

SEPTEMBER 2021 QUARTERLY ACTIVITIES REPORT

Highlights

- Record quarterly revenue and cash receipts exceeding revenue guidance
- Record September quarter with \$729k revenue representing 30% growth over June 2021 quarter and 56% over March 2021 quarter
- Cash receipts during the September 2021 quarter of \$960k an increase of 105%
- Strong growth momentum with 4 quarters of successive revenue growth, which based on the current pipeline is expected to continue to grow
- Strong balance sheet with \$4.2m cash as at 30 September 2021
- Formal entry into the UK's Nuclear decommission sector with partnering agreement with the Advanced Manufacturing Research Centre (Nuclear AMRC)
- Continued expansion in UK and Europe with key appointment
- Successfully completed welding procedures for Hanwha Defense Australia and Hanwha Defense Corporation
- Significant opportunities in the Maritime Defence sector for light weight structures have been identified and positive discussions continue with the Defence Primes

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 September 2021.

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

- Quarterly sales revenue of \$729k representing 30% growth over June 2021 quarter
- Quarterly cash receipts of \$960k representing 105% growth over June 2021 quarter
- Cash at bank of \$4.2m

The September 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.

UK Nuclear

During the quarter K-TIG announced that it had entered into a Memorandum of Understanding with the UK's Sheffield University based Nuclear Advanced Manufacturing Research Centre

(Nuclear AMRC). Under the MOU K-TIG will develop robotic welding cell to fabricate the nuclear waste containers to be utilised in the upcoming UK nuclear power plant decommissioning.

The Nuclear AMRC is developing a technology demonstration facility in conjunction with the UK nuclear decommissioning regulator to prove and demonstrate technologies that will be instrumental in the decommissioning of the UK's 17 nuclear power sites in the future. The centre will have the fabrication capability for the 3m³ stainless steel boxes used to house decommissioning waste. That waste primarily comes from the Magnox Swarf Storage Silo, Pile Fuel Cladding Silo and First Generation Magnox Storage Pond which are legacy nuclear waste storage facilities being decommissioned as part of the "Retrievals" stream at the Sellafield nuclear site.

The role of the Technology demonstration facility is to de-risk the fabrication process and provide resources to UK industry to allow it to modernise its fabrication capability to Industry 4.0 standards and participate in the ongoing decommissioning activities across the seventeen future sites.

The Company is also working with the incumbent sector players on near term opportunities for the fabrication of nuclear waste containers.

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.

The record sales have been delivered on the back of the infrastructure developed in the USA, which includes on the ground sales force, demonstration sites, distribution agreements, and in country dispatch and servicing. This approach is now being replicated and rolled out in the UK.

Defence

As announced on 11 October 2021, K-TIG announced that it has successfully completed the first round of armoured steel coupon welding procedure development under the previously announced Memorandum of Understanding with Hanwha Defense Australia and Hanwha Defense Corporation to develop world first advanced keyhole welding procedures for the automated welding of Armoured Steel.

Under the MOU, K-TIG developed welding procedures and supplied independently performed weld quality test results for test coupons of specific armoured steels to be used in Hanwha's Redback and Huntsman vehicles being offered to the Australian Army under the Land 400 and Land 8116 procurements.

During the quarter the Company has also 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.

Research and Development

K-TIG continues to expand the range of metals that it has developed independently verified welding protocols.

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 maintain technology leadership through:

- Development of Evolve 3 Controller to support optional advanced functionality that allows market segmentation and recurrent licence revenue;
- Development of additional value adding functionality such as weld inspection, automated seam tracking, robotic interfaces, multi-torch application; and
- Development and sale of turnkey welding cells integrating K-TIG Systems with appropriate automation and weld procedure IP to provide further value and reduce customer risk.

Corporate and Financial Summary

The attached Appendix 4C provides details on the cashflows for the quarter ended 30 September 2021. As at 30 September 2021 the Company had a cash balance of \$4.2m. The Company's net cash used in operating activities for the quarter amounted to \$0.772m.

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 September 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 September 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 September 2021 quarter.

	Actual total (9 Oct 19 – 30 Sept 21)	Prospectus total (9 Oct 19 – 9 Oct 21)
Use of funds – Year 1 & 2		
Sales and marketing costs	1,784,026	1,500,000
Long lead capital items	134,912	2,655,000
Research and development	476,190	946,000
Working capital	7,400,836	1,206,000
Offer costs	1,451,997	693,000
Total	11,247,961	7,000,000

The Company notes:

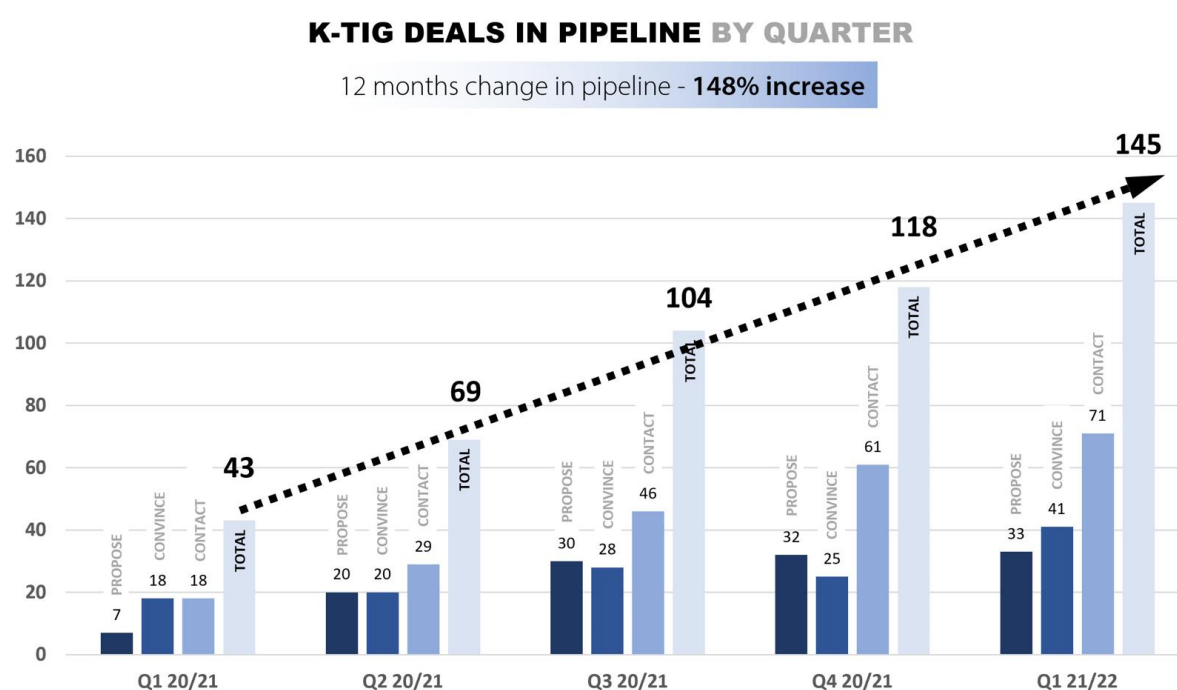
- That since listing the Company has received total cash receipts of approx. \$2.6m, grant funding receipts of approx. \$0.2m, undertaken a secondary capital raising of \$5.6m and received approx. \$0.5m from the proceeds of options conversion.
- That since listing the Company has provided regular updates 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 September 2021 quarter.

Pipeline

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



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

For more information, please contact:

Company enquiries

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

Corporate enquiries

George Rogers
SRG Partners
P: +61 438 815 495

Media / Investor enquiries

Michelle Vella
Corporate Conversation
P: +61 402 137 285

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 September 2021

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	960	960
1.2 Payments for		
(a) research and development	(130)	(130)
(b) product manufacturing and operating costs	(461)	(461)
(c) advertising and marketing	(25)	(25)
(d) leased assets	-	-
(e) staff costs	(597)	(597)
(f) administration and corporate costs	(520)	(520)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material) ¹	1 ¹	1
1.9 Net cash from / (used in) operating activities	(772)	(772)

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

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(24)	(24)
(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)	-	-
2.6	Net cash from / (used in) investing activities³	(24)	(24)
3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
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	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	(32)	(32)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material) ²	-	-
3.10	Net cash from / (used in) financing activities	(32)	(32)
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	5,104	5,104
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(772)	(772)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(24)	(24)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(32)	(32)
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	4,276	4,276

5.	Reconciliation of cash and cash equivalents 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	4,236	4,236
5.2	Call deposits	40	40
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	4,276	4,276

**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**

169

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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.

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.

7.1 Loan facilities

7.2 Credit standby arrangements

7.3 Other (please specify)

7.4 **Total financing facilities**

Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
-	-
-	-
-	-
-	-

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)	(772)
8.2	Cash and cash equivalents at quarter end (Item 4.6)	4,276
8.3	Unused finance facilities available at quarter end (Item 7.5)	-
8.4	Total available funding (Item 8.2 + Item 8.3)	4,276
8.5	Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	5.5

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 October 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.