

## JUNE 2021 QUARTERLY ACTIVITIES REPORT

### Highlights

- Revenue of \$561k during the June 2021 quarter coming in at the higher end of the revenue guidance provided with the March 2021 quarterly
- Cash receipts during the June 2021 quarter of \$469k
- Strong balance sheet with \$5.1m cash as at 30 June 2021
- Continued expansion of USA presence with establishment of K-TIG demonstration and support facility and signing of inventory and logistics management contract with DT Gruelle Group
- Expansion into the UK and Europe with key appointment and signing of a distribution agreement with WB Alloy Welding Products
- Significant opportunities in the Maritime Defence sector for light weight structures have been identified and positive discussions continue with the Defence Primes.
- Strengthening of the executive management team to support continued international growth and allow the business to execute on a number of strategic fronts.

**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 30 June 2021.

The Company is pleased to report the following June 2021 quarterly results:

- Quarterly sales revenue of \$561k
- Quarterly cash receipts of \$469k
- Cash at bank of \$5.1m

The June quarter has seen significant progress with the achievement of a number of strategically important milestones being achieved in the defence, UK and customer acceleration strategic pillars.

### Strengthening of Management Team

Since the March 2021 quarterly the Company has made a number of key appointments to its management team; including the appointment of Stephen Unerkov as Chief Financial Officer and Ben Mitchell as Chief Marketing Officer and Ben Hall as the General Manager - UK & Europe.

Stephen Unerkov is an accomplished senior financial and operations professional with over 20 years of experience in transforming and growing multinational businesses. Skilled at leading change and improving the use of working capital, Mr Unerkov brings a strong focus on commercialising and capturing new growth markets through leadership and customer value-adding strategies.

Mr Unerkov has previously held CFO and senior finance roles with a number of Australian and international firms, including NASDAQ listed Itron Inc. and NYSE listed Schlumberger and most recently was CFO of Greening Australia, a not-for-profit organisation where his role encompassed finance, technology, legal, compliance and risk responsibilities.

Ben Mitchell is an experienced senior strategic marketing professional with over 20 years of experience in business-to-business sales and marketing. Skilled at leading business transition and diversification Mr Mitchell brings a strong focus on market intelligence driving global adoption and scalability.

Mr Mitchell has previously held senior marketing roles with a number of Australian and international firms, including most recently in the Australian operations of TSE listed Nitto Denko where his role as Director of Strategic Planning & Marketing encompassed overseeing the strategic direction of Nitto Denko's diversification in the Australian market.

*"The appointments of Stephen and the two Bens rounds out the K-TIG executive management team providing the talent bandwidth and succession pathways necessary to realise K-TIG's potential.", said K-TIG Managing Director Adrian Smith*

### **Customer Acceleration**

The Company continues to build sales momentum with strong progress made during the quarter both in the US and UK markets.

During the quarter, the Company saw its sales pipeline continue to grow month on month as potential customers responded to the increased capabilities of the USA subsidiary including; the establishment of a K-TIG demonstration and support facility at Westmoreland College's Advanced Technology Centre and the shipment of inventory to K-TIG's local logistics contractor, DT Gruelle, to allow ex-works USA shipment of new systems and spare parts. This is expected to result in increased scale of K-TIG's pipeline as well as increased conversion into sales.

Given the success of the US expansion and as the UK opens up from COVID, K-TIG announced its UK and Europe market expansion through the appointment of, London based, Ben Hall as the General Manager – UK & Europe. Ben is responsible for overseeing the establishment of the K-TIG Europe footprint duplicating the USA initiatives as well as progressing K-TIG's initiatives in the UK Nuclear Decommissioning industry and expanding the local distribution partner network.

### **Defence**

During the quarter the Company has continued to work with Defence Primes to demonstrate the advantages of keyhole TIG welding to their applications. In particular, significant interest has been generated in the Maritime sector, focusing on light weight/low distortion structures and K-TIG expects this to turn into commercial opportunities in the coming quarters.

K-TIG continues to collaborate with Hanwha Defence on the welding of materials to be used in their Land 400 Redback vehicle. K-TIG has successfully developed welding parameters for these materials and is now focused on optimising the joint hardness and toughness through the addition of specialist materials into the joint weld pool.

### Research and Development

K-TIG continues to expand the range of metals that it has developed independently verified welding protocols. Following on from the development of a welding protocol for A516 carbon steel in the previous quarter, this quarter has seen the development of successful protocols for A106B and A333 carbon steels. Having independently verified welding solutions for these popular industrial steels greatly expands the market opportunities for K-TIG systems.

In addition to K-TIG's ongoing development of carbon steel welding solutions, K-TIG continues to undertake R&D, in house and in conjunction with innovative customers, to develop welding solutions for other metals such as aluminium, other exotics, and for other highly specialised industries.

### Corporate and Financial Summary

The attached Appendix 4C provides details on the cashflows for the quarter ended 30 June 2021. As at 30 June 2021 the Company had a cash balance of \$5.1m. The Company's net cash used in operating activities for the quarter amounted to \$0.6m and included expenditure on research and development (\$0.08m), product manufacturing and operating costs (\$0.29m), advertising and marketing (\$0.03m), staff costs (\$0.5m) and administration and corporate costs (\$0.36m).

### 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 June 2021 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 30 June 2021 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 June 2021 quarter.

	Actual total (9 Oct 19 – 30 June 21)	Prospectus total (9 Oct 19 – 9 Oct 21)
Use of funds – Year 1 & 2		
Sales and marketing costs	1,760,283	1,500,000
Long lead capital items	134,912	2,655,000
Research and development	346,021	946,000
Working capital	5,909,877	1,206,000
Offer costs	1,350,640	693,000
Total	9,501,731	7,000,000

The Company notes:

- That since listing the Company has received total cash receipts of approx. \$1.5m, grant funding receipts of approx. \$0.2m, undertaken a secondary capital raising of \$5.6m and received approx. \$0.5m from the proceeds of options conversion.
- 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 undertake in the September 2020 quarter.

As disclosed in item 6.1 of the attached Appendix 4C, \$0.2m 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 June 2021 quarter.

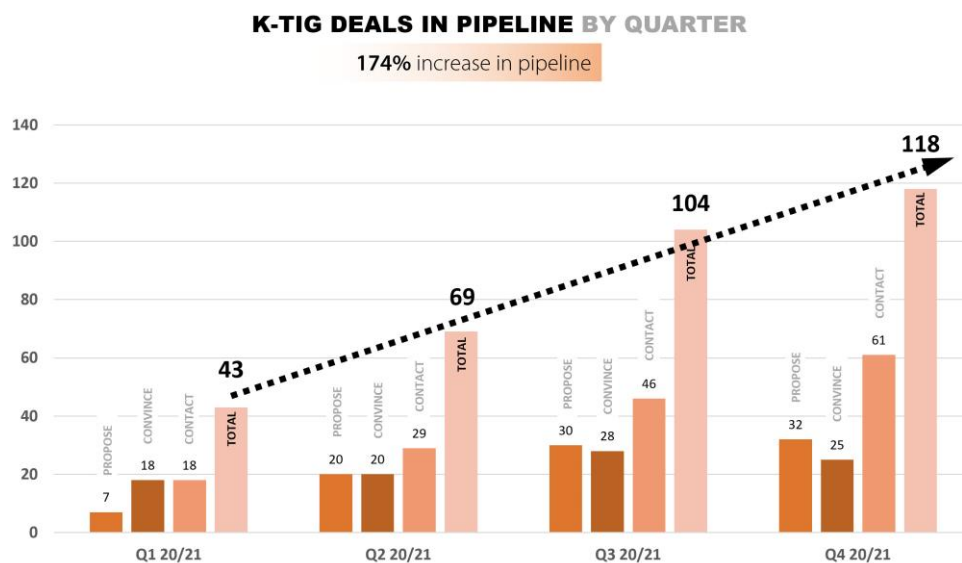
### Quarterly Outlook

K-TIG remains focused on accelerating its strategic pillars and expects over the next quarter to deliver:

- Revenue in the range of \$500,000 - \$700,000, an increase on prior quarterly guidance;
- Further distribution agreements in the USA, UK and European markets; and
- Collaborative projects with defence industry participants to develop and prove the welding parameters and procedures for specific materials. The success of these projects is expected to result in advancing the K-TIG technology's potential use in multi-billion dollar defence projects in Australia.

### Pipeline

The Company has a substantive pipeline across various market segments. A summary of the pipeline broken down by sales stage as at 30 June 2021 is set out below.



This announcement was authorised for issue by the Board 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

**ABN**

28 158 307 549

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

30 June 2021

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (12 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	469	1,179
1.2 Payments for		
(a) research and development	(80)	(251)
(b) product manufacturing and operating costs	(298)	(1,029)
(c) advertising and marketing	(35)	(151)
(d) leased assets	-	(84)
(e) staff costs	(501)	(1,959)
(f) administration and corporate costs	(369)	(1,414)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	2
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	78
1.8 Other (provide details if material) <sup>1</sup>	198 <sup>1</sup>	(134)
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(616)</b>	<b>(3,763)</b>

11.8 Relates mainly to intercompany funds transfer. Payment on 31<sup>st</sup> March but receiving party received it on 1<sup>st</sup> April.

<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(20)	(276)
(d) investments	-	-
(e) intellectual property	-	-

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 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>(20)</b>	<b>(276)</b>

<b>3. Cash flows from financing activities</b>		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	-	5,600
3.2 Proceeds from issue of convertible debt securities	-	-
3.3 Proceeds from exercise of options	468	483
3.4 Transaction costs related to issues of equity securities or convertible debt securities	-	(409)
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>	-	-
<b>3.10 Net cash from / (used in) financing activities</b>	<b>468</b>	<b>5,674</b>

<b>4. Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1 Cash and cash equivalents at beginning of period	5,272	3,493
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(616)	(3,763)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(20)	(276)

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (12 months) \$A'000</b>
4.4	Net cash from / (used in) financing activities (item 3.10 above)	468	5,674
4.5	Effect of movement in exchange rates on cash held	-	(24)
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>5,104</b>	<b>5,104</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	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	5,064	5,232
5.2	Call deposits	40	40
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>5,104</b>	<b>5,272</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**

212

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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)	(616)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	5,104
8.3 Unused finance facilities available at quarter end (Item 7.5)	-
8.4 Total available funding (Item 8.2 + Item 8.3)	5,104
8.5 <b>Estimated quarters of funding available (Item 8.4 divided by Item 8.1)</b>	8.3

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?

N/A

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?

N/A

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

N/A

## 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: 29 July 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.