underwrite the Offer in the following proportions:

Underwriter	Proportion of Securities underwritten
First Pioneer	Maximum 256,442,731 Shares together with 128,221,365 free attaching Options
KNT	Maximum 256,442,731 Shares together with 128,221,365 free attaching Options

3.7 Current and Potential Voting Power of the Underwriters

First Pioneer, together with its associates, currently has a relevant interest in 46,646,064 Shares, representing 9.09% of the voting power in the Company. Pursuant to the terms of the Underwriting Agreement, First Pioneer has agreed to underwrite up to 50% of the full subscription amount of the Offer, being \$641,107. Mrs Ying Zhou, who is a Director of the Company, is the financial manager of First Pioneer.

KNT, together with its associates, currently has a relevant interest in 19,991,170 Shares, representing 3.90% of the voting power in the Company. Pursuant to the terms of the Underwriting Agreement, KNT has agreed to underwrite up to 50% of the full subscription amount of the Offer, being \$641,107. Mr Jian Jiao, who is a Director of the Company, is also a director and the sole shareholder of KNT.

The potential effect that the issue of Shares under the Offer will have on the control of the Company is as follows:

- (a) if all Shareholders take up all of the Entitlement under the Offer, the percentage interest in the Shares of the Company held by the Underwriters (and any other major Shareholders) would not change and there would not be any effect on the control of the Company.
- (b) if some of all of the Shareholders do not take up their Entitlement under the Offer, and there is Shortfall, then the Offer may have an effect on the control of the Company as detailed below.

To comply with the requirement to disclose the Underwriters' potential voting power in the Company, the tables below sets out various scenarios to indicate the effect of the Company's shareholding depending on the Shortfall (if any).

The potential maximum increase in the voting power of each Underwriter as a result of the underwriting is set out below and will only occur if no Shareholders take up their Entitlement under the Offer. In the table below, it is assumed that each Underwriter will take up its full Entitlement as a Shareholder under the Offer and no Options are exercised prior to the Record Date. Furthermore, it is assumed that the Underwriters will apply for all of the Shortfall under the Offer and will not contract any sub-underwriters.

First Pioneer

Event/Date	Number of Shares held by First Pioneer	Voting Power of First Pioneer³	Increase
Date of Prospectus	46,646,064	9.09%	-
After issue of Shares assuming maximum Shortfall, being 87% ^{1,2}	316,416,242	30.85%	21.76%
After issue of Shares assuming 75% Shortfall	285,624,176	27.85%	18.76%
After issue of Shares assuming 50% Shortfall	221,513,493	21.59%	12.50%
After issue of Shares assuming 25% Shortfall	157,402,811	15.34%	6.25%

KNT

Event/Date	Number of Shares held by KNT	Voting Power of KNT⁴	Increase
Date of Prospectus	19,991,170	3.90%	-
After issue of Shares assuming maximum Shortfall, being 87% ^{1,2}	263,106,454	25.65%	21.75%
After issue of Shares assuming 75% Shortfall	232,314,388	22.65%	18.75%
After issue of Shares assuming 50% Shortfall	168,203,705	16.40%	12.50%
After issue of Shares assuming 25% Shortfall	104,093,023	10.15%	6.25%

Notes:

1. Given that no other existing shareholder has confirmed an intention to take up their Entitlement, the maximum Shortfall that may be taken up by the Underwriters is approximately 87%. This is because the Underwriters have confirmed that they will take up their full Entitlement as Shareholders, together being approximately 13%.

2. Each Underwriter is to take 50% of the Shortfall.

3. First Pioneer may also be issued up to a maximum of 134,885,089 free attaching Options (23,323,032 upon taking up its Entitlement as a Shareholder and 111,562,057 upon taking up its 50% share of the maximum Shortfall as Underwriter). The Options cannot be exercised until after 30 June 2012. The exercise of the Options will need to be in compliance with all applicable laws. On the basis these Options were exercised in accordance with their terms of issue and assuming no other Options are exercised, the maximum voting power of First Pioneer after the Offer will be 38.88%.

4. KNT may also be issued up to a maximum of 121,557,642 free attaching Options (9,995,585 upon taking up its Entitlement as a Shareholder and 111,562,057 upon taking up its 50% share of the maximum Shortfall as Underwriter). The Options cannot be exercised until after 30 June 2012. The exercise of the Options will need to be in compliance with all applicable laws. On the basis these Options were exercised in accordance with their terms of issue and assuming no other Options are exercised, the maximum voting power of KNT after the Offer will be 33.53%.

3.8 Underwriter's intentions

Each Underwriter has indicated that its intentions mentioned in this Section are based on the facts and information regarding the Company and the general business environment which are known to it as at the date of this Prospectus. Any future decisions will, of course, be reached by the Underwriters based on all material information and circumstances at the relevant time. Accordingly, if circumstances change or new information becomes available in the future, the Underwriters' intentions could change.

The Underwriters have informed the Company that on the facts and circumstances presently known to them, they are supportive of the Company's current direction. The Underwriters have indicated that they are presently willing to consider any proposals the Company's Board and management may put forward as to how the Underwriters could support and assist the Company towards its objectives.

The Underwriters have advised the Company that since they are presently supportive of the Company's current direction, the Underwriters do not currently intend to make any major changes to the Company's direction and objectives, and that other than as disclosed in this Prospectus, the Underwriters:

- (a) do not currently intend to make any significant changes to the Company's existing businesses;
- (b) do not currently intend to inject further capital into the Company other than participating in and underwriting the Offer;
- (c) does not currently intend to become involved in decisions regarding the future employment of the Company's present employees and contemplates that they will continue in the ordinary course of business;
- (d) do not currently intend for any property to be transferred between the Company and the either of the Underwriters or any person associated with the Underwriters; and
- (e) do not currently intend to change the Company's existing financial or dividend policies.

The requirements of the Corporations Act and the Listing Rules in relation to conflicts of interest and "related party" transactions apply in the event that the Underwriter is considered a related party of the Company.

The Underwriters will make decisions on their course of action in light of material facts and circumstances at the relevant times and after it receives appropriate legal and financial advice on such matters, where required, including in relation to any requirement for Shareholder approvals.

The statements reflect current intentions only as at the date hereof which may change as new information becomes available or circumstances change or with the passage of time.

3.9 Australian Securities Exchange Listing

Application for official quotation by ASX of the Shares offered pursuant to this Prospectus will be made within 7 days after the date of this Prospectus. If approval is not obtained from ASX before the expiration of 3 months after the date of issue of the Prospectus, (or such period as modified by the ASIC), the Company will not issue any Shares and Options and will repay all application monies for the Securities within the time prescribed under the Corporations Act, without interest.

The fact that ASX may grant official quotation to the Shares is not to be taken in any way as an indication of the merits of the Company or the Securities now offered for subscription.

3.10 Allotment of Shares and Options

Shares and Options issued pursuant to the Offer will be allotted as soon as practicable after the Closing Date. The Company will allot the Shares and Options on the basis of a Shareholder's Entitlement. Where the number of Shares and Options issued is less than the number applied for, or where no allotment is made, surplus application monies will be refunded without any interest to the applicant as soon as practicable after the Closing Date.

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

3.11 Overseas Shareholders

The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws. No action has been taken to register or qualify the Securities the subject of this Prospectus or otherwise permit a public offering of the Securities the subject of this Prospectus in any jurisdiction outside Australia.

It is the responsibility of applicants outside Australia to obtain all necessary approvals for the allotment and issue of the Securities pursuant to this Prospectus. The return of a completed Entitlement and Acceptance Form will be taken by the Company to constitute a representation and warranty by the Applicant that all relevant approvals have been obtained.

3.12 Taxation Implications

The Directors do not consider that it is appropriate to give Applicants advice regarding the taxation consequences of applying for Securities under this Prospectus, as it is not possible to provide a comprehensive summary of the possible taxation consequences. The Company, its advisers and officers, do not accept any responsibility or liability for any taxation consequences to Applicants. Potential Applicants should, therefore, consult their own professional tax adviser in connection with the taxation implications of the Securities offered pursuant to this Prospectus.

3.13 Clearing House Electronic Sub-Register System (CHES) and Issuer Sponsorship

The Company will not be issuing share certificates. The Company will apply to ASX to participate in CHES, for those investors who have, or wish to have, a sponsoring stockbroker. Investors who do not wish to participate through CHES will be issuer sponsored by the Company. Because the sub-registers are electronic, ownership of securities can be transferred without having to rely upon paper documentation.

Electronic registers mean that the Company will not be issuing certificates to investors. Instead, investors will be provided with a statement (similar to a bank account statement) that sets out the number of Securities allotted to them under this Prospectus. The notice will also advise holders of their Holder Identification Number or Security Holder Reference Number and explain, for future reference, the sale and purchase procedures under CHES and issuer sponsorship.

Further monthly statements will be provided to holders if there have been any changes in their security holding in the Company during the preceding month.

3.14 Privacy Act

If you complete an application for Shares and Options, you will be providing personal information to the Company (directly or by the Company's share registry). The Company collects, holds and will use that information to assess your application, service your needs as a Shareholder, facilitate distribution payments and corporate communications to you as a Shareholder and carry out administration.

The information may also be used from time to time and disclosed to persons inspecting the register, bidders for your securities in the context of takeovers, regulatory bodies, including the Australian Taxation Office, authorised securities brokers, print service providers, mail houses and the Company's share registry.

You can access, correct and update the personal information that we hold about you. Please contact the Company or its share registry if you wish to do so at the relevant contact numbers set out in this Prospectus.

Collection, maintenance and disclosure of certain personal information is governed by legislation including the *Privacy Act 1988* (Cth) (as amended), the Corporations Act and certain rules such as the ASTC Settlement Rules. You should note that if you do not provide the information required on the application for Shares, the Company may not be able to accept or process your application.

3.15 Enquiries

Any questions relating to this Prospectus should be directed to the Company Secretary, Rachel Wong, by telephone on +61 2 8216 0937.

4. PURPOSE AND EFFECT OF THE OFFER

4.1 Purpose of the Offer

The purpose of the Offer is to raise approximately \$1,282,214 (before expenses). The proceeds of the Offer are planned to be used in accordance with the table set out below:

Proceeds of the Offer	\$
Development of sales distribution business of waterproofing and anti-corrosion materials as the exclusive distributor of DWB	400,000
Identification and pursuit of other potential business opportunities	200,000
Settlement of outstanding payables to general manager and former director of the Company	310,000
Working Capital	336,991
Expenses of the Offer	35,223
Total	1,282,214

Notes:

1. Refer to Section 7.6 of this Prospectus for further details relating to the estimated expenses of the Offer.

4.2 Effect of the Offer and Pro Forma Consolidated Balance Sheet

The principal effect of the Offer will be to:

- (a) increase the cash reserves by approximately \$1,246,991 immediately after completion of the Offer after deducting the estimated expenses of the Offer; and
- (b) increase the number of Shares on issue from 512,885,462, to approximately 1,025,770,924 Shares following completion of the Offer; and
- (c) increase the number of Options on issue from 12,000,000 Options as at the date of this Prospectus to approximately 268,442,731 Options following completion of the Offer. The new Options offered pursuant to the Offer will be unlisted, each with an exercise price of \$0.0225 and an expiry date of 30 June 2016.

4.3 Consolidated Balance Sheet

The audited Balance Sheet as at 31 December 2010 and the unaudited Pro Forma Balance Sheet as at 31 December 2010 shown on the following page have been prepared on the basis of the accounting policies normally adopted by the Company and reflect the changes to its financial position. They have been prepared on the assumption that all Shares and Options pursuant to the Offer in this Prospectus are issued.

The Balance Sheets have been prepared to provide Shareholders with information on the assets and liabilities of the Company and pro-forma assets and liabilities of the Company as noted below. The historical and pro-forma financial information is presented in an abbreviated form, insofar as it does not include all of the disclosures required by Australian Accounting Standards applicable to annual financial statements. The pro forma statement of financial position is based on the statement of financial position as at 31 December 2010 that has then been adjusted to reflect the material transactions in the notes below.

Effect of material changes since 31 December 2010

There have been changes to a number of items in the statement of financial position since 31 December 2010 as a result of the normal operations of the Company and its subsidiaries. Estimates of the material changes are reflected in the Pro-forma adjustments, and include:

- (a) On 1 March 2011, the Company placed 66,637,234 fully paid ordinary shares at \$0.005 per share to raise a total of \$333,186 for working capital purposes.
- (b) On 29 March 2011, the Group received a repayment on its interest bearing loans to director-related entity of \$402,066.

Consolidated Balance Sheet and Pro Forma Balance Sheet as at 31 December 2010

	Consolidated	Proforma
	31 December 2010	31 December 2010
<u>ASSETS</u>	\$	\$
CURRENT ASSETS		
Cash and cash equivalents	650,849	1,898,276
Trade and other receivables	1,720	1,720
Other financial assets	417,863	417,863
Assets of disposal group held-for-sale	-	-
Total current assets	1,070,432	2,317,859
NON-CURRENT ASSETS		
Property, plant and equipment	26,285	26,285
Other financial assets	2,056,329	2,056,329
Exploration and evaluation expenditure	-	-
Intangible assets	135,723	135,723
Total non-current assets	2,218,337	2,218,337
TOTAL ASSETS	3,288,769	4,536,196
LIABILITIES		
CURRENT LIABILITIES		
Trade and other payables	657,555	657,555
Total current liabilities	657,555	657,555
TOTAL LIABILITIES	657,555	657,555
NET ASSETS	2,631,214	3,878,641
EQUITY		
Share capital	7,687,963	8,935,390
Option reserve	405,504	405,504

Foreign exchange translation reserve	84,240	84,240
Accumulated losses	(5,546,493)	(5,546,493)
Total equity attributable to equity holders of the Company	2,631,214	3,878,641
Non-controlling interest	-	-
TOTAL EQUITY	2,631,214	3,878,641

4.4 Effect on Capital Structure

A comparative table of changes in the capital structure of the Company as a consequence of the Offer is set out below, assuming that the Offer is fully subscribed.

Shares

	Number
Shares on issue at date of Prospectus ¹	512,885,462
Shares offered pursuant to the Offer ²	512,885,462
Total Shares on issue after completion of the Offer	1,025,770,924

Notes:

1. A maximum of 512,885,462 Shares and 256,442,731 Options will be issued pursuant to this Prospectus assuming no options on issue are exercised prior to the Record Date.
2. The Offer will be fully underwritten by First Pioneer and KNT. Refer to Sections 3.6 and 3.7 for further details.

Options

	Number
Options on issue at date of Prospectus ¹	12,000,000 ²
Options offered pursuant to the Offer	256,442,731 ³
Total Options on issue after completion of the Offer	268,442,731

Notes:

1. Assumes that no Options currently on issue are exercised prior to the Record Date.
2. Unquoted options exercisable at \$0.05 on or before 29 May 2011.
3. Unquoted options exercisable at \$0.0225 after 30 June 2012 and before 30 June 2016.

5. RIGHTS AND LIABILITIES ATTACHING TO THE SHARES AND OPTIONS

5.1 Terms of Shares

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

Full details of the rights and liabilities attaching to Shares are set out in the Company's Constitution, a copy of which is available for inspection at the Company's registered office during normal business hours.

(a) Voting

At a general meeting, on a show of hands every ordinary shareholder present in person has one vote. At the taking of a poll, every ordinary shareholder present in person or by proxy and whose shares are fully paid has one vote for each of his or her shares. On a poll, the holder of a partly paid share has a fraction of a vote with respect to the share. The fraction is equivalent to the proportion which the amount paid (not credited) bears to the total amount paid and payable (excluding amounts credited).

(b) General meetings

Each ordinary shareholder is entitled to, receive notice of, attend and vote at general meetings of the Company and to receive all notices, financial statements and other documents required to be sent to ordinary shareholders under the constitution of the Company, the Corporations Act and the Listing Rules.

(c) Dividends

The Directors may pay to ordinary shareholders any interim and final dividends as, in the Directors' judgement, the financial position of the Company justifies. The Directors may fix the amount, the record date for determining eligibility and the method of payment. All dividends must be paid to the ordinary shareholders in proportion to the number and the amount paid on the shares held.

(d) Transfer of Shares

Generally, all shares in the Company are freely transferable subject to the procedural requirements of the constitution, and to the provisions of the Corporations Act, the Listing Rules and the SCH Business Rules. The Directors may decline to register an instrument of transfer received where the transfer is not in registrable form or where refusal is permitted under the Listing Rules or the SCH Business Rules. If the Directors decline to register a transfer the Company must give reasons for the refusal. The Directors must decline to register a transfer when required by the Corporations Act, the Listing Rules or the SCH Business Rules.

(e) Variation of rights

The Company may only modify or vary the rights attaching to any class of shares with the prior approval by a special resolution of the holders of

shares in that class at a meeting of those holders, or with the written consent of the holders of at least three-fourths of the issued shares of that class.

(f) **Directors**

The minimum number of Directors is three and the maximum is ten. Currently, there are five Directors. Directors must retire on a rotational basis so that one-third of Directors must retire at each annual general meeting. Any other Director who has been in office for three or more years must also retire. A retiring Director is eligible for re-election. The Directors may appoint a Director either in addition to existing Directors or to fill a casual vacancy, who then holds office until the next annual general meeting.

(g) **Decisions of Directors**

Questions arising at a meeting of Directors are decided by a majority of votes. The Chairman has a casting vote.

(h) **Issue of further Shares**

Subject to the Company's constitution, the Corporations Act 2001 and the Listing Rules, the Directors may issue, or grant options in respect of, shares to such persons on such terms as they think fit. In particular, the Directors may issue preference shares, including redeemable preference shares, and may issue shares with preferred, deferred or special rights or restrictions in relation to dividends, voting, return of capital and participation in surplus on winding up.

(i) **Officers' indemnity**

To the full extent permitted by the law and to the extent not covered by insurance, the Company must indemnify each officer of the Company against all losses and liabilities incurred by the person as an officer of the Company, including costs and expenses incurred in defending proceedings in which judgement is given in favour of the person or in which the person is acquitted or in connection with relief granted to the person in an application under the Corporations Act 2001 in respect to such proceedings.

(j) **Alteration to the Constitution**

Company's constitution can only be amended by a special resolution passed by at least 75% of ordinary shareholders present and voting at a general meeting. At least 28 days' notice of the intention to propose the special resolution must be given.

5.2 **Terms and conditions of the Options**

(a) **Entitlement**

The Options entitle the holder to subscribe for one Share upon exercise of each Option.

(b) **Exercise Price**

Each Option has an exercise price of \$0.0225.

(c) **Expiry Date**

Each Option has an expiry date of 30 June 2016.

(d) **Exercise Period**

The Options are exercisable at any time commencing 30 June 2012 until the Expiry Date.

(e) **Notice of Exercise**

The Options may be exercised by notice in writing to the Company and payment of the Exercise Price for each Option being exercised. Any notice of exercise of an Option received by the Company will be deemed to be a notice of the exercise of that Option as at the date of receipt.

(f) **Shares issued on exercise**

Shares issued on exercise of the Options rank equally with the existing shares of the Company from the date of issue.

(g) **Quotation of Shares on exercise**

Application will be made by the Company to ASX for official quotation of the Shares issued upon the exercise of the Options.

(h) **Timing of issue of Shares**

After an Option is validly exercised, the Company must as soon as possible:

- (i) issue and allot the Share; and
- (ii) do all such acts matters and things to obtain the grant of quotation for the Share on ASX no later than 5 days from the date of exercise of the Option and receipt of cleared funds equal to the sum payable on the exercise of the Options.

(i) **Participation in new issues**

There are no participation rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options.

However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least ten business days after the issue is announced. This will give the holders of Options the opportunity to exercise their Options prior to the date for determining entitlements to participate in any such issue.

(j) **Adjustment for bonus issues of Shares**

If the Company makes a bonus issue of Shares or other securities to existing Shareholders (other than an issue in lieu or in satisfaction, of dividends or by way of dividend reinvestment):

- (i) the number of Shares which must be issued on the exercise of an Option will be increased by the number of Shares which the Optionholder would have received if the Optionholder had exercised the Option before the record date for the bonus issue; and
- (ii) no change will be made to the Exercise Price.

(k) **Adjustment for rights issue**

If the Company makes an issue of Shares pro rata to existing Shareholders (other than an issue in lieu of in satisfaction of dividends or by way of dividend reinvestment) the Exercise Price of an Option will be reduced according to the following formula:

$$\text{New exercise price} = \frac{O - E(P - (S + D))}{N + 1}$$

- O = the old Exercise Price of the Option.
- E = the number of underlying Shares into which one Option is exercisable.
- P = average market price per Share (weighted by reference to volume) of the underlying Shares during the 5 trading days ending on the day before the ex rights date or ex entitlements date.
- S = the subscription price of a Share under the pro rata issue.
- D = the dividend due but not yet paid on the existing underlying Shares (except those to be issued under the pro rata issue).
- N = the number of Shares with rights or entitlements that must be held to receive a right to one new share.

(l) **Adjustments for reorganisation**

If there is any reconstruction of the issued share capital of the Company, the rights of the Optionholders may be varied to comply with the Listing Rules which apply to the reconstruction at the time of the reconstruction.

(m) **Quotation of Options**

No application for quotation of the Options will be made by the Company.

(n) **Options non-transferable**

The Options are non-transferable.

6. RISK FACTORS

Applicants should consider the risk factors described below, together with information contained elsewhere in this Prospectus, before deciding whether to apply for Securities. Potential Applicants should consider that the investment in the Company is speculative and should consult their professional advisers before deciding whether to apply for Securities.

The following is not intended to be an exhaustive list of the risk factors to which the Company is exposed.

6.1 Risks Specific to the Company

(a) Potential Control Effect of the Underwriting

The Offer is underwritten by the First Pioneer and KNT on the terms described in Sections 3.6 and 3.7 of this Prospectus. As set out in Section 3.7, if some or all of the Shareholders do not take up their Entitlement under the Offer, and there is a Shortfall, then the Offer and the underwriting of the Offer by First Pioneer and KNT may have an effect on the control of the Company. Refer to Section 3.7 of this Prospectus for further details.

(b) Obtaining Future Funding

The Company's ongoing activities will require substantial expenditures. There can be no guarantee that the funds raised through the Offer will be sufficient to successfully achieve all the objectives of the Company's overall business strategy. If the Company is unable to continue to use debt or equity to fund expansion after the substantial exhaustion of the net proceeds of the Offer, there can be no assurances that the Company will have sufficient capital resources for that purpose, or other purposes, or that it will be able to obtain additional fundraising on terms acceptable to the Company or at all. Any additional equity financing may be dilutive to shareholders and any debt financing, if available, may involve restrictive covenants, which may limit the Company's operations and business strategy.

The Company's failure to raise capital if and when needed could delay or suspend the Company's business strategy and could have a material adverse effect on the Company's activities.

(c) Financial Risk

While completing the audit review of the Company's annual financial report for the year ended 31 December 2010, the Company's auditor, Deloitte Touche Tohmatsu, noted the following:

"As disclosed in Note 15 to the financial statements, within the non-current other financial assets, the parent entity has a loan receivable from and an investment in a controlled entity of \$2,199,070 and \$819,521 respectively and an interest-bearing loan receivable from a director-related entity of \$462,830 as at 31 December 2010. Further, the consolidated entity has interest-bearing loans receivable from director-related entities of \$2,056,329 as at 31 December 2010 ("the assets"). The directors consider the carrying values of the assets to be recoverable. Australian Accounting Standard AASB 136 "Impairment of Assets", requires an asset to be carried at no more than its recoverable amount. We have been unable to obtain

sufficient appropriate audit evidence of the recoverable amounts of the assets and, accordingly, we have been unable to determine whether the recoverable amounts of the assets are at least equal to their carrying values. In the event that the carrying values of the assets exceed their recoverable amounts, it would be necessary for the carrying values of the assets to be written down to their recoverable amounts."

Notwithstanding the qualified auditor's opinion included in the annual financial report, the Directors consider the carrying values of the loans receivable referred to above to be recoverable. In the event that the loans are not recoverable, it would be necessary for the carrying values of the loans to be written down.

(d) **Product Liability Risk**

On 25 July 2010, the Company entered into a three year agreement with DWB to become the exclusive distributor of DWB's entire product range in Australia. Pursuant to the terms of the agreement with DWB, the Company will potentially be involved in manufacturing DWB's products in Australia using raw materials and accessories supplied by DWB from China. The Company may therefore be exposed to the risk of product liability claims arising from defective products.

Although the sales terms and conditions between the Company and DWB will generally contain provisions drafted to limit the Company's exposure to product liability claims, it is possible that the limitation of liability provisions may not be effective in certain jurisdictions. Hence, there can be no assurance that the Company will not be subject to such claims.

The Directors will continuously maintain the level of insurance which they consider to be adequate. However, there can be no assurance that a significant claim, if successful, would not adversely impact on the Company's financial performance.

Further, whilst Cryo-Lag will undergo testing and trialling to achieve regulatory approval prior to release to the market, the Company will face an inherent risk of exposure to product liability claims due to possible product failure or defect, or harm/injuries caused during the installation, maintenance or use of Cryo-Lag. The Directors provide no guarantee that such liabilities will not arise. To mitigate this risk the Company will endeavour to secure adequate product liability insurance. However, the Directors provide no guarantee that such insurance coverage will be adequate for all circumstances that may arise in the future. In the event that a product liability claim is made and damages are in excess of the Company's product liability coverage, the competitive position of the Company could be weakened by the compensation required to be paid to the injured party. Although product liability insurance might be available, there can be no assurance that such insurance cover will be sufficient or available at an acceptable cost, or that any adverse event would necessarily be covered.

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

(e) **Foreign Exchange**

The Company is exposed to movement in the exchange risk as the Company will be sourcing building and construction materials from China and may market, sell and/or install Cryo-Lag in many countries around the world.

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

(f) **Technological Change**

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

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

(g) **Development and Commercialisation of Technologies**

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

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

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

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

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

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

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

(h) **Competition**

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

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

(i) **Intellectual Property Rights**

Securing rights to technologies, and in particular patents, is an integral part of securing potential product value in the outcomes of technology research and development. Competition in retaining and sustaining protection of technologies and the complex nature of technologies can lead to expensive and lengthy patents disputes for which there can be no guaranteed outcome.

The granting of a patent does not guarantee that the rights of others are not infringed or that competitors will not develop competing technologies that circumvents such patents. The Company's success depends, in part, on its ability to obtain patents, maintain trade secret protection and operate without infringing the proprietary rights of third parties. Because the patent position of technology companies can be highly uncertain and frequently involve complex legal and scientific evaluation, the breadth of claims did not allow in technology patents nor can their enforceability be predicted. There can be no assurance that any patents the Company may own or control or licence now and in the future will afford the Company commercially significant

protection of the Company's technologies, or that any of the projects that may arise from the technologies will have commercial applications.

Furthermore, the Company has patents pending (i.e. an application for a patent has been made but the patent has not yet been granted). There is no guarantee that all applications for patents will be successful.

6.2 General Risks

(a) Economic factors

Factors such as inflation, currency fluctuation, interest rates, supply and demand and industrial disruption have an impact on operating costs, commodity prices and stock market processes. The Company's operation and Share prices can be affected by these factors, which are beyond the control of the Company and its Directors. Domestic and world economic conditions may affect the performance of the Company. Factors such as rising or slowing demand for goods, inflation or interest rates could impact on sales, revenues and costs. In addition, exchange rate movements will affect revenues and expenses incurred in other currencies.

(b) Share market conditions

Stock market conditions may affect the value of listed securities, regardless of the operating performance of the Company. Stock market conditions are affected by many factors such as:

- general economic outlook;
- movements in, or outlook on, interest rates and inflation rates;
- currency fluctuation;
- commodity prices;
- changes in investor sentiment towards particular market sectors;
- the demand for, and supply of, capital;
- liquidity of the Company's Shares; and
- terrorism or other hostilities.

Investors should recognise that the price of the Shares may fall as well as rise. In addition, recent world events have affected the price of securities in various sectors. Such events are unpredictable and their impact on individual companies or markets is beyond the control of the Company. Neither the Company nor the Directors warrant the future performance of the Company or any return on an investment in the Company.

(c) Reliance on Key Personnel

The Company's future depends, in part, on its ability to attract and retain key personnel. It may not be able to hire and retain such personnel at compensation levels consistent with its existing compensation and salary structure. Its future also depends on the

continued contributions of its executive management team and other key management and technical personnel, the loss of whose services would be difficult to replace. In addition, the inability to continue to attract qualified personnel could have a material adverse effect on the Company's business.

(d) **Governmental factors**

The introduction of new legislation or amendments to existing legislation by governments, and the decisions of courts and tribunals, can impact adversely on the assets, operations and, ultimately, the financial performance of the Company.

Any adverse developments in political and regulatory conditions in the countries in which the Company could conduct business, could materially affect the Company's prospects. Political changes, such as changes in both monetary and fiscal policies, expropriation, methods and rates of taxation and currency exchange controls may impact the performance of the Company as a whole.

(e) **Potential acquisitions**

As part of its business strategy, the Company may make acquisitions of or significant investments in companies, products or technologies. Any such future transaction would be accompanied by the risks commonly encountered in making acquisitions of companies, products or technologies.

6.3 Speculative Nature of Investment

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the Securities offered under this Prospectus.

Therefore, the Securities offered pursuant to this Prospectus carry no guarantee with respect to the payment of dividends, returns of capital or the market value of the Securities.

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

7. ADDITIONAL INFORMATION

7.1 Continuous Disclosure Obligations

The Company is a “disclosing entity” (as defined in Section 111AC of the Corporations Act) for the purposes of Section 713 of the Corporations Act and, as such, is subject to regular reporting and disclosure obligations. Specifically, like all listed companies, the Company is required to continuously disclose any information it has to the market which a reasonable person would expect to have a material effect on the price or the value of the Company’s securities.

This Prospectus is a “transaction specific prospectus”. In general terms “transaction specific prospectuses” are only required to contain information in relation to the effect of the issue of securities on the Company and the rights attaching to the securities. It is not necessary to include general information in relation to all of the assets and liabilities, financial position, profits and losses or prospects of the issuing company.

This Prospectus is intended to be read in conjunction with the publicly available information in relation to the Company which has been notified to ASX and does not include all of the information that would be included in a prospectus for an initial public offering of securities in an entity that is not already listed on a stock exchange. Investors should therefore have regard to the other publicly available information in relation to the Company before making a decision whether or not to invest.

Having taken such precautions and having made such enquires as are reasonable, the Company believes that it has complied with the general and specific requirements of ASX as applicable from time to time throughout the 12 months before the issue of this Prospectus which required the Company to notify ASX of information about specified events or matters as they arise for the purpose of ASX making that information available to the stock market conducted by ASX.

Information that is already in the public domain has not been reported in this Prospectus other than that which is considered necessary to make this Prospectus complete.

The Company, as a disclosing entity under the Corporations Act states that:

- (a) it is subject to regular reporting and disclosure obligations;
- (b) copies of documents lodged with the ASIC in relation to the Company (not being documents referred to in Section 1274(2)(a) of the Corporations Act) may be obtained from, or inspected at, the offices of the ASIC; and
- (c) it will provide a copy of each of the following documents, free of charge, to any person on request between the date of issue of this Prospectus and the Closing Date:
 - (i) the financial statements of the Company for the financial year ended 31 December 2010 being the last financial statements for a financial year, of the Company lodged with the ASIC before the issue of this Prospectus;
 - (ii) any half year financial statements of the Company lodged with ASIC since the lodgement of the last financial statements for the

year ended 31 December 2010 lodged with ASIC before the issue of this Prospectus; and

- (iii) any documents used to notify ASX of information relating to the Company in the period from lodgement of the financial statements referred to in paragraph (i) above until the issue of the Prospectus in accordance with the Listing Rules as referred to in Section 674(1) of the Corporations Act.

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

The Company has lodged the following announcements with ASX since the lodgement of the 2010 audited financial statements:

Date	Description of Announcement
04/05/2011	Addendum to AGM Notice
29/04/2011	Notice of Annual General Meeting/Proxy Form
29/04/2011	Appendix 4C - quarterly

ASX maintains files containing publicly available information for all listed companies. The Company's file is available for inspection at ASX during normal office hours.

The announcements are also available through the Company's website www.klttek.com.au.

7.2 Material Contracts

The following are summaries of the significant terms of the material agreements which relate to the business of the Company.

7.2.1 Underwriting Agreement

By an agreement between First Pioneer, KNT (together the **Joint Underwriters**) and the Company dated 19 May 2011 (**Underwriting Agreement**), each Joint Underwriter has agreed to conditionally underwrite 50% of the Offer for 512,885,462 Shares and 256,442,731 Options (**Underwritten Securities**).

The Agreement is conditional upon:

- (a) the Joint Underwriters being satisfied with a due diligence review of the Company;
- (b) the Joint Underwriters being satisfied with the form of this Prospectus and having given their consent to be named in this Prospectus prior to lodgement with ASIC; and
- (c) the Company lodging this Prospectus with ASIC prior to 30 June 2011.

The obligation of the Joint Underwriters to underwrite the Offer is subject to certain events of termination. The Joint Underwriters may terminate their obligations under the Underwriting Agreement if:

- (a) **Prospectus:** any of the following occurs in relation to the Prospectus:
- (i) it is not lodged with ASIC by 30 June 2011 (or such later date agreed in writing by the Joint Underwriters) or the Offer is withdrawn by the Company;
 - (ii) there is a material omission, it contains a material statement which is misleading or deceptive, or a material statement has become misleading or deceptive;
 - (iii) the Prospectus does not contain all the information that investors and their professional advisers would reasonably require to make an informed assessment of the assets and liabilities, financial position and performance, profits and losses and prospects of the Company and the rights and liabilities attaching to the Underwritten Securities;
 - (iv) ASIC gives notice of intention to hold a hearing under section 739(2) of the Corporations Act or makes an interim order under section 739(3) of the Corporations Act;
 - (v) an application is made by ASIC for an order under Section 1324B or any other provision of the Corporations Act in relation to the Prospectus, the date for notifying the Joint Underwriters of the Shortfall has arrived, and that application has not been dismissed or withdrawn;
 - (vi) any person (other than the Joint Underwriters) who consented to being named in this Prospectus withdraws that consent;
- (b) **Supplementary Prospectus:** the Joint Underwriters form the view on reasonable grounds that a supplementary prospectus must be lodged with ASIC under section 719 or section 724 of the Corporations Act and the Company does not lodge a supplementary prospectus in the form and content and within the time reasonably required by the Joint Underwriters or the Company lodges a supplementary prospectus without the prior written agreement of the Joint Underwriters;
- (c) **ASX listing:** ASX does not give approval for the underwritten Shares to be listed for official quotation, or if approval is granted, the approval is subsequently withdrawn, qualified or withheld;
- (d) **Index changes:** the S&P ASX 200 Index falls more than 10% from the date of the Underwriting Agreement;
- (e) **Indictable offence:** a director or senior manager of the Company or any of its subsidiaries is charged with an indictable offence;
- (f) **Restriction on allotment:** the Company is prevented from allotting the Underwritten Securities within the time required by the Underwriting Agreement, the Corporations Act, the Listing Rules, any statute, regulation or order of a court of competent jurisdiction by ASIC, ASX or any court of competent jurisdiction or any governmental or semi-governmental agency or authority;
- (g) **Takeovers Panel:** the Takeovers Panel makes a declaration that circumstances in relation to the affairs of the Company are

unacceptable circumstances under Pt 6.10 of the Corporations Act, or an application for such a declaration is made to the Takeovers Panel;

- (h) **Authorisation:** any authorisation which is material to anything referred to in this Prospectus is repealed, revoked or terminated or expires, or is modified or amended in a manner unacceptable to the Joint Underwriters;
- (i) **Change in Act or policy:** there is introduced, or there is a public announcement of a proposal to introduce, into the Parliament of Australia or any of its States or Territories any Act or prospective Act or budget or the Reserve Bank of Australia or any Commonwealth or State authority adopts or announces a proposal to adopt any new, or any major change in, existing, monetary, taxation, exchange or fiscal policy;
- (j) **Failure to comply:** the Company or any Related Corporation fails to comply with a provision of its constitution, the Corporations Act, the Listing Rules or any other applicable legislation or any policy or requirement of ASIC or ASX;
- (k) **Alteration of capital structure:** the Company alters its capital structure in any manner not contemplated in this Prospectus;
- (l) **Force Majeure:** a Force Majeure (as defined in the Underwriting Agreement), affecting the Company's business or any obligation under the Underwriting Agreement, lasting in excess of 2 weeks occurs;
- (m) **Default:** the Company is in material breach of any of the terms, conditions, covenants or undertakings under the Underwriting Agreement;
- (n) **Incorrect or untrue representation:** any representation, warranty or undertaking given by the Company in the Underwriting Agreement is or becomes untrue or incorrect;
- (o) **Adverse change:** an event occurs which gives rise to a material adverse effect on the Issue or on the subsequent market for the Underwritten Securities or a material adverse effect on the condition, trading or financial position and performance, profits and losses, results, prospects, business or operations of the Company and its subsidiaries taken as a whole, or any adverse change or any development including a prospective adverse change after the date of the Underwriting Agreement in the assets, liabilities, financial position, trading results, profits, forecasts, losses, prospects, business or operations of the Company including, without limitation, if any forecast in the Prospectus becomes incapable of being met or in the Joint Underwriters' reasonable opinion, unlikely to be met in the projected time;
- (p) **Significant change:** a "new circumstance" as referred to in Section 719(1) of the Corporations Act arises that is materially adverse from the point of view of an investor;
- (q) **Public statements:** without the prior approval of the Joint Underwriters a public statement is made by the Company in relation to the Offer, the Issue or the Prospectus;

- (r) **Misleading information:** any information supplied at any time by the Company or any person on its behalf to the Joint Underwriters in respect of any aspect of the Offer or the Issue or the affairs of the Company is or becomes misleading or deceptive or likely to mislead or deceive;
- (s) **Official Quotation qualified:** the official quotation of the Shares offered pursuant to this Prospectus is qualified or conditional other than as set out in the Underwriting Agreement;
- (t) **Prescribed Occurrence:** a Prescribed Occurrence (as defined in the Underwriting Agreement) occurs, other than as disclosed in this Prospectus;
- (u) **Suspension of debt payments:** the Company suspends payment of its debts generally;
- (v) **Event of Insolvency:** an Event of Insolvency (as defined in the Underwriting Agreement) occurs in respect of the Company or its subsidiaries;
- (w) **Judgment against the Company:** a judgment in an amount exceeding \$100,000 is obtained against the Company or its subsidiaries and is not set aside or satisfied within 7 days;
- (x) **Litigation:** material litigation, arbitration, administrative or industrial proceedings are after the date of the Underwriting Agreement commenced against the Company or its subsidiaries, other than any claims foreshadowed in this Prospectus;
- (y) **Change in shareholdings:** there is a material change in the major or controlling shareholdings of the Company or a takeover offer or scheme of arrangement pursuant to Chapter 5 or 6 of the Corporations Act is publicly announced in relation to the Company;
- (z) **Timetable:** there is a delay in any specified date in the timetable set out Section 1 of this Prospectus which is greater than 10 Business Days, without the prior written consent of the Joint Underwriters; or
- (aa) **Certain resolutions passed:** the Company passes or takes any steps to pass a resolution under Section 254N, Section 257A or Section 260B of the Corporations Act or a resolution to amend its constitution without the prior written consent of the Underwriter.

The Underwriting Agreement also contains a number of indemnities, representations and warranties from the Company to the Joint Underwriters that are considered standard for an agreement of this type.

7.3 Directors' interests

Other than as set out below or elsewhere in this Prospectus, no Director nor any firm in which such a Director is a partner, has or had within 2 years before the lodgement of this Prospectus with the ASIC, any interest in:

- (a) the formation or promotion of the Company;
- (b) property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer pursuant to this

Prospectus; or

(c) the Offer pursuant to this Prospectus,

and no amounts have been paid or agreed to be paid (in cash or Shares or otherwise) to any Director or to any firm in which any such Director is a partner, either to induce him to become, or to qualify him as, a Director or otherwise for services rendered by him or by the firm in connection with the formation or promotion of the Company or Offer pursuant to this Prospectus.

Directors' interests in securities of the Company at the date of this Prospectus are:

Name	Shares	Options	Entitlement
Mr Dayong Hu	5,000,000 ^{1,7}	2,000,000 ²	5,000,000
Mr Haolin Li	57,000,000 ^{3,7}	Nil	57,000,000
Mr Jian Jiao	19,991,170 ^{4,6}	Nil	19,991,170
Mrs Ying Zhou	46,646,064 ^{5,6}	Nil	46,646,064
Ms Tsz Yung Rachel Wong	Nil	Nil	Nil

Notes:

1. Held indirectly by Ms Lei Li, wife of Mr Hu.
2. Options exercisable at \$0.05 before 29 May 2011.
3. Held by Ever Blooming International Group (Hong Kong) Limited.
4. 19,991,170 Shares held KNT International Company Limited, a company of which Mr Jian Jiao is a director.
5. 46,646,064 Shares held by First Pioneer Holdings Limited, a company of which Mrs Ying Zhou is the financial manager.
6. Each of the Directors has indicated that it is their present intention to subscribe for their full Entitlement under the Offer.
7. Each of the Directors reserves the right to subscribe for their full Entitlement under the Offer.

The Constitution of the Company provides that the non-executive Directors may be paid for their services as Directors, a maximum total amount of directors fees determined by the Company in general meeting. Total Directors' fees paid to all non-executive Directors is not to exceed \$300,000 per annum. The Company paid to the Directors a total of \$484,236 the year ended 30 December 2009 and \$447,284 for the year ended 30 December 2010. In addition to the above, the Directors have been paid fees totalling \$33,333 and have accrued unpaid fees totalling \$83,333 from the end of the previous financial year until the date of this Prospectus. Directors, companies associated with the directors or their associates are also reimbursed for all reasonable expenses properly incurred in

the course of conducting their duties which include, but are not in any way limited to, out of pocket expenses, travelling expenses, disbursements made on behalf of the Company and other miscellaneous expenses.

The Directors received the following remuneration for the preceding two financial years:

Director	Year	Salary & Fees \$	Superannuation \$	Options \$	Other non-cash Benefits \$	Total
Mr Dayong Hu ¹	2010	241,731	4,500	-	-	246,231
	2009	233,269	4,500	-	-	237,769
Mr Haolin Li	2010	30,000	-	-	-	30,000
	2009	30,000	-	-	-	30,000
Ms Tsz Yung Rachel Wong ²	2010	111,053	-	-	-	111,053
	2009	138,967	-	-	-	138,967
Mr Cheng Qingquan ³	2010	30,000	-	-	-	30,000
	2009	30,000	-	-	-	30,000
Madam Cheng Weiwen ³	2010	30,000	-	-	-	30,000
	2009	30,000	-	-	-	30,000
Gang Xu ³	2010	-	-	-	-	-
	2009	17,500	-	-	-	17,500

- (1) In the 12 months to 31 December 2010, fees of \$200,000 (31 December 2009: \$200,000) were paid to Dayong Hu or accrued to Lion Liaison Limited, an associated entity of Mr Hu, for services provided for the year in his role as the General Manager of the Company.
- (2) In the 12 months to 31 December 2010, fees of \$81,053 (31 December 2009: \$108,967) were paid and or accrued to Abilia Pty Limited, a company of which Ms Wong is director and shareholder, for company secretarial and accounting services provided for the year in its role as consultant to the Company.
- (3) Mr Qingquan Cheng and Madam Weiwen Chang resigned from the Board on 17 March 2011. Mr Gang Xu resigned from the Board on 31 July 2009.

7.4 Interests and Consents of Experts and Advisers

Other than as set out below or elsewhere in this Prospectus, no expert, underwriter, promoter or any other person named in this Prospectus as performing a function in a professional advisory or other capacity in connection with the preparation or distribution of the Prospectus, nor any firm in which any of those persons is or was a partner, nor any company with which any of those persons is or was associated, has or had within 2 years before the lodgement of this Prospectus with the ASIC, any interest in:

- (a) the formation or promotion of the Company; or
- (b) property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer of securities

pursuant to this Prospectus; or

(c) the Offer of securities pursuant to this Prospectus,

and no amounts have been paid or agreed to be paid (in cash or Shares or otherwise) to any expert, underwriter, promoter or any other person named in this Prospectus as performing a function in a professional advisory or other capacity in connection with the preparation or distribution of this Prospectus, or to any firm in which any of those persons is or was a partner, or to any company with which any of those persons is or was associated, for services rendered by that person, or by the firm or the company, in connection with the formation or promotion of the Company or the Offer pursuant to this Prospectus.

Pursuant to Section 716 of the Corporations Act, First Pioneer has given and has not withdrawn its consent to being named as Underwriter to the Offer in the Corporate Directory of this Prospectus in the form and context in which it is named. First Pioneer has not caused or authorised the issue of this Prospectus, does not make or purport to make any statement in this Prospectus and takes no responsibility for any part of this Prospectus.

First Pioneer (including its related entities) is a Shareholder of the Company and currently has a relevant interest in 46,646,064 Shares. First Pioneer has indicated that it is its current intention to subscribe for its full Entitlement under the Offer in respect of all of the Shares in which it has a relevant interest.

Pursuant to Section 716 of the Corporations Act, KNT has given and has not withdrawn its consent to being named as Underwriter to the Offer in the Corporate Directory of this Prospectus in the form and context in which it is named. KNT has not caused or authorised the issue of this Prospectus, does not make or purport to make any statement in this Prospectus and takes no responsibility for any part of this Prospectus.

KNT (including its related entities) is a Shareholder of the Company and currently has a relevant interest in 19,991,170 Shares. KNT has indicated that it is its current intention to subscribe for its full Entitlement under the Offer in respect of all of the Shares in which it has a relevant interest.

First Pioneer and KNT will receive no fees in respect of the Offer.

Pursuant to Section 716 of the Corporations Act, Steinepreis Paganin has given, and has not withdrawn its consent to being named as Solicitors to the Company in the Corporate Directory of this Prospectus in the form and context in which it is named. Steinepreis Paganin has not caused or authorised the issue of this Prospectus, does not make or purport to make any statement in this Prospectus and takes no responsibility for any part of this Prospectus.

Steinepreis Paganin act as solicitors to the Company. Steinepreis Paganin will be paid approximately \$15,000 for services in relation to this Prospectus.

Computershare Investor Services Pty Limited has been appointed to conduct the Company's share registry functions and to provide administrative services in respect to the processing of Applications received pursuant to this Prospectus, and will be paid for these services on standard industry terms and conditions.

Computershare Investor Services Pty Limited has given and, as at the date hereof, has not withdrawn, its written consent to be named as Share Registry in the form and context in which it is named. Computershare Investor Services Pty Limited has had no involvement in the preparation of any part of this Prospectus

other than being named as Share Registry of the Company. Computershare Investor Services Pty Limited has not authorised or caused the issue of, and expressly disclaims and takes no responsibility for, any part of this Prospectus.

7.5 Legal Proceedings

There is no litigation, arbitration or proceedings pending against or involving the Company as at the date of this Prospectus.

7.6 Estimated Expenses of Offer

In the event that the Offer is fully subscribed, the estimated expenses of the Offer are as follows:

	\$
ASIC fees	2,068
ASX fees	5,155
Legal expenses	15,000
Printing and other expenses	13,000
Total	35,223

7.7 Market Price of Shares

The Company is a disclosing entity for the purposes of the Corporations Act and its Shares are enhanced disclosure securities quoted on ASX.

The highest and lowest market sale prices of the Company's Shares on ASX during the three months immediately preceding the date of lodgement of this Prospectus with the ASIC and the respective dates of those sales were:

Highest: \$0.012 on 18 May 2011

Lowest: \$0.005 on various dates

The latest available closing sale price of the Company's Shares on ASX prior to the lodgement of this Prospectus with the ASIC was \$0.010 on 23 May 2011.

7.8 Electronic Prospectus

Pursuant to Class Order 00/044, the ASIC has exempted compliance with certain provisions of the Corporations Act to allow distribution of an electronic prospectus and electronic application form on the basis of a paper prospectus lodged with the ASIC, and the publication of notices referring to an electronic prospectus or electronic application form, subject to compliance with certain conditions.

If you have received this Prospectus as an electronic Prospectus, please ensure that you have received the entire Prospectus accompanied by the application form. If you have not, please phone the Company and the Company will send you, for free, either a hard copy or a further electronic copy of the Prospectus, or both.

The Company reserves the right not to accept an application form from a person if it has reason to believe that when that person was given access to the electronic application form, it was not provided together with the electronic Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered.

8. AUTHORITY OF DIRECTORS

8.1 Directors' Consent

Each of the Directors of KTL Technologies Limited has consented to the lodgement of this Prospectus with the ASIC in accordance with Section 720 of the Corporations Act

Dated the 24 day of May 2011



**Signed for and on behalf of
KTL Technologies Limited
Ms Tsz Yung Rachel Wong
*Director and Company Secretary***

9. DEFINITIONS

Applicant means a Shareholder or Underwriter or other party instructed by the Underwriter who applies for Securities pursuant to the Offer.

ASIC means the Australian Securities and Investments Commission.

ASTC Settlement Rules means the settlement rules of the securities clearing house which operates CHESS.

ASX means the ASX Limited (ACN 008 624 691).

Board means the board of Directors unless the context indicates otherwise.

Business Day means a day on which trading takes place on the stock market of ASX.

Closing Date means the closing date of the Offer, being 5.00pm (WST) on 23 June 2011 (unless extended).

Company means KTL Technologies Limited (ACN 009 089 981).

Constitution means the Company's Constitution as at the date of this Prospectus.

Corporations Act means the *Corporations Act 2001*(Cth).

Cryo-Lag means the Company's patented low temperature insulation system.

Directors means the directors of the Company at the date of this Prospectus.

Dollar or "\$" means Australian dollars.

DWB means Dayu Weiye (Beijing) International Technology Company Limited.

Entitlement means the entitlement of a Shareholder who is eligible to participate in the Offer.

Entitlement and Acceptance Form means the entitlement and acceptance form either attached to or accompanying this Prospectus.

First Pioneer means First Pioneer Holdings Limited.

Issue means the issue of Securities offered by this Prospectus.

KNT means KNT International Company Limited.

Listing Rules or **ASX Listing Rules** means the Listing Rules of the ASX.

Offer means the offer pursuant to the Prospectus of one new Share for every one Share held by a Shareholder on the Record Date together with one free attaching Option for every two Shares subscribed for.

Official List means the official list of ASX.

Option means an option to acquire a Share.

Prospectus means this prospectus.

Quotation and **Official Quotation** means official quotation on ASX.

Record Date means 2 June 2011.

Related Corporation has the meaning given to that term in the Corporations Act.

Securities means Shares and Options.

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

Shareholder means a shareholder of the Company.

Shortfall means those Securities under the Offer not applied for by Shareholders under their Entitlement.

Underwriters means First Pioneer and KNT.

WST means Western Standard Time.