

## SEPTEMBER 2020 QUARTER ACTIVITIES UPDATE

### Highlights

- Successfully raised \$5.6m via a placement to professional and sophisticated investors
- Established presence in the USA, signing a MOU with automatic welding and robotic welding provider Key Plant, in addition to the appointment of senior business development executives
- Sale of K-TIG unit via Key Plant to US nuclear waste container manufacturer
- K-TIG successfully welds armoured steel coupons critical to the Australian Defence Industry, positioning the company to participate in upcoming defence procurement processes
- Pipeline of opportunities continues to grow, both domestically and internationally
- Appointment of Adrian Smith to the role of Managing Director
- K-TIG is well funded to execute its strategic plan with a reported a cash position of \$7.6m as at 30 September 2020

**K-TIG Limited (ASX: KTG) (“K-TIG” or the “Company”)**, a technology company deploying a fully commercialised industry-disruptive high-speed welding technology provides the following summary of its activities during the Quarter ended 30 September 2020.

#### Establishment of USA operations

During the quarter the Company pursued the establishment of its USA operations. This culminated in the signing and release to the market on 1 October 2020 of a Memorandum of Understanding (“MOU”) with automatic welding and robotic welding provider Key Plant Automation (“Key Plant”).

Key Plant provides automated welding solutions across more than 45 countries, and services a wide range of market segments including the pressure vessel, aerospace, defence and oil and gas sectors.

“K-TIG’s technology complements Key Plant’s offering to create a turn-key solution for customers. Given Key Plant’s global footprint, we see the partnership as a fast track for the deployment of our technology to global markets,” said K-TIG Managing Director Adrian Smith.

Key Plant’s enthusiasm for the K-TIG technology was demonstrated by them selling a K-TIG system to a customer, EPD (a division of NFT Inc.), prior to the MOU. EPD has extensive nuclear waste container experience providing innovative solutions to some of the U.S. Department of Energy’s (DOE) most challenging transuranic waste (TRU-Waste) characterization and nuclear materials storage problems.

The US nuclear market opportunity builds on K-TIG's UK nuclear capabilities and experience. The Company looks forward to providing further updates on the US nuclear market opportunity shortly. The cash proceeds from the sale are expected to be received in the December 2020 quarterly cashflow.

The Company also announced the appointment of two senior business development executives to drive its USA market expansion. The executives, who both bring extensive industry experience and contacts in the industry, will be responsible for on-the-ground direct marketing and driving revenue within the USA.

### **Australian Department of Defence / Carbon Steel**

In October, the Company announced that it achieved a key milestone, successfully demonstrating the weldability of High Hardness Armour, HHA, provided by Bisalloy Steel.

The trials, conducted during the quarter, demonstrate that K-TIG can produce radiographically defect free welds on high strength armour.

"This is a significant achievement as this important milestone will advance K-TIG's eligibility for upcoming Defence procurements, both nationally and internationally," said Mr Smith.

Currently, combat vehicle hulls are typically fabricated from thick armour plates that are manually welded together. The K-TIG technology is not only a viable option to automate this process but the amount of data collected by the technology is expected to significantly improve the quality control and quality assurance on the fabricated products.

"Our internal research together with that undertaken by the Defence Materials Technology Centre through the University of Wollongong proves that K-TIG can achieve a seamless seal with robotic technology. The US army is predicting at least 70%<sup>1</sup> of welding will be robotic in the coming years" said Mr Smith.

"We have now employed the key researcher from the University of Wollongong, and believe this in-house expertise will accelerate K-TIG's push into the defence market," said Mr Smith.

The weldability of the HHA 550 Armoured Steel coupons was independently certified by Bureau Veritas.

### **Corporate and Financial Summary**

As announced to the market on 22 October 2020, Mr Smith was appointed Managing Director. Mr Smith, who held the position of Executive Director in the Company, is an experienced company director and entrepreneur with a proven track record of building and scaling global industry leading firms with a particular focus in the international defence industries.

Mr Smith is currently Non-Executive Director of Universal Motion Simulation, UniSA Ventures, and an Advisory Board Member of Axiom Precision Manufacturing. Mr Smith has previously held the role of Managing Director of Rheinmetall Defence Australia Pty Ltd, a subsidiary of Rheinmetall AG.

<sup>1</sup> [https://www.army.mil/article/230801/army\\_introduces\\_weld\\_automation\\_for\\_next\\_generation\\_combat\\_vehicles](https://www.army.mil/article/230801/army_introduces_weld_automation_for_next_generation_combat_vehicles)

During the quarter the Company successfully raised \$5.6m (before costs) via a fully committed share placement to institutional and sophisticated investors.

The proceeds of the placement will be used to accelerate the growth strategy, new strategic partner alliances to increase market penetration, R&D and to increase resource capability in key growth markets and for ongoing working capital requirements.

The attached Appendix 4C provides details on the cashflows for the quarter ended 30 September 2020. As at 30 September 2020 the Company had a cash balance of \$7.6m. The Company's net cash used in operating activities for the quarter amounted to \$1.0m.

With the exception of long lead capital items which have been deferred due to the COVID-19 pandemic (refer to ASX release dated 8 April 2020), the Company is broadly in line with its use of funds as disclosed in its prospectus.

As disclosed in item 6.1 of the attached Appendix 4C, \$0.125m was paid in respect of directors' fees and consulting fees to entities associated with the directors including company secretarial and accounting & bookkeeping services.

#### **Covid-19 Update**

The Company operates in a number of international markets which have been impacted by Covid-19. During this period, sales demonstrations and customer support have been undertaken remotely without any major disruption. Engaging with both existing and prospective customers remotely has resulted in a reduction in travel related expenditure and will likely result in more permanent changes to customer engagement.

"While Covid-19 has delayed some companies' purchase decisions, our flexible revenue model and operational technology benefits are viewed positively and we feel confident that they will result in sales in the near term," said Mr Smith.

#### **Quarterly Outlook**

The Company remains focused on accelerating its strategic growth strategy with a key focus on:

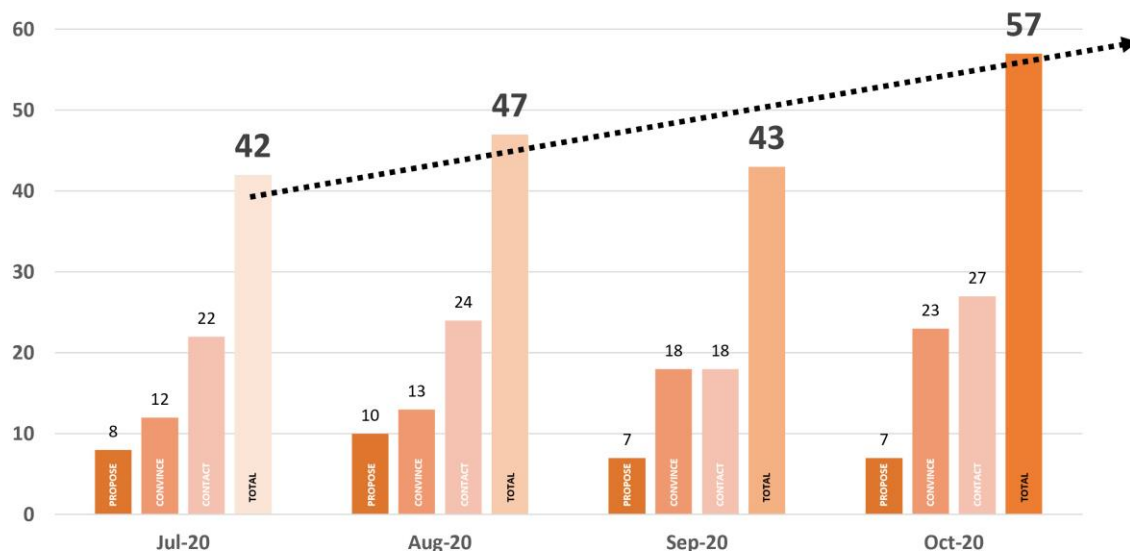
- Revenue acceleration;
- US market expansion, with the expected opening of the Key Plant demonstration plant in the December quarter and the further onboarding of K-TIG's two strategic resources on the ground; and
- The further development of the global and domestic defence market from a technical demonstration and proof of concept perspective as well as key partnerships perspective

#### **Pipeline**

The Company has a substantive pipeline across various market segments. A summary of the pipeline broken down by customers as at 15 October is set out below.

## K-TIG DEALS IN PIPELINE

36% increase in pipeline



The Company remains in a strong financial position and is well placed to execute on its strategy.

--ENDS--

*This announcement was authorised for issue by the Chairman of K-TIG Limited.*

For more information, please contact:

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## About K-TIG Limited

K-TIG is a transformative, industry disrupting welding technology that seeks to change the economics of fabrication. K-TIG's high speed precision technology welds up to 100 times faster than traditional TIG welding, achieving full penetration in a single pass in materials up to 16mm in thickness and typically operates at twice the speed of plasma welding. K-TIG works across a wide range of applications and is particularly well suited to corrosion resistant materials such as stainless steel, nickel alloys, titanium alloys and most exotic materials. It easily handles longitudinal and circumferential welds on pipes, spooling, vessels, tanks and other materials in a single pass. Originally developed by the CSIRO, K-TIG owns all rights, title and interest in and to the proprietary and patented technology and has been awarded Australian Industrial Product of the Year and the DTC Defence Industry Award.

## Forward Looking Statements

Statements contained in this release, particularly those regarding possible or assumed future performance, revenue, costs, dividends, production levels or rates, prices or potential growth of K-TIG Limited, are, or may be, forward looking statements. Such statements relate to future events and expectations and, as such, involve known and unknown risks and uncertainties. Actual results and developments may differ materially from those expressed or implied by these forward-looking statements depending on a variety of factors.

## Appendix 4C

### Quarterly cash flow report for entities subject to Listing Rule 4.7B

**Name of entity**

K-TIG Limited (formerly Serpentine Technologies Limited)

**ABN**

28 158 307 549

**Quarter ended ("current quarter")**

30 September 2020

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (3 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	36	36
1.2 Payments for		
(a) research and development	(41)	(41)
(b) product manufacturing and operating costs	(141)	(141)
(c) advertising and marketing	(23)	(23)
(d) leased assets	(23)	(23)
(e) staff costs	(390)	(390)
(f) administration and corporate costs	(337)	(337)
1.3 Dividends received (see note 3)		
1.4 Interest received	0	0
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Government grants and tax incentives	18	18
1.8 Other (provide details if material) <sup>1</sup>	(109)	(109)
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(1,010)</b>	<b>(1,010)</b>

<sup>1</sup>1.8 Other includes \$62K of VAT remitted to the tax authority in Ireland that is claimable under the 13<sup>th</sup> Directive scheme. Additionally, \$30K was paid as an advance against payroll processing services to a payroll service provider in the USA to establish US operations.

<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) entities		
(b) businesses		
(c) property, plant and equipment	(4)	(4)
(d) investments	-	-
(e) intellectual property		

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
(f) other non-current assets		
2.2 Proceeds from disposal of:		
(a) entities		
(b) businesses		
(c) property, plant and equipment		
(d) investments		
(e) intellectual property		
(f) other non-current assets		
2.3 Cash flows from loans to other entities		
2.4 Dividends received (see note 3)		
2.5 Other (provide details if material)	-	-
<b>2.6 Net cash from / (used in) investing activities<sup>3</sup></b>	<b>(4)</b>	<b>(4)</b>

<b>3. Cash flows from financing activities</b>		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	5,415	5,415
3.2 Proceeds from issue of convertible debt securities		
3.3 Proceeds from exercise of options	-	-
3.4 Transaction costs related to issues of equity securities or convertible debt securities	(386)	(386)
3.5 Proceeds from borrowings		
3.6 Repayment of borrowings		
3.7 Transaction costs related to loans and borrowings		
3.8 Dividends paid		
3.9 Other (provide details if material) <sup>2</sup>	191	191
<b>3.10 Net cash from / (used in) financing activities</b>	<b>5,220</b>	<b>5,220</b>

<sup>2</sup> subscription monies held on trust. Includes:

- \$185k of monies held on trust for shares to be issued subject to shareholder approval at upcoming AGM, and
- \$5.5k of refunds to be made for overpayment of subscription monies.

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	3,493	3,493
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,010)	(1,010)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(4)	(4)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	5,220	5,220
4.5	Effect of movement in exchange rates on cash held	-	-
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>7,699</b>	<b>7,699</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	7,694	3,488
5.2	Call deposits	5	5
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>7,699</b>	<b>3,493</b>

**6. Payments to related parties of the entity and their associates**

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

**Current quarter  
\$A'000**

125

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

Included in payments to related parties are payments for Director Fees as well as related entities performing services on behalf of K-TIG Limited.



**7. Financing facilities**

*Note: the term "facility" includes all forms of financing arrangements available to the entity.*

*Add notes as necessary for an understanding of the sources of finance available to the entity.*

	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 <b>Total financing facilities</b>	-	-

7.5 **Unused financing facilities available at quarter end** -

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

N/A

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	(1,009)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	7,700
8.3 Unused finance facilities available at quarter end (Item 7.5)	-
8.4 Total available funding (Item 8.2 + Item 8.3)	7,700
8.5 <b>Estimated quarters of funding available (Item 8.4 divided by Item 8.1)</b>	7.6

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

## Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 30 October 2020

Authorised by: .....By the Board.....  
(Name of body or officer authorising release – see note 4)

## Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.