

## DECEMBER 2020 QUARTERLY ACTIVITIES REPORT

### Record Quarterly Revenue & Cash Receipts, Strong Momentum into 2021

#### Highlights

- Revenue of \$409k during the December 2020 quarter
- Quarterly cash receipts of \$458k during the quarter
- Strong balance sheet with \$6.8m cash as at 31 December 2020
- The USA market expansion goes from strength to strength through the MOU and subsequent signing of a distribution agreement with Key Plant and the establishment of an on-the-ground sales force
- The company makes its first sales into the USA nuclear decommissioning industry
- The company achieves its first sales to the defence sector and continues to grow the market opportunity both here in Australia as well as globally
- The company increases the size of its R&D department, with the employment of Dr Zhenyu Fei to lead the research into new industry solutions for defence and civil welding applications
- The company proves its technology can automatically weld high hardness armoured steel, which is a significant step towards being utilised by domestic and global defence fabricators

**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 activities during the Quarter ended 31 December 2020.

The Company is pleased to report the following December 2020 quarterly results:

- Quarterly sales revenue of \$409k
- Quarterly cash receipts of \$458k
- Cash at bank of \$6.8m

The December quarter has seen significant traction across the company’s strategic pillars.

#### USA expansion

The USA expansion is continuing to build momentum through the Memorandum of Understanding (“MOU”) and subsequent signing of a distribution agreement in January 2021 with automatic welding and robotics welding provider Key Plant Automation (“Key Plant”) as well as the on the ground sales force.

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

Key Plant's enthusiasm for the K-TIG technology has been demonstrated with the company's first sale into the USA Nuclear Decommissioning Sector, which demonstrates the strength of the on the ground sales force partnering with Key Plant's turnkey solution and builds on K-TIG's UK nuclear capabilities and experience.

The scaling of both sales channels is expected to increase in the coming quarters, with the establishment of the Key Plant demonstration site, on the ground spares parts and technical support, and the ever-expanding pipeline being driven by K-TIG's USA employees.

### **Defence / Aerospace**

KTG has also seen traction in the defence/aerospace strategic pillar, with the company proving the weldability of High Hardness Armoured, HHA, steel using the technology and achieving its first defence sector revenue.

In achieving this milestone K-TIG has demonstrated that K-TIG's welding technology can produce radiographically defect free welds on high strength armour. The weldability of the HHA 550 Armoured Steel coupons provided by Bisalloy Steel have been independently certified by Bureau Veritas. The company continues to work with Australian and Global defence industry participants to further increase this market opportunity and expects to make further announcements in this area.

The strategic employment of Dr Zhenyu Fei as the Manager Welding Research & Development will position the company well to bring new and innovative industry solution to market. This will expand the company's offering and allow customers to use the technology on more materials with differing specifications.

### **Corporate and Financial Summary**

The attached Appendix 4C provides details on the cashflows for the quarter ended 31 December 2020. As at 31 December 2020 the Company had a cash balance of \$6.8m. The Company's net cash used in operating activities for the quarter amounted to \$0.7m.

### **Use of Funds Statement**

K-TIG was admitted to the official list of the ASX on 9 October 2019 following completion of its listing raising \$7m. The December 2020 quarter is included in a period covered by a use of funds statement in the prospectus lodged with ASX under Listing rule 1.1 condition 3.

A comparison of the Company's actual expenditure since admission to 31 December 2020 against the estimated expenditure in the use of funds statement is set out below as required by ASX Listing Rule 4.7C.2. The table also includes the Company's expenditure for the December 2020 quarter.

Use of funds – Year 1 & 2	Actual total (9 Oct 19 – 31 Dec 20)	Prospectus total (9 Oct 19 – 9 Oct 21)
Sales and marketing costs	1,694,247	1,500,000
Long lead capital items	134,912	2,655,000
Research and development	191,928	946,000
Working capital	3,249,985	1,206,000
Offer costs	1,328,549	693,000
Total	6,599,622	7,000,000

The Company notes:

- That since listing the Company has received total cash receipts of approx. \$0.9m, grant funding receipts of approx. \$0.2m, undertaken a secondary capital raising of \$5.6m.
- That since listing the Company has provided regular updates to the market regarding its growth strategy and use of funds including deferral of long-lead items due to COVID-19 (refer to ASX release dated 8 April 2020).
- The 'working capital' line item includes, inter alia, executive management salaries and wages who are supporting the growth strategy and the Company's business objectives.
- The actual 'Offer costs' line item includes costs in relation to the listing and the subsequent secondary capital raise undertaken in the September 2020 quarter.

As disclosed in item 6.1 of the attached Appendix 4C, \$0.1m was paid in respect of directors' fees and consulting fees to entities associated with the directors including company secretarial and accounting & bookkeeping services during the December 2020 quarter.

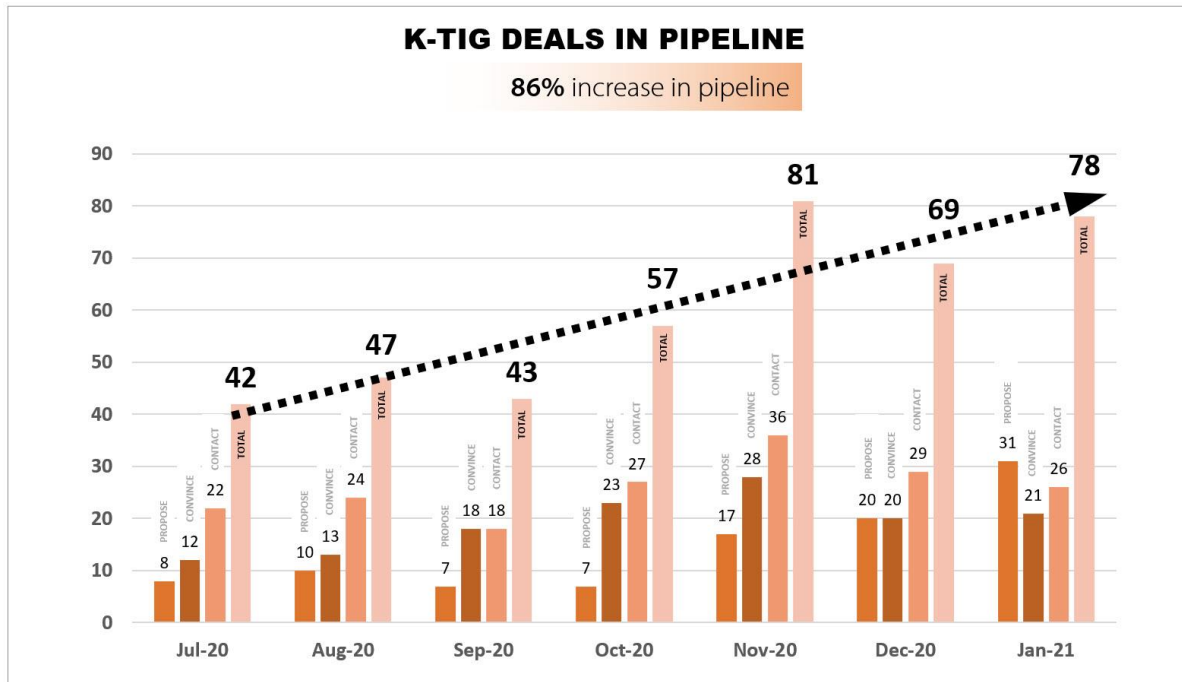
### Quarterly Outlook

The Company remains focused on accelerating its strategic pillars and expects over the next quarter to deliver:

- Revenues in the range of \$400,000 to \$600,000;
- Further distribution agreements in the US (along the lines of the Key Plant Agreement); and
- Further developments of the global and domestic defence market from a technical demonstration and proof of concept perspective as well as key global partnerships perspective

### Pipeline

The Company has a substantive pipeline across various market segments. A summary of the pipeline broken down by customers as at 31 December 2020 is set out below.



K-TIG Managing Director, Mr Adrian Smith said: *“The December quarter has seen the increasing sales momentum continue with strong sales achieved during the quarter. We are seeing the benefits start to flow from the recent establishment of the USA operations and we are confident of additional sales over coming quarters.”*

--ENDS--

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

For more information, please contact:

**Company enquiries**  
 Adrian Smith  
 K-TIG Limited  
 P: +61 8 7324 6800

**Media / Investor enquiries**  
 Heidi Cuthbert  
 Multiplier Media  
 P: +61 411 272 366

## 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

**ABN**

28 158 307 549

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

31 December 2020

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (6 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	458	494
1.2 Payments for		
(a) research and development	(56)	(97)
(b) product manufacturing and operating costs	(228)	(369)
(c) advertising and marketing	(63)	(86)
(d) leased assets	(30)	(53)
(e) staff costs	(524)	(915)
(f) administration and corporate costs	(289)	(625)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	1
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	2	20
1.8 Other (provide details if material) <sup>1</sup>	(1)	(110)
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(730)</b>	<b>(1,740)</b>
<p>11.8 Other includes \$58K of VAT remitted to the tax authority in Ireland that is claimable under the 13<sup>th</sup> Directive scheme. Additionally, \$28K was paid as an advance against payroll processing services to a payroll service provider in the USA to establish US operations.</p>		
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(135)	(139)
(d) investments	-	-
(e) intellectual property	-	-

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 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>(135)</b>	<b>(139)</b>

<b>3. Cash flows from financing activities</b>		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	185	5,600
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	(22)	(408)
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)	-
<b>3.10 Net cash from / (used in) financing activities</b>	<b>(28)</b>	<b>5,192</b>

<sup>2</sup> subscription monies held on trust as at 30/09/2020 have been allocated / repaid as at 31/12/2020 as follows:

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

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (6 months) \$A'000</b>
<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	7,699	3,493
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(730)	(1,740)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(135)	(139)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(28)	5,192
4.5	Effect of movement in exchange rates on cash held	(24)	(24)
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>6,782</b>	<b>6,782</b>

<b>5. Reconciliation of cash and cash equivalents</b>	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts		
5.1 Bank balances	6,742	7,694
5.2 Call deposits	40	5
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	-	-
<b>5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>6,782</b>	<b>7,699</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	94
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

**Current quarter  
\$A'000**

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.



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

**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.*

	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
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

<b>8. Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1 Net cash from / (used in) operating activities (Item 1.9)	(730)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	6,782
8.3 Unused finance facilities available at quarter end (Item 7.5)	-
8.4 Total available funding (Item 8.2 + Item 8.3)	6,782
8.5 <b>Estimated quarters of funding available (Item 8.4 divided by Item 8.1)</b>	9.3

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: 28 January 2021

Authorised 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.