

ASX Announcement 31 October 2022

SEPTEMBER 2022 QUARTERLY ACTIVITIES REPORT

Highlights

- Company achieved quarterly revenue of \$916k, which represents 26% growth compared to September Quarter 2021 (corresponding prior period, or "PCP") and 20% over June 2022 quarter
- Quarterly cash receipts of \$832k
- \$187k FY21 R&D tax incentive received in July 2022 resulting in cash inflows for the quarter of \$1m with a further \$357k FY22 R&D tax incentive received in early October 2022
- K-TIG continues to make progress in UK nuclear decommission waste containers sector following the signing of an agreement with UK NAMRC and MOU with Darchem
- K-TIG actively pursuing the capability to deploy its proprietary technology in a manufacturing setting to produce low level and intermediate waste containers
- Achievement of Evolve 3 product development milestone which supports data centric automated welding cells to drive productivity
- The Company had c.\$2.7m cash as at 30 September 2022

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 2022.

The Company is pleased to report the following September 2022 quarterly results:

- Quarterly sales revenue of \$916k representing 26% growth compared to September Quarter 2021.
- Quarterly cash receipts of \$832k.
- Cash at bank of \$2.7m.

The September quarter has seen continued significant progress with the achievement of a number of strategically important milestones being achieved across key strategic pillars.

UK Nuclear

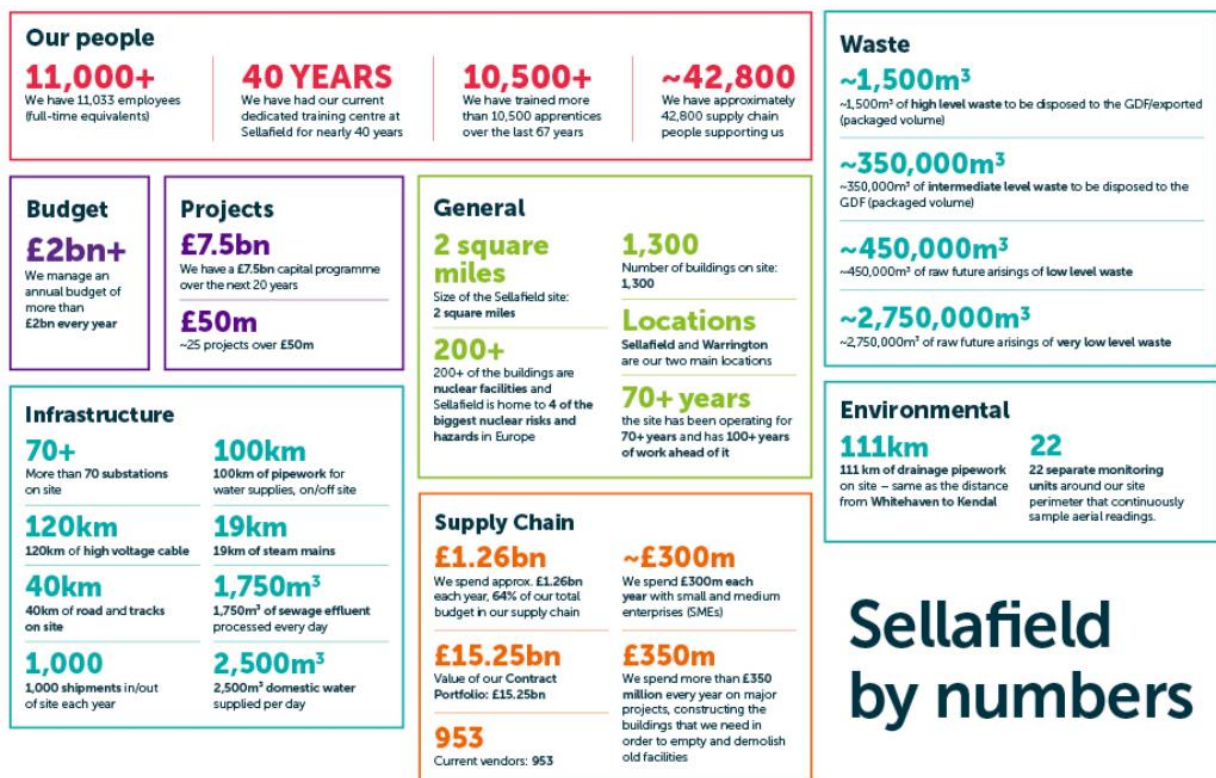
As announced to the market on 29 July 2022, the Company has entered into a non-binding MOU with Darchem Engineering Limited (“Darchem”) regarding the intent to novate an Intermediate Level Waste, ILW, Nuclear Storage container contract that Darchem has to K-TIG to facilitate company technology development and optimise the design and manufacturing process for Intermediate Level Waste containers.

Darchem is a market leader in the design, manufacture (and if required installation) of a wide range of high integrity engineered products in stainless steel and titanium as well as thermal insulation systems for aerospace, motorsport, marine defence, nuclear and oil & gas applications.

Successful novation of this contract from Darchem to K-TIG will provide K-TIG with direct access to a 3M³ intermediate-level waste containers contract and, subject to the establishment of fabrication capability, the production scale to compile the necessary Artificial Intelligence (AI) database to support the development of its QC/QA technology.

The MOU with Darchem is another significant step towards K-TIG being a supplier of both products and technology to the nuclear decommissioning industry. Further to this, K-TIG is actively pursuing the capability to deploy its proprietary technology in a manufacturing setting to produce low level and intermediate waste containers. These conversations are ongoing and may or may not result in K-TIG deriving nuclear contracts in the short to medium term.

Sellafield is a large multi-function nuclear site close to Seascale on the coast of Cumbria, England. Primary activities are nuclear waste processing and storage and nuclear decommissioning and represents a key opportunity for K-TIG.



Sellafield by numbers

During the quarter K-TIG secured facilities in Rotherham for its UK demonstration facility. Consistent with the approach taken in the US, this facility will provide support and sales reference for our UK and European based customers as well as easy access to the UK's Nuclear Advanced Manufacturing Research Centre, NAMRC.

Also, during the quarter, two welding specialists joined K-TIG in the roles of Welding Training and Support Engineer and Robotic Welding Automation Engineer. These individuals will be based at K-TIG's Rotherham facility and provide training and support to K-TIG's UK and EU customers, as well as progress the NAMRC project.



Figure 1, K-TIG's Rotherham Sales and Support Facility

Joint activities with the NAMRC continue with K-TIG participating in a number of the welding research activities undertaken by the Centre aimed at developing new advanced welding processes that can be applied to keyhole welding.



Figure 2, University of Sheffield's Nuclear Advanced Manufacturing Research Centre, Rotherham UK

In addition to these activities the design of K-TIG's next generation robotic welding cell has been completed and a suitable footprint for its establishment within the NAMRC established. The design activities have heavily leveraged computer based "digital twins" of the robotic processes to allow optimisation of designs. Procurement of the capital equipment will commence early in the current quarter with commissioning scheduled for CY2023.

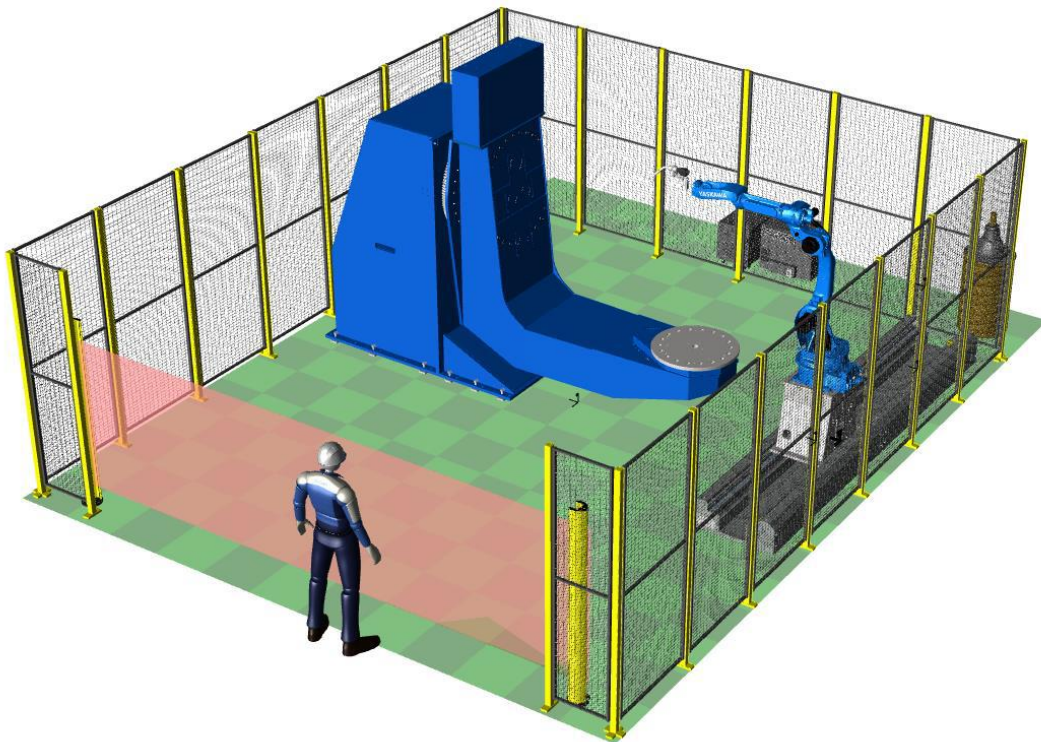


Figure 3, Robotic Welding Cell Concept for 3m3 Intermediate Level Waste Containers

Customer Acceleration

The Company continues to build sales momentum, despite seeing a lengthening in sales cycle due to current economic conditions, with strong progress made during the quarter in the US, UK and European markets.

During the quarter, the Company saw its sales pipeline continue to grow month on month both in the US, UK and European markets as potential customers responded to the increased capabilities.

The distributor pipeline is healthy with K-TIG in discussions with multiple tier one (welding automation system manufacturers and integrators) where we anticipate adding additional distributors in coming quarters.

Defence

As previously reported K-TIG is actively working with global primes on assisting them to deliver Australia's next generation or maritime capability to provide pipe spooling, deck plate and light weight structure solutions to dramatically lower fabrication costs. These activities remain ongoing.

K-TIG continues discussions with Hanwha Defence regarding technical qualification of Redback subsystems in support of the Australian Land 400 manufacturing program. Further updates will be provided in due course.

Research and Development

The Company continues to make good progress with the Evolve 3 product development which supports data centric automated welding cells to drive productivity.

During the quarter K-TIG successfully completed our first welding arc with the new software. This represents a key strategic milestone as the Company seeks to accelerate growth with the development and sale of advanced welding systems that integrate K-TIG system with automation and advanced welding functionality.

The R&D focus continues on the following areas:

- specifically focussing on expanding software enabled controller functionality in Evolve 3 to improve and measure weld quality through the integration of 3rd party technologies;
- using machine learning to replicate welding code required for non-destructive test results; and
- developing software enabled plug and play options for recurrent revenue.

Corporate

The Company notes the macro and geopolitical headwinds that are impacting global markets. As referenced in the last quarterly activities report the Company continues to take proactive steps to navigate current market conditions, including reducing discretionary spending, deferring non-essential capital expenditure and taking steps to reduce its overall cost base.

During the quarter the Company received a FY21 R&D tax refund of \$187k. In early October 2022, subsequent to quarter end, the Company received a further \$357k for FY22 R&D tax refund.

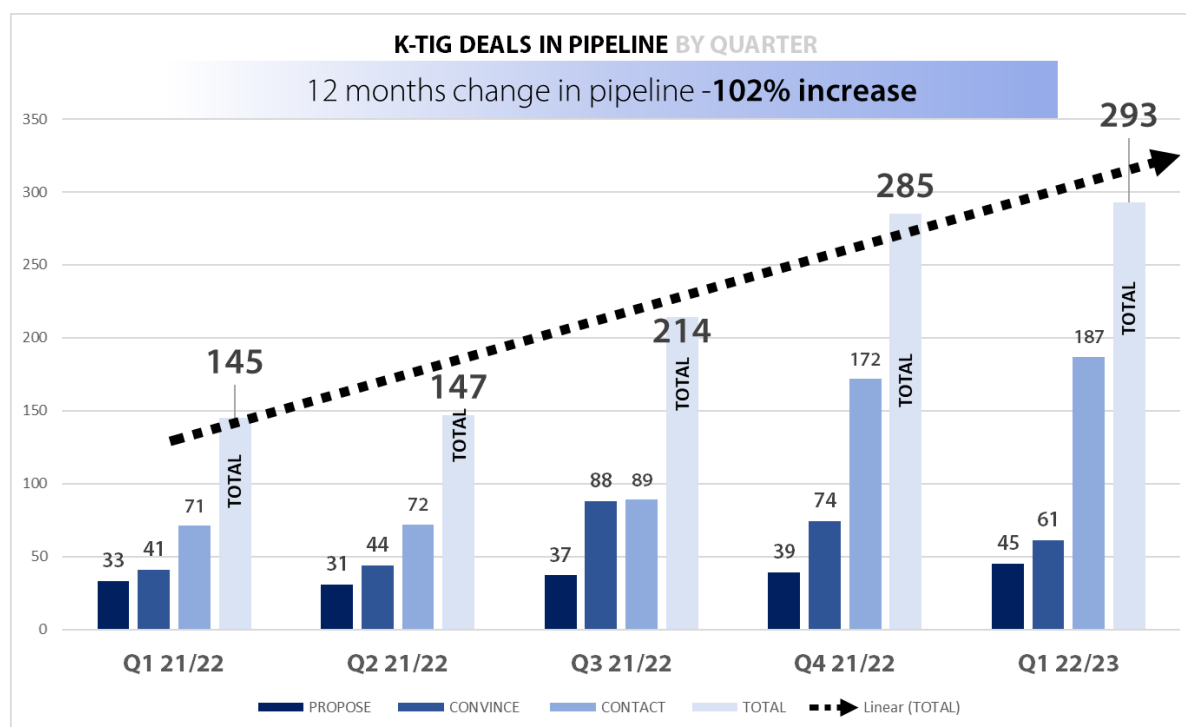
Financial Summary

The attached Appendix 4C provides details on the cashflows for the quarter ended 30 September 2022. As at 30 September 2022, the Company had a cash balance of \$2.7m. The Company's net cash used in operating activities for the quarter amounted to \$0.981m comprising \$0.832m receipts from customers, \$0.187m receipt for R&D grant, \$0.005m for research and development, \$0.675m for product manufacturing and operating costs, \$0.146m for advertising and marketing, \$0.905m for staff costs and \$0.271m for administrative and corporate costs.

As disclosed in item 6.1 of the attached Appendix 4C, \$0.165m 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 2022 quarter.

Pipeline

A summary of the current lead pipeline broken down by sales stage as at 30 September 2022 is set out below.



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

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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 September 2022

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	832	832
1.2 Payments for		
(a) research and development	(5)	(5)
(b) product manufacturing and operating costs	(675)	(675)
(c) advertising and marketing	(146)	(146)
(d) leased assets	-	-
(e) staff costs	(905)	(905)
(f) administration and corporate costs	(271)	(271)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	2	2
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	187	187
1.8 Other (provide details if material) ¹	-	-
1.9 Net cash from / (used in) operating activities	(981)	(981)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(29)	(29)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
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 activities	(29)	(29)

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	(59)	(59)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other – subscription funds held on trust	-	-
3.10	Net cash from / (used in) financing activities	(59)	(59)

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	3,752	3,752
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(981)	(981)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(29)	(29)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(59)	(59)

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

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	28	28
4.6	Cash and cash equivalents at end of period	2,711	2,711

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	2,671	2,671
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)	2,711	2,711

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**

165

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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.

	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 Total financing facilities	-	-

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)	(981)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	2,711
8.3 Unused finance facilities available at quarter end (Item 7.5)	-
8.4 Total available funding (Item 8.2 + Item 8.3)	2,711
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	2.8

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: 31 October 2022

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.