

ASX Announcement 31 January 2023

DECEMBER 2022 QUARTERLY ACTIVITIES REPORT

Highlights

- The Company achieved quarterly revenue of \$929k, being the 10th quarter of revenue growth achieved by the Company.
- The Company has achieved a record secured backlog of \$974k, of which \$847k is scheduled to be delivered in H2-23.
- Quarterly cash receipts of \$809k.
- \$357k FY22 R&D tax incentive received in October 2022, resulting in cash inflows for the quarter of \$1.2m.
- The Company had c.\$1.5m cash as at 31 December 2022.
- Subsequent to quarter end:
 - K-TIG announced the signing of a binding conditional agreement to acquire Graham Engineering Limited ("GEL"), a UK-based specialist advanced manufacturer, of highly engineered, large scale metal fabrications to the UK nuclear decommissioning sector
 - K-TIG announced that it has received a EURO €385,000 (~A\$600,000) purchase order from Ireland based Brewery Chemical & Dairy Engineering Limited, ("BCD Engineering"), for the supply and onsite commissioning of a Linear Precision Grow Line Circumferential Welding System.

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 2022.

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

- Quarterly sales revenue of \$929k representing 1% growth compared to September Quarter 2022.
- Quarterly cash receipts of \$809k.
- Cash at bank of \$1.5m.
- Secured backlog of \$974k.

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

Graham Engineering Limited

Subsequent to the quarter end, the Company announced the signing of a binding agreement to acquire UK based Graham Engineering Limited.

GEL delivers high integrity manufacturing solutions to a wide variety of market sectors including Nuclear, Aerospace, Medical and Security.

The engineering, manufacturing and assembly relating to these products and solutions takes place at GEL's premises in Lancashire, UK, conveniently located for GEL's core customers.

GEL has continuously invested heavily in the latest manufacturing technology which has resulted in high-tech manufacturing capabilities backed by decades of engineering experience, efficient manufacturing techniques and comprehensive knowledge of materials.

Nuclear capabilities

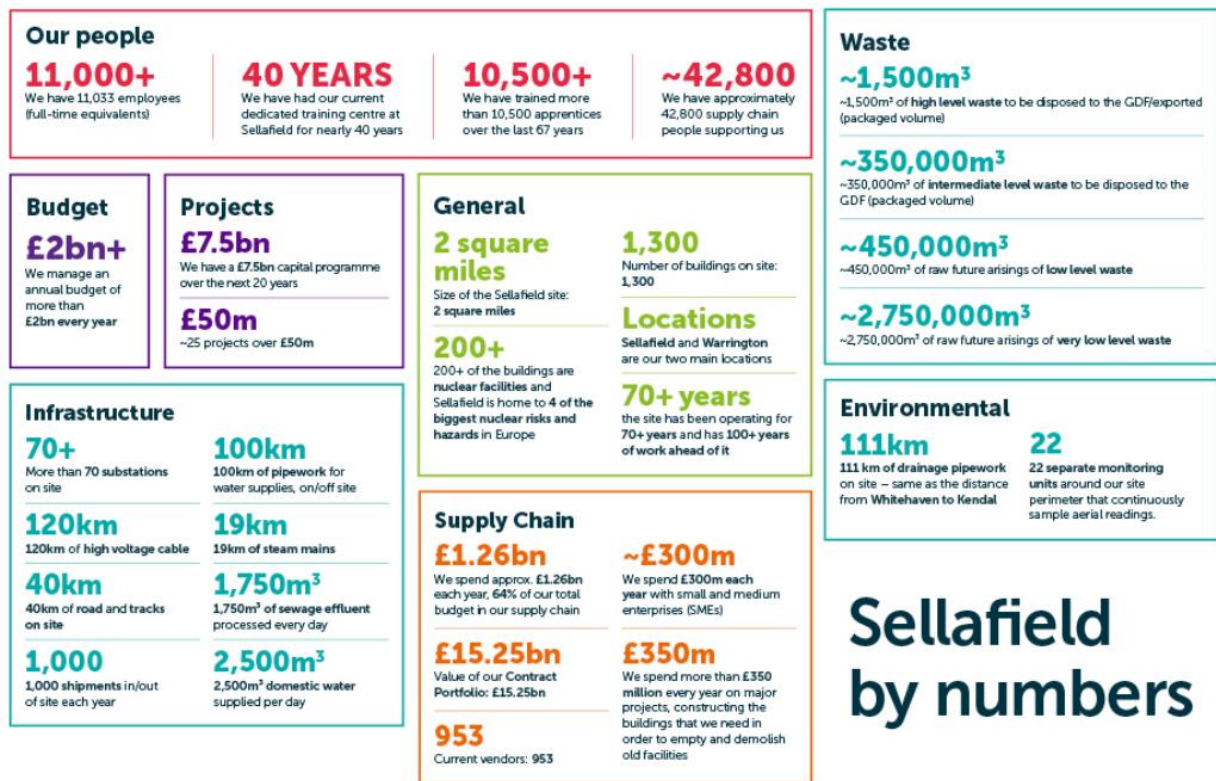
GEL have been supplying the nuclear sector since 1985 and have extensive experience in the manufacture of containments of all varieties, plant and equipment.

This extensive knowledge of producing 'nuclear product' and 'hazardous waste' containers for the Nuclear Industry includes High Level Waste Flasks, Intermediate Level 4m³ and 3m³ boxes, 3m³ Drums 500L drums, Low Level boxes and store furniture (i.e. stillage's and MBGW stools). Product containers from 30ml to 80L for a wide range of product types. Most of the UK 3m³ ILW Boxes have been developed at GEL along with all the 500L ILW drums. The HLW WVP Flasks have been a single source supply from GEL for over 30 years.



Image: Product containers and drums produced by GEL for the UK nuclear decommissioning sector

GEL's existing customers in the nuclear sector include: Sellafield Limited, UK Atomic Energy Authority, Magnox and Dounreay.



Sellafield by numbers

Aerospace capabilities

GEL has been actively involved in the aerospace industry since the early 1970's. GEL's ongoing Laser Suite investment for the profiling and welding of stainless steels and exotic metals has revolutionized the company's manufacturing processes, increasing consistency and accuracy whilst eliminating waste and cost.

Security capabilities

GEL has over 45+ years' experience supplying precision components and complex fabricated assemblies manufactured to exacting specifications into the security market.

GEL is a trusted provider of products and solutions to meet the most demanding threat detection criteria at airports, border crossings, government, military installations and high-risk facilities around the world.

By utilising the vast experience of production techniques GEL has assisted in the development of the high specification parts required to maintain the clarity of imaging needed in this fast-moving environment. Taking the initial design and creating major cost savings through removal of excess materials and automatic manufacturing techniques has drastically reduced the end cost to the customer.

Medical capabilities

GEL has over 45+ years' experience supplying demanding precision components and fabricated assemblies requiring stringent specifications at all times into the Medical Market.

GEL is a trusted provider of high-end fabrication services into the medical market. For many years GEL has worked with world leading companies within the Healthcare, Medical and Pharmaceutical industries.

GEL has entered into long term agreements for the supply of strategic pressure vessel components for the main chambers. GEL is also assisting in developing the next generation of high specification ground-breaking equipment.

Re-compliance with Chapters 1 and 2 of the ASX Listing Rules

Listing Rules 11.1.2 and 11.1.3 apply to the Transaction. The Transaction requires Shareholder approval under the Listing Rules and therefore may not proceed if that approval is not forthcoming.

The Transaction will also require the Company to re-comply with ASX's requirements for admission and quotation and therefore the transaction may not proceed if those requirements are not met. ASX has an absolute discretion in deciding whether or not to re-admit the entity to the official list and quote its securities. The Transaction may not proceed if ASX exercises that discretion.

Investors should take account of these uncertainties in deciding whether or not to buy the Company's securities, which are currently suspended from trading.

For further information regarding the transaction, transaction terms and conditions, indicative capital structure and timetable please refer to the ASX announcement dated 27 January 2023.

Customer Acceleration

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

On 9 January 2023, subsequent to quarter end, the Company announced that it has received a EURO €385,000 (~A\$600,000) purchase order from Ireland based Brewery Chemical & Dairy Engineering Limited, ("BCD Engineering"), for the supply and onsite commissioning of a Linear Precision Grow Line Circumferential Welding System. This welding system will be installed in BCD Engineering's Stainless Steel Process Vessel & Process Plant and will be delivered later this fiscal year following its manufacture in the UK and Australia.

This sale represents the largest turnkey welding cell order received since the announcement in November 2021 of K-TIG's intention to diversify its products by adding integrated Industry 4.0 compatible automated welding cells, based on K-TIG's industry leading keyhole welding technology, into its portfolio.

Defence

As previously reported K-TIG was pleased to announce that it has been awarded a research project under the National Shipbuilding Research Program (NSRP). The NSRP is a collaborative program of the major U.S. naval shipyards, sponsored by the Naval Sea Systems Command which manages the procurement and delivery of ships to the U.S. Navy. The Program's continuing mission is to reduce costs associated with U.S. shipbuilding and ship repair and to share innovation IP across its members. The K-TIG project titled *Breakthrough Welding Process for Pipe and Plate* objectives include:

- developing mechanized K-TIG methods for candidate shipbuilding and repair applications;
- demonstrating that K-TIG methods meet NAVSEA TECH PUB 248 welding procedure qualification test requirements; and
- to support the implementation of K-TIG's technology at the participating shipyard.

K-TIG is the project lead and joining in this exciting project are Fincantieri Marinette Marine (FMM) and The Edison Welding Institute (EWI). Additionally, NAVSEA and Naval Special Warfare Center, Carderock Division, will participate in the evaluation of K-TIG.

Being awarded this NSRP project is an important milestone in K-TIG's plans to penetrate the global naval shipbuilding market. The 3rd party certification of K-TIG's welding technology in meeting the relevant naval welding code NAVSEA TECH PUB 248 removes an important technical barrier to the adoption of our technology.

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 specifically focused 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;
- developing software enabled plug and play options for recurrent revenue; and
- undertaking the architectural design of the next generation of Evolve 3 controller hardware.

Corporate

The Company notes the macro and geopolitical headwinds that are impacting global markets. As referenced in the last quarterly activities report the Company continued 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 FY22 R&D tax refund of \$357k in October 2022. The Company continues its focused R&D investments, as highlighted above.

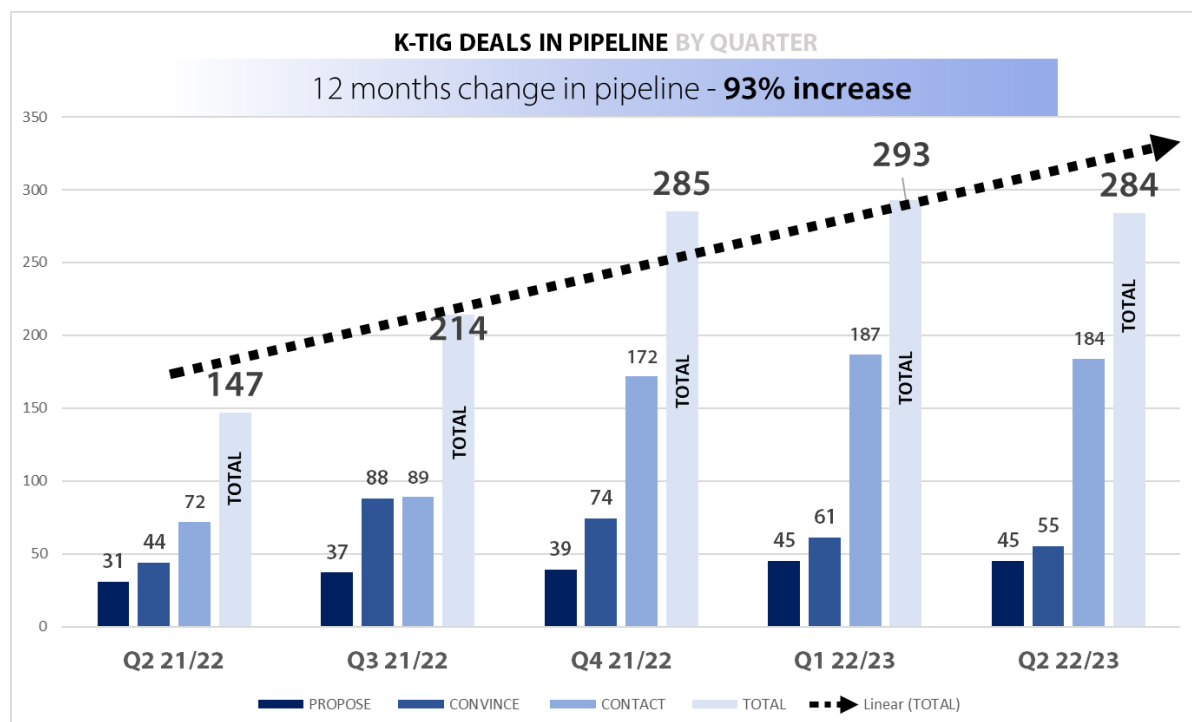
Financial Summary

The attached Appendix 4C provides details on the cashflows for the quarter ended 31 December 2022. As at 31 December 2022, the Company had a cash balance of \$1.5m. The Company's net cash used in operating activities for the quarter amounted to \$1.061m comprising \$0.809m receipts from customers, \$0.357m receipt for R&D grant, \$0.023m for research and development, \$0.716m for product manufacturing and operating costs, \$0.096m for advertising and marketing, \$1.107m for staff costs and \$0.287m for administrative and corporate costs.

As disclosed in item 6.1 of the attached Appendix 4C, \$0.197m 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 2022 quarter.

Pipeline

A summary of the current lead pipeline broken down by sales stage as at 31 December 2022 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")

31 December 2022

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	809	1,641
1.2 Payments for		
(a) research and development	(23)	(28)
(b) product manufacturing and operating costs	(716)	(1,391)
(c) advertising and marketing	(96)	(242)
(d) leased assets	-	-
(e) staff costs	(1,107)	(2,012)
(f) administration and corporate costs	(287)	(558)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	2	4
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	357	544
1.8 Other (provide details if material) ¹	-	-
1.9 Net cash from / (used in) operating activities	(1,061)	(2,042)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(131)	(160)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 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	(131)	(160)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	100	100
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	(60)	(119)
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	40	(19)

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	2,711	3,752
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,061)	(2,042)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(131)	(160)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	40	(19)

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

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	(40)	(12)
4.6	Cash and cash equivalents at end of period	1,519	1,519

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	1,479	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)	1,519	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**

197

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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.

	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)	(1,061)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	1,519
8.3 Unused finance facilities available at quarter end (Item 7.5)	-
8.4 Total available funding (Item 8.2 + Item 8.3)	1,519
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	1.4

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

- 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?

As announced to the market on 27 January 2023 the Company has signed a binding conditional agreement to acquire a specialise UK advanced manufacturer. The acquisition will be funded by a capital raise of up to \$20m. K-TIG will also undertake an interim capital raise by way of a convertible note raise of \$2m. Please refer to the announcement for further information.

- 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?

Please see the above response.

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

Please see the above response.

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 January 2023

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.