
# TRANSFORMING
## FABRICATION

# ACQUISITION OF GRAHAM'S ENGINEERING LIMITED (GEL)

K-TIG
KEYHOLE TIG WELDING

INVESTOR PRESENTATION
MAY 2023

ASX: KTG

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The Company has lodged a prospectus dated 12 May 2023 with the Australian Securities and Investments Commission (ASIC) in relation to the offering of up to 125,000,000 Shares at a price of $0.20 per Share to raise up to $25,000,000 (before costs).

A copy of the Prospectus is available k-tig.com/investors. Capitalised terms used, but not defined, have the meaning ascribed to them in the Prospectus.

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Our vision is to build a specialist global advanced manufacturer to the

# Nuclear and Defence sectors.

Our platform is built upon industry leading technology and the transformational acquisition of Graham's Engineering Limited, a specialist provider to the UK nuclear decommissioning sector

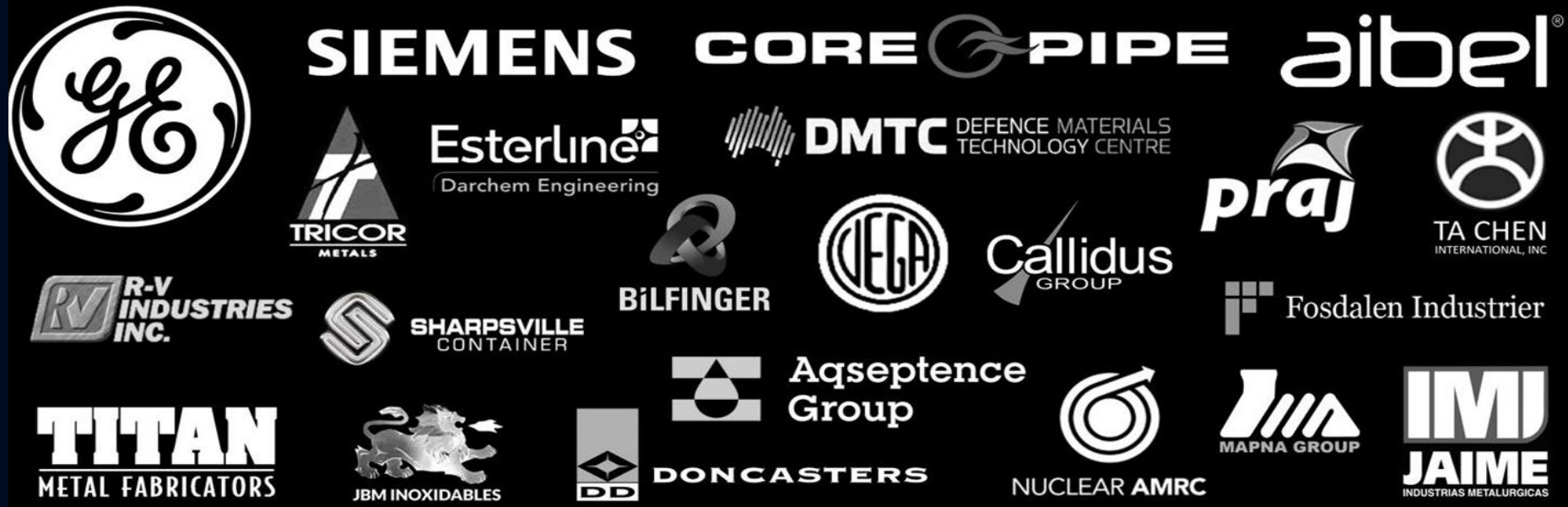
# K-TIG Technology Recap

## Commercially proven & globally **certified**.

- A **transformative**, industry-disrupting welding technology that changes the economics of fabrication.
- Performs a conventional **6 hour** TIG weld in **3 minutes**.
- Reduces fabrication costs by **80% to 95%.**
- Welds to the highest grade welding quality
- **Proprietary technology** meeting all relevant US, European and Australasian welding standards and certified by Lloyds and Bureau Veritas

# GLOBAL FOOTPRINT

A global footprint with industry-leading customers



# K-TIG IS POSITIONED FOR GROWTH

2000's CSIRO development & trials

2010 K-TIG incorporated

2014 First systems sold

2016 Multi-Unit (four system) sales for water pipeline project

2016 First nuclear customer

2017 Sales in 17 countries and Australian Industrial Product of the Year Award

2018 Partnership with NAMRC & New torch design and control system

2019 K-TIG Limited Listed on ASX

2020 Established USA operations in Houston and Pittsburgh

2021 Established UK/EU operations & agreement with Hanwha for high hardness armour

2022 Focus on expansion into nuclear fabrication

2023 signs SPA to acquire UK based Advanced Manufacturer to UK Nuclear sector, Graham Engineering Limited

# K-TIG KEY ACHIEVEMENTS

## Distribution & Sales

- 11 Distributors and a weighted pipeline of $15m
- FY22 revenue of $3.7 million and 74% gross margin
- 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

## Nuclear

- K-TIG signed a formal agreement with the Nuclear Advanced Manufacturing Research Centre (Nuclear AMRC) to develop a turnkey robotic welding cell which may be used for the production of nuclear storage containers, each holding 3 $m^3$ of intermediate level waste (ILW).
- K-TIG signed MOU with global nuclear industry engineering group Darchem Engineering with the intent to novate a 3$m^3$ Intermediate Level Waste, ILW, Nuclear Storage container in the nuclear decommissioning sector
- K-TIG signed definitive share purchase agreement to acquire Graham Engineering Limited ("GEL"), a UK-based specialist manufacturer, of highly engineered, large scale metal fabrications to the UK nuclear decommissioning sector

# K-TIG KEY ACHIEVEMENTS

## Defence - Naval

- K-TIG entered into the US ship building industry, with two of its global shipbuilding partners who have been awarded a research project under the U.S. Navy's National Shipbuilding Research Program to demonstrate the suitability of K-TIG technology for the repair and sustainment of U.S. warships.
- Under the National Shipbuilding Research Program, Fincantieri Marinette Marine (FMM) and the Edison Welding Institute (EWI) will team with K-TIG to demonstrate that the K-TIG process meets the relevant U.S. Navy codes for welding in warships

FINCANTIERI MARINE GROUP

## Defence - Land

- K-TIG successfully completed the first round of weld testing under the Memorandum of Understanding to develop advanced keyhole welding procedures for Hanwha Defense Australia and Hanwha Defense Corporation.
- After delivering outstanding weld results joining ultra high hardness, UHH 600, and ultra high toughness, UHT 440 armoured steels, in a Land 400 joint configuration as well as for rolled homogonous armour, RHA 300 & RHA 360, in a Land 8116 configuration.
- Land 400 award subject to Australian Government review – decision pending.

Hanwha



K-TIG ADVANCED WELDING SYSTEMS

# STRATEGIC GROWTH PRIORITIES

## 1 Customer Acceleration

- Strong focus on long-term recurring revenue generation and growth
- Continue to build on distributor platform in USA, UK/European and ASEAN markets
- Implement aggressive revenue growth strategy

## 2 Nuclear

- Continue to engage and target the GBP 1.7bn UK nuclear decommissioning sector
- Continue to develop next generation welding cell for $3m^3$ nuclear waste boxes
- Create valuable IP and deep industry relationships with Nuclear AMRC, robotic welding project
- Establish fabrication capabilities to manufacture nuclear waste boxes in the UK and beyond

## 3 Defence

- Continue collaborative work with Hanwha Defence Australia, targeting the armored vehicle market
- Continue engagement with the maritime defence sector and global defence primes to assist them delivering next generation maritime capability to provide pipe spooling, deck plate and light weigh structures solutions to dramatically lower

## 4 R&D

- Continual improvement of technical capabilities (enhancement and automation)

# STRATEGIC PRIORITY | CUSTOMER ACCELERATION

**US$225bn+**

Global pressure vessel market value by 2025

(Source: Market Research Future, Global Pressure Vessel, 2020)

**US$21bn**

Global Stainless Piping market

(Source: Market Research Future, Global Pressure Vessel, 2020)

**US$93bn**

Projected size of global metal fabrication equipment market in 2025

(Source: Grand View Research 2019)

**Status:**

- 36% increase in 12 month change in pipeline over period Q3 22 – Q3 23
- Refined sales process and go-to-market strategy to accelerate customer growth and refine the quality of the leads
- Recruited additional sales personnel to expand the sales bandwidth

**Planned:**

- K-TIG is aggressively pursuing opportunities in the stainless steel, aerospace/space, defence and nuclear sectors
- USA market expansion growth strategy = key strategic pillar
- Partner and distribution channel identification being developed to accelerate revenue growth

# STRATEGIC PRIORITY | UK NUCLEAR

**17**

sites across the UK require decommissioning

(Nuclear Decommissioning Authority)

**£4bn**

to be spent on stainless steel waste containers of Sellafield

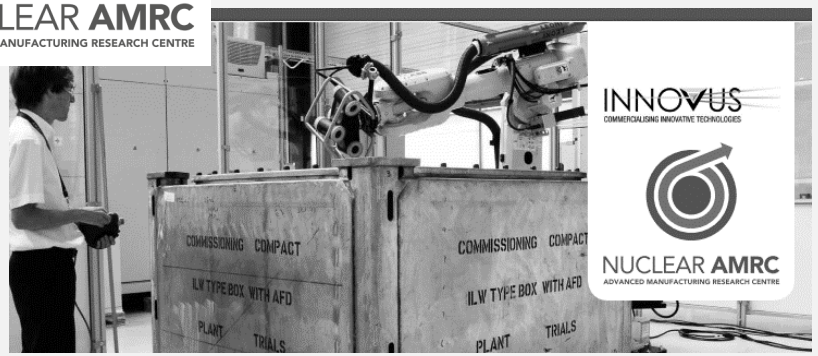
(Sellafield Ltd)

**£121bn**

Total UK nuclear decommissioning cost to 2120

(UK National Audit Office)

NUCLEAR AMRC
ADVANCED MANUFACTURING RESEARCH CENTRE




K-TIG is positioned to aggressively target the nuclear reactor decommissioning industry and has built strong strategic relationships over several years.

- Nuclear Advanced Manufacturing Research Centre ("NAMRC") already working with a K-TIG Welding System
- K-TIG has strong relationships with key players in the nuclear reactor decommissioning industry
- The K-TIG technology is already contracted to 50% of Sellafield $3m^3$ box supply
- Initiatives being executed to accelerate use of K-TIG Welding System in the UK decommissioning market

# STRATEGIC PRIORITY | DEFENCE

**Multi A$bn**

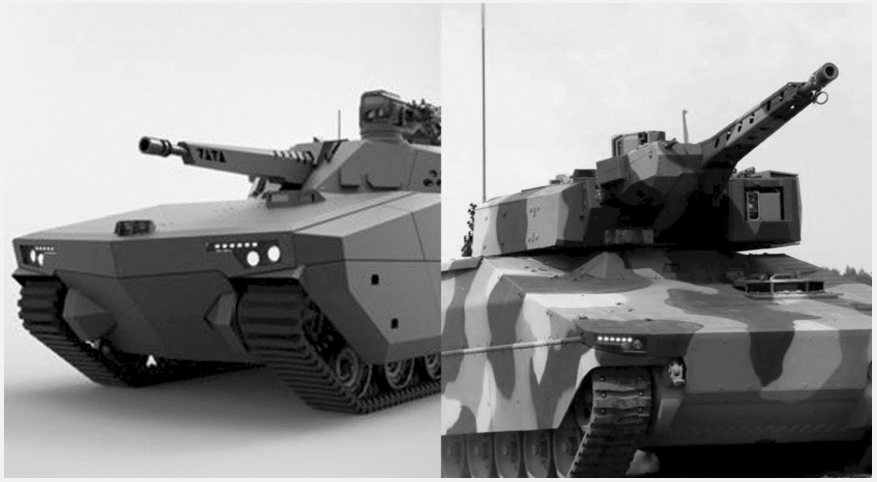
Estimated value of Australian LAND400 Phase 3 Defence project

**2**

Shortlisted parties by the Australian Dept of Defence to bid for LAND400 project

**~A$200bn**

Australian Department of Defence over forward spending estimate



**Status:**

- K-TIG has signed an MOU with Axiom Precision Manufacturing and Bisalloy Steels to develop a sovereign capability to maximise its participation in upcoming Australian Defence procurements including the LAND 400 Phase 3 project
- Axiom, KTIG and Bisalloy are seeking to jointly develop a sovereign capability for Australian industry in the efficient and effective welding of specialist steels vital to the Australian Defence Industry

**Planned:**

- Target armoured land vehicles, naval vessels and aerospace and space systems
- Strategic partnership(s)
- Continue research on applications for use in defence industries
- Formally engage with aerospace participant to pilot the K-TIG technology in the ever-expanding industry.

# STRATEGIC PRIORITY | R&D

### K-TIG Welding

Traditional keyhole welding system invented by CSIRO and developed by K-TIG.

Integration with welding automation undertaken by distribution partners

Current revenue

### Advanced Welding Cells

Data centric automated welding cells to drive productivity

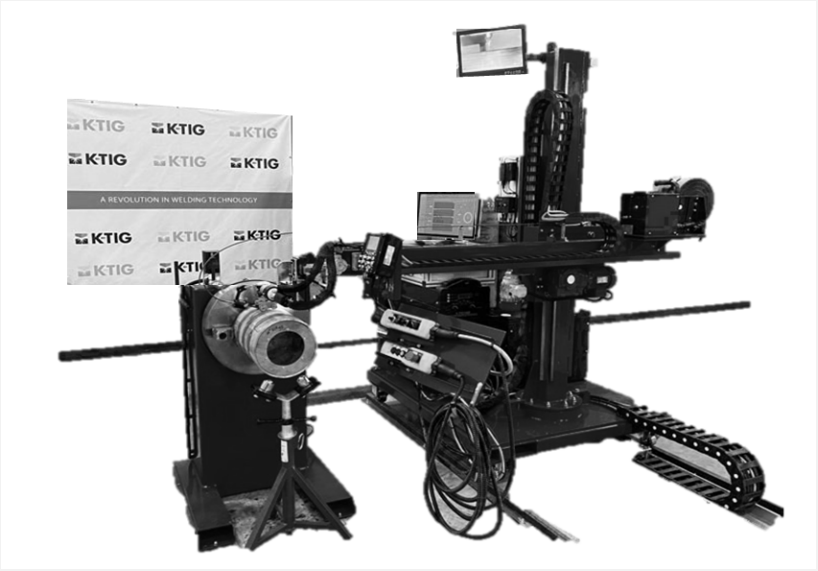
Enabled through K-TIG's advanced software in its Evolve 3 Controller

Adjacent revenue

### Niche Fabrication

Operate fabrication business(es) in highly regulated, high quality industries where K-TIG technology offers sustainable advantage

Diversified revenue

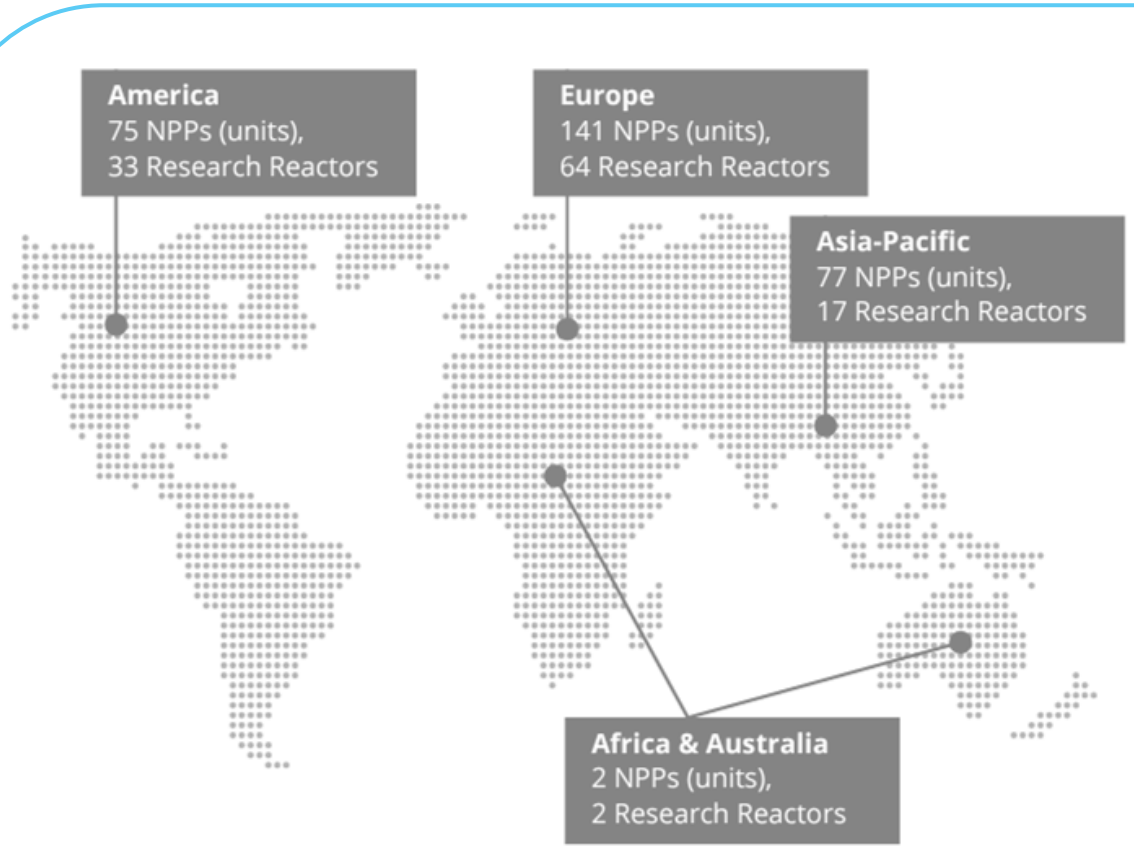


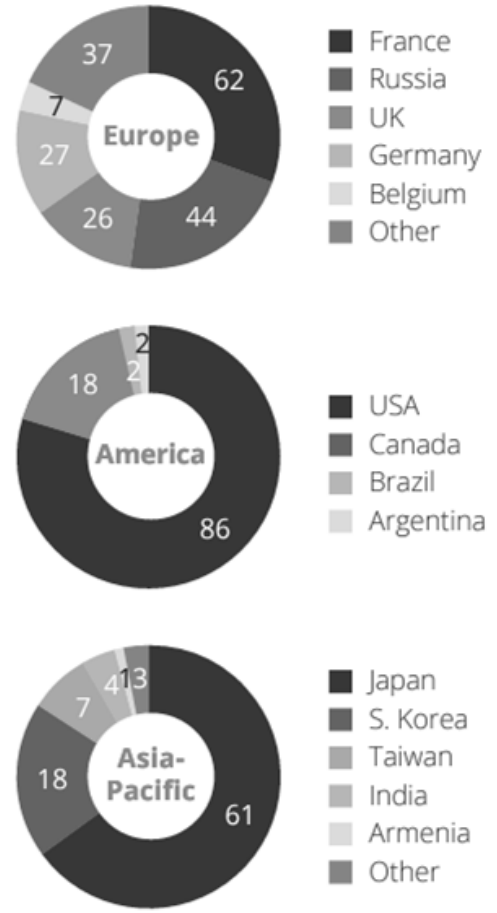

- Traditionally K-TIG has derived its revenues from selling the CSIRO developed Keyhole Tungsten Inert Gas, TIG welding systems, K-TIG Systems, to fabricators
- To accelerate growth, K-TIG's business strategy is to supplement this traditional revenue source with two additional lines of business; the development and sale of Advanced Welding Cells, and the undertaking of Niche Fabrication
- K-TIG Systems sales drives today's revenue and will remain an important part of K-TIG's future revenues, whilst Advanced Welding Systems and Niche Fabrication will drive additional growth into the future

# NUCLEAR DECOMMISSIONING MARKET & K-TIG'S MARKET STRATEGY

# GLOBAL NUCLEAR WASTE MANAGEMENT OPPORTUNITY

**There are 686 nuclear power reactors globally at various stages of their lifecycles. Approximately 200 operating reactors are expected to retire by 2040 as the reactors reach their operational retirement – Management of low and intermediate level waste presents a significant opportunity for K-TIG**




*Source: Deloitte – Decommissioning of Nuclear Facilities, 2018*

# UK & EU NUCLEAR WASTE MANAGEMENT OPPORTUNITY

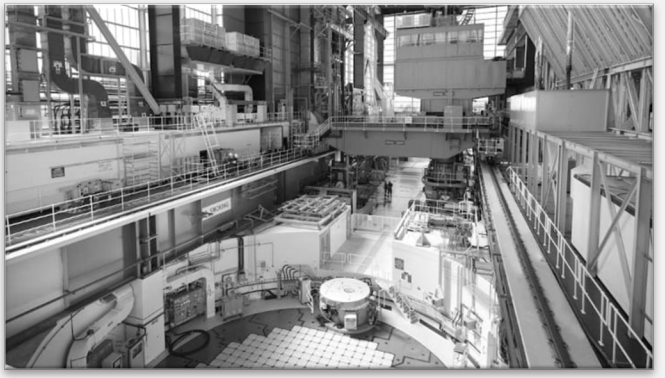
**There is a large market in need of Nuclear waste management suppliers and expertise**

## Key EU facts

- 118 permanent shutdown reactors in wider EU region (Western, central and eastern)
- The EU commission currently supports decommissioning projects in Bulgaria, Slovakia and Lithuania
- K-TIG has excellent relationships within the region, which combined with our success in the Nuclear AMRC project will afford the Company realistic expectations to enter the EU market
- Geological disposal sites planned for Finland, France and Sweden – all three nations are key potential future customers for K-TIG

## Key UK facts

- 17 current decommissioned Nuclear sites requiring remediation with further Nuclear fleet closures planned
- All Nuclear power generation needs decommissioning and waste management solutions to store Nuclear waste materials in a manner to facilitate permanent geological disposal, requiring a high volume of welded metal containers
- The UK Nuclear Decommissioning Authority (NDA) has plans for over 100 years of work to decommission the UK civil Nuclear fleet at a cost of over £132 Billion in real terms. This does not include Defence projects or remediation



## 3m³ Intermediate Level Waste Containers Procurement Opportunity

**Tranche 1: 2015 ~ 2028**

- 2,200 container contract, split into phase (a) 200 containers, and phase (b) 2,000 containers
- Currently awarded to 2 suppliers at 50% volume each

**Tranche 2: 2024 ~ 2032**

- Between 14,300 and 17,300 containers
- Contract commencing in 2027 and concluding in 2034 (planned)*

**Tranche 3: 2028 ~2058**

- Contact planned for 60,000 containers with figures in excess of 80,000 quoted
- Due to Sellafield and NDA desire to reduce cost for such a large procurement, alternative designs may be used.

**K-TIG has identified circa £1.77 Billion in specific upcoming tender opportunities at Sellafield for the production of stainless-steel Intermediate Level Waste (ILW) containers**

The proposed contracts will be put to a competitive tender and there is no guarantee that K-TIG will be able to win some or all of the proposed tenders.

Sources: *Sellafield Ltd Procurement on a page 2022 and Nuclear Industry Association (UK)

# K-TIG'S NUCLEAR STRATEGY | NAMRC PROJECT

## Building foundations and demonstrating credibility

- Affords K-TIG the opportunity to demonstrate company technology within the required regulatory environment
- Creates a demonstrable track record which can be used in tendering processes for future procurement activities
- Creating brand and product credibility which can be leveraged in adjacent highly regulated sectors such as Defence
- Building portfolio of 'Turn-key' systems that will be sold to nuclear waste container fabricators


## Creating next generation of product differentiation

- Proving new quality control and quality assessment sensor technology such as acoustic inspection, weld video inspection and machine learning methods to be encompassed in the K-TIG R&D project
- Once proven, the capability will be integrated with our next generation controller (Evolve 3), creating market leading product differentiation, driving customer purchase decisions and brand loyalty


## Creating deep relationships within the industry

- Establishing meaningful relationships with the Nuclear AMRC and its sister organisations throughout the world (specifically targeting national and industry R&D organisations in Company key target markets)
- Working with future customers (Sellafield, Rolls Royce and others in the high-tech R&D facility) in a non-sales environment to form relationships built on technical capability, which in turn will support our future business opportunity development with them
- Working alongside researchers doing innovative work to improve weld quality and economics, giving K-TIG insights into next generation welding trends

# K-TIG'S NUCLEAR STRATEGY

**Market Gap**

The 144 (global) and 17 (UK) reactors currently in formal decommissioning provides an unmet need for the storage of nuclear waste. This requires a high volume of welded metal containers and concrete lined metal containers to be fabricated

**Initial Target 3m³ ILW Containers**

K-TIG has identified £1.77 Billion in specific revenue opportunities within a single segment of the UK Nuclear industry supply chain (Sellafield Limited 3m³ Intermediate Level Waste, ILW, containers - Tranches 1, 2 & 3). K-TIG technology is ideally suited to this application

**Need For Automation**

The current cost of container fabrication is high with traditional welding cell technology and weld quality assurance testing techniques. A more automated solution is needed


**NAMRC Project**

Nuclear AMRC R&D project aims to develop a 'Turn-Key' robotic welding solution for the production of 3m³ boxes, and similar nuclear waste storage containers. This will dramatically lower the cost of fabrication and be offered to all fabricators

**Become a Fabricator**

Acquire capability to enter the UK 3m³ ILW Container market as a contracted fabricator.

***Graham Engineering Limited (GEL) is the preferred acquisition***

GRAHAM ENGINEERING

# TRANSFORMATIONAL OPPORTUNITY IN THE NUCLEAR SECTOR

# GRAHAM ENGINEERING (GEL) SNAPSHOT

Incorporated in 1977, GEL delivers high integrity manufacturing solutions to a wide variety of market sectors including nuclear, aerospace, medical and security

GEL has a particular specialisation in highly technical markets of hazardous waste containers and leverages this skillset across a wider market sectors

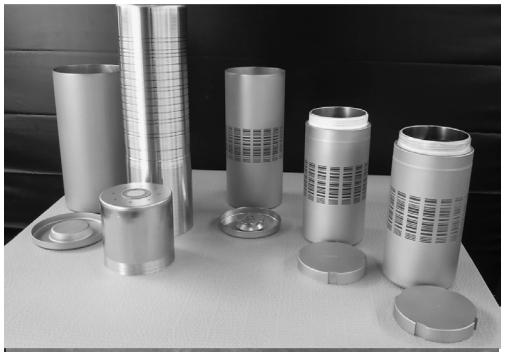
GEL has been supplying to the UK nuclear sector since 1985 and has extensive experience in the producing 'nuclear product' and 'hazardous waste' containers for the nuclear industry

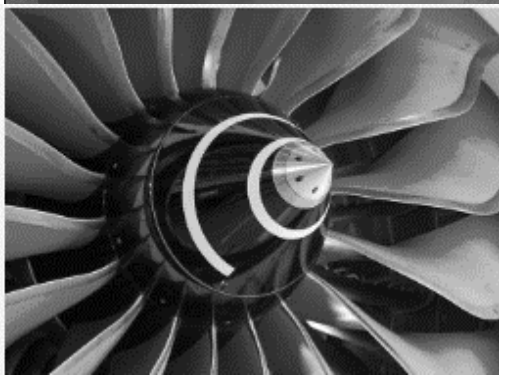
GEL has developed most of the UK $3m^3$ Intermediate Level Waste Boxes, along with all 500L Intermediate Level Waste Drums.

Existing customers include Sellafield Limited, UK Automic Energy Authority, Magnox, Rolls Royce and Siemens

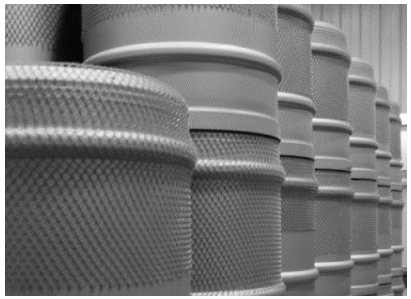
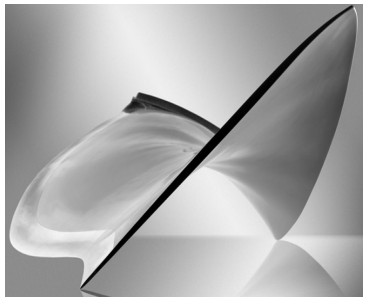
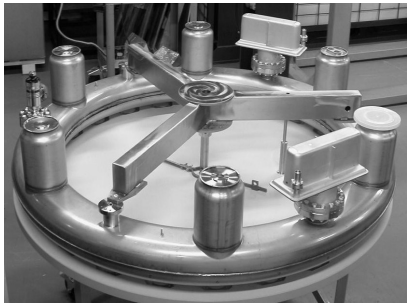
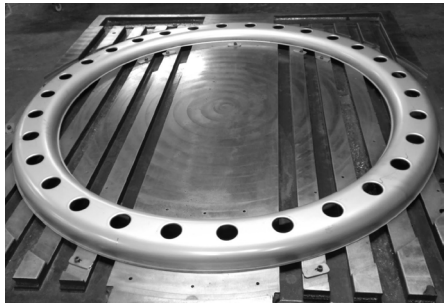
Graham ENGINEERING LTD

1. UK national presence
2. Multi-market customer base
3. Very high barriers to entry and highly regulated market
4. Strong order book & pipeline
5. Longstanding relationships with Sellafield





# GRAHAM ENGINEERING (GEL) PRODUCT CAPABILITY

| Nuclear | Aerospace / Defence | Security | Medical |
|---|---|---|---|
|  |  |  |  |
| • High Level Waste Flasks<br>• Intermediate Level Waste $4m^3/3m^3$ Boxes<br>• 500lt HISSC Drums<br>• Pond Store Furniture | • Specialist Nuclear Item Boxes<br>• Jet Engine Turbine Blades<br>• Next Generation Aircraft Propulsion | • Complex Sub-assemblies for Advanced Luggage Screening | • Complex Pressings for MRI Scanners |

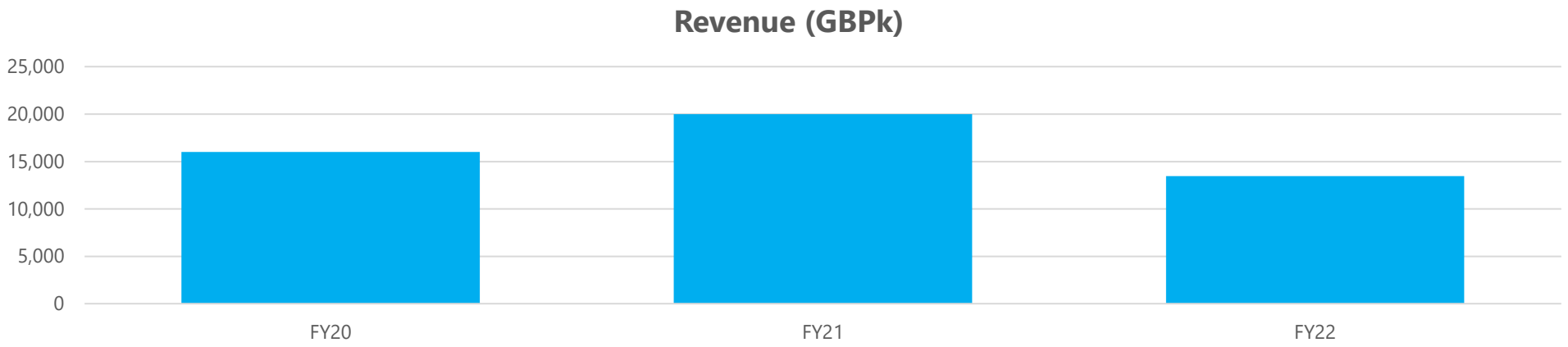
Sellafield Ltd

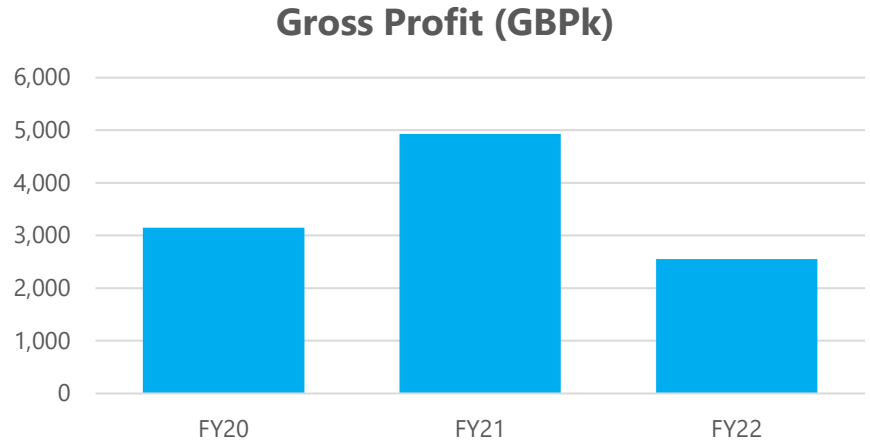
ROLLS ROYCE

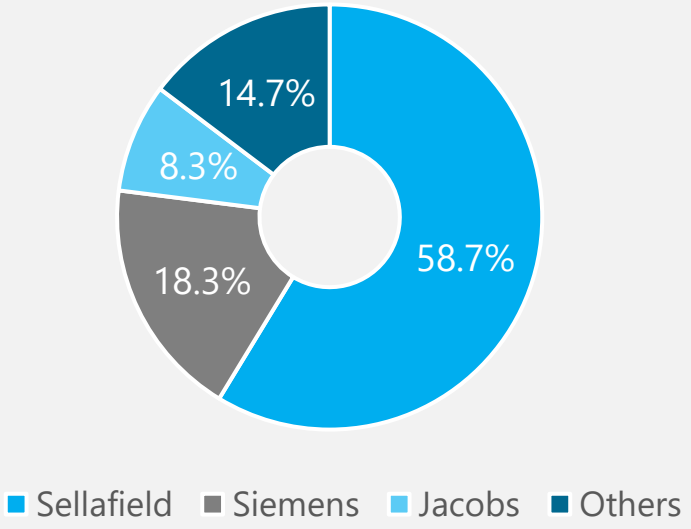
Magnox

SIEMENS

Jacobs

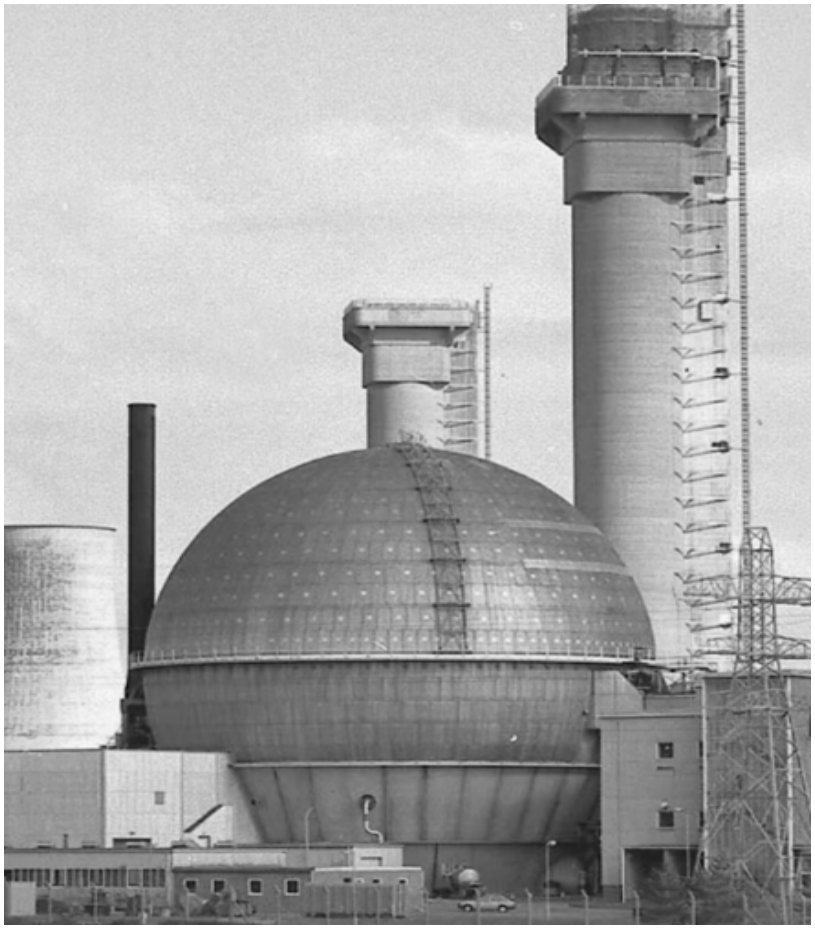

Revenue (GBPk)
25,000
20,000
15,000
10,000
5,000
0
FY20
FY21
FY22


Gross Profit (GBPk)
6,000
5,000
4,000
3,000
2,000
1,000
0
FY20
FY21
FY22


FY22 revenue split by customer
14.7%
8.3%
18.3%
58.7%
Sellafield
Siemens
Jacobs
Others

# STRATEGIC RATIONALE

**The acquisition of GEL provides K-TIG with advanced manufacturing expertise, capability, scale and the ability to pursue near-term UK nuclear decommissioning opportunities**



Sellafield Nuclear, UK

1 **UK advanced manufacturing capability**

- Expands K-TIG's presence in the UK
- Allows K-TIG to pursue Sellafield 3m$^3$ ILW contract opportunities
- Expands product range and client base

2 **Consolidate market positioning**

- Strategic acquisition in a consolidating industry
- Quantum shift in K-TIG's scale and capability offering

3 **Attractively priced acquisition**

- Up to GBP17.55 million acquisition
- Earnout based on FY23 EBITDA
- Large potential upside through revenue synergies and cross-sell

# PRO-FORMA BUSINESS PROFILE

| | Graham Engineering Ltd | KTIG Keyhole TIG Welding | MergeCo |
|---|---|---|---|
| Revenue | £13.4m / A$23.8m[1] | A$3.7m[2] | $27.5m |
| Geography | UK | UK<br>USA<br>Australia<br>Asia Pacific | International business, global reach |
| Sector exposure | Nuclear<br>Defence<br>Aerospace<br>Medical | Nuclear<br>Defence | Accelerates UK growth in the nuclear decommissioning sector |
| Customers / Partners | Sellafield, Rolls Royce, Siemens, Jacobs | Hanwha, BAE, UK NAMRC, Darchem | Significant cross sell potential |

*Note 1: Exchange rate of GBP:A$ of 1.78*
*Note 2: 30 June 2022 Annual Report*

# GRAHAM ENGINEERING | COMMERCIAL TERMS

**Consideration**

KTG has offered GBP 17.55 million to acquire the shares in the Company on a cash and debt free basis and assuming a normal level of working capital, including the freehold properties, based on the following components and assumptions:

- GBP 10 million on completion in cash;
- GBP 4.55 million on completion in cash to purchase the freehold properties; and
- Up to GBP 3 million earnout subject to the achievement of the FY23 EBITDA target, payable post agreement/independent verification of the FY23 EBITDA result

**Earn out**

Deferred payment amount (Deferred Payment Amount) (if applicable) determined based on GEL's earnings before interest, tax, depreciation and amortisation for the 12 month period ending on 31 August 2023 as derived from the audited accounts for GEL for the financial year ended on 31 August 2023 (2023 EBITDA) as follows:

| 2023 EBITDA | Deferred Payment Amount |
|---|---|
| **less than £1,700,000** | £0 |
| **between £1,700,000 and £2,289,999 (inclusive)** | £500,000 plus £2.933333 for each £1 of EBITDA above £1,700,000 |
| **between £2,290,000 and £2,449,999 (inclusive)** | £650,000 plus £2.933333 for each £1 of EBITDA above £1,700,000 |
| **£2,450,000 or greater** | £3,000,000 |

K-TIG is currently executing the shareholder and regulatory processes that form conditions precedent to the execution of the signed share purchase agreement

# CAPITAL STRUCTURE & EQUITY RAISING OVERVIEW

**K-TIG lodged a Prospectus on 12 May 2023 to offer of up to 125,000,000 Shares at an issue price of $0.20 each to raise between $20,000,000 and $25,000,000 (before costs)**

| | Shares | Convertible Notes | Options | Performance Rights |
|---|---|---|---|---|
| **Securities currently on issue (pre-Consolidation)[1]** | 183,319,832 | Nil | 6,612,152 | 6,000,000 |
| **Securities currently on issue (post-Consolidation 2.5:1)[1]** | 73,327,933 | 2,000 | 2,644,861 | 2,400,000 |
| **Public Offer Shares[2]** | | | | |
| **Minimum Subscription:** | 100,000,000 | | | |
| **Maximum Subscription:** | 125,000,000 | Nil | Nil | Nil |
| **Conversion Shares[3]** | 10,000,000 | Nil | 10,000,000 | Nil |
| **Corporate Advisor Shares[4]** | 1,125,000 | Nil | 2,000,000 | Nil |
| **Total on Reinstatement** | | | | |
| **Minimum Subscription:** | 184,452,933 | | | |
| **Maximum Subscription:** | 209,452,933 | Nil | 14,644,861 | 2,400,000 |
| **Indicative market capitalisation[5]** | | | | |
| **Minimum Subscription:** | $36.9 million | | | |
| **Maximum Subscription:** | $41.9 million | | | |

1. The Company intends to undertake a consolidation of its issued capital on a ratio of 2.5 to 1.
2. The Company is seeking to raise a minimum of $20,000,000 (before costs) and a maximum of $25,000,000 (before costs) under the Public Offer through an offer of a minimum of 100,000,000 and a maximum of 125,000,000 Shares at an issue price of $0.20 per Share.
3. Shares to be issued on conversion of the Convertible Notes. Assumes that the Convertible Notes are converted and that no further Securities are issued and no Options are converted into Shares.
4. Shares to be issued in accordance with the Corporate Advisor Mandate summarised in the Notice of Meeting released 26 April 2023
5. Based on the Offer Price multiplied by the number of Shares on issue on Reinstatement. There is no guarantee that the Shares will trade at the Offer Price on or after Reinstatement.

# SOURCE AND USE OF FUNDS

| Source of funds | $ (Maximum Subscription) | % |
|---|---|---|
| **Existing cash** | 1,914,639 | 5.19 |
| **Acquisition debt funding** | 10,000,000 | 27.09 |
| **Funds raised from the Capital Raising** | 25,000,000 | 67.72 |
| **Total funds** | 36,914,639 | 100.0 |

| Maximum Subscription | Year 1 ($) | Year 2 ($) | Total ($) | % |
|---|---|---|---|---|
| **Completion Payment** | 17,600,000 | - | 17,600,000 | 47.68 |
| **Acquisition of GEL Property** | 7,920,000 | - | 7,920,000 | 21.45 |
| **Lead Manager/Advisor Fees** | 1,690,000 | - | 1,690,000 | 4.58 |
| **Market development** | 2,000,000 | 4,000,000 | 6,000,000 | 16.25 |
| **Estimated expenses of Transaction and Public Offer** | 800,000 | - | 800,000 | 2.17 |
| **General administration fees and working capital** | 1,352,320 | 1,552,319 | 2,904,639 | 7.87 |
| **Total** | 31,362,320 | 5,552,319 | 36,914,639 | 100.0 |

See Section 8.2(a) of the Prospectus dated 12 May 2023 for a summary of amounts payable under the Acquisition Agreement. The Company intends to pay the Deferred Payment Amount out of existing capital or working capital facility.

# INDICATIVE TIMETABLE

| Event | Date |
|---|---|
| **Lodgement of Prospectus with ASIC** | 12 May 2023 |
| **Opening date of Offers** | 20 May 2023 |
| **General Meeting** | 26 May 2023 |
| **Effective date of consolidation** | 29 May 2023 |
| **Closing date of Offers** | 16 June 2023 |
| **Settlement date of the Offers** | 26 June 2023 |
| **Completion of the Transaction** | 26 June 2023 |
| **Expected date for Shares to be reinstated to trading on the ASX** | 4 July 2023 |

Note: The dates shown in the table above are indicative only and may vary subject to the Corporations Act, the Listing Rules and other applicable laws. The Company reserves the right to vary the dates and times of the Offers (including to vary the Opening Date and Closing Date) to accept late Applications, either generally or in particular cases, or to cancel and withdraw the Offers before the allocation of Securities in each case without notifying the recipient of the Prospectus or any Applicants, which may have a consequential effect on other dates.

# KEY TAKEAWAYS

## K-TIG to acquire UK-based specialist advanced manufacturer, Graham Engineering

### 1 Acquisition of Graham Engineering aligns to stated strategic objectives

- K-TIG is delivering on its strategic pillar to be an advanced manufacturer to the nuclear and defence industries

### 2 Acquisition allows K-TIG to pursue UK nuclear decommissioning opportunities

- Transformational acquisition of Graham Engineering (GEL) allows K-TIG to advance its nuclear ambitions

### 3 Advanced manufacturing capability

- Graham Engineering delivers high integrity manufacturing solutions to a wide variety of market sectors including nuclear, aerospace, medical, security and defence

**Re-quotation of Shares on ASX**
The Transaction constitutes a significant change in the nature and scale of the Company's activities and the Company needs to re-comply with Chapters 1 and 2 of the Listing Rules as if it were seeking admission to the Official List. There is a risk that the Company may not be able to meet the requirements of the ASX for re-quotation of its Shares on the ASX. Should this occur, the Shares will not be able to be traded on the ASX until such time as those requirements can be met, if at all. Shareholders may be prevented from trading their Shares should the Company be suspended until such time as it does re-comply with the Listing Rules.

**Completion, counterparty and contractual risk**
The Company has agreed to acquire 100% of the issued capital of GEL subject to the fulfilment of certain conditions precedent. There is a risk that the conditions precedent for completion of the Transaction will not be fulfilled and, in turn, that completion of the Transaction will not occur. The ability of the Company to achieve its stated objectives will depend on the performance by K-TIG and the Vendors of GEL of their obligations under the Acquisition Agreement. If K-TIG or any other counterparty defaults in the performance of its obligations, it may be necessary for the Company to approach a court to seek a legal remedy, which can be costly and without any certainty of a favourable outcome.

**Debt financing**
The Company is currently in discussions with potential financiers with regards to a potential debt financing agreement. To date, there are no agreed terms nor is there any certainty that a binding agreement will be reached. There is a risk that interest rate increases will increase the cost of Debt Financing. Future interest rate increases may adversely affect the Company's margins or impede the Company's ability to service interest payments on the Debt Financing. It is likely that a Debt Financing will be subject to satisfaction of certain conditions precedent, including Completion occurring and the Company agreeing to grant a mortgage over the property of the Merged Company, a fixed and floating charge over its assets and an equity lien over the Company's equity in GEL. If certain events occur (such as the Company failing to satisfy the conditions precedent to first drawdown; failing to comply with the terms of the Debt Financing; breaching a representation or warranty under the full form documentation (including debt covenants); or the occurrence of an event of default under the facility agreements or security deeds), the financiers may terminate the Debt Financing, which will adversely affect the cash flow and financial position of the Company and may impact its ability to continue as a going concern.

**Reliance on key customers**
A significant proportion of the GEL's revenue is currently derived from its largest customer, Sellafield. Sales from Sellafield represented approximately 58.7% of GEL's revenue in 2022. The Company's second-largest customer in 2022 was Siemens which contributed approximately 18.3% of GEL's revenue. Sellafield and Siemens comprise approximately 77.0% of the Company's revenue on an aggregated basis and therefore the loss of such a key customer or the diminution of the relationship between the Company and either or both of Sellafield and Jacobs will adversely affect the Company's financial performance.

**Failure to attract new customers**
The success of the Company's business relies on its ability to attract new business from existing customers and attract new customers including in new jurisdictions. The capacity to attract new customers and attract new business from existing customers and new customers will be dependent on many factors including the capability, cost-effectiveness, customer support and value compared to competing products.

**Manufacturing risks**
The Company's products may be subject to product quality risks. Risks are involved in the ability to translate the technology into a solution that provides the expected quality of product in a cost-effective manner to support the price needed to make an impact in the marketplace.

**Product quality risks**
Risks are involved in the ability to translate technical objectives into a solution that provides the expected quality of product in a cost-effective manner to support the price needed to make an impact in the marketplace. The products and technology supplied by the Company may not be functional, may be faulty, or not meet customers' expectations. This may lead to requirements for the Company to improve or refine its products, which may diminish operating margins or lead to losses. The products and technology supplied by the Company, while extensively tested prior to collection, can be damaged in transit. While this risk is insurable, it may diminish operating margins.

**Regulatory risk**
K-TIG is subject to continuing regulation, including quality regulations applicable to the manufacture of its products and various reporting regulations. K-TIG's customers (eg fabricators) are also subject to continuing regulation. There can be no guarantee that the regulatory environment in which the Company or its customers currently operates may not change in the future which may impact on the Company's existing products. Depending upon the severity of any failure of K-TIG or its customers to comply with any applicable regulations, K-TIG or its customers could be subject to enforcement actions, including but not limited to: warning letters, fines, injunctions, consent decrees, civil monetary penalties, recalls or seizures of its devices, manufacturing restrictions, closure of its manufacturing operations, modifications or revocations of any clearances and approvals that it already holds or will hold, and/or criminal prosecution. If any such sanctions are imposed against K-TIG or its customers, such sanctions could harm K-TIG's reputation, and depending upon the severity, could have significant adverse impact upon K-TIG's ability to provide services and on its financial condition.

**Development risks**
The Company is currently investing into new research and development initiatives and new technologies that are still at an early stage of development and validation. While the Company is not presently aware of any potential problems, the commerciality of these new products is still uncertain.

**Workplace health and safety**
The Company's staff work in an environment subject to heightened workplace health and safety risks. The Company and its staff must comply with various workplace health and safety laws. In the event that the Company does not maintain its strict health and safety standards, it may give rise to claims against the Company. GEL has previously incurred health and safety incidents which may give rise to future claims that could be brought against GEL.

**Product liability and warranty risk**
The Company's products are subject to stringent safety and manufacturing standards. There is a risk that the Company's products may have actual or perceived safety or quality failures or defects which could result in: (a) litigation or claims alleging negligence, product liability or breach of warranty against the Company; (b) regulatory authorities revoking or altering any approvals granted, or forcing the Company to conduct a product recall; (c) regulatory action; (d) damage to the Company's brand and reputation; or (e) the Company being forced to terminate or delay sales or operations. Despite best practice by the Company with respect to the manufacture and supply of its products and any insurance that the Company may hold, the risk of defective products remains and may negatively impact the Company's reputation, operations and financial prospects.

**Supplier risk**
The Company sources certain key components for its systems from third party suppliers. The delivery of such components may be delayed, or a specific supplier may not be able to deliver at all, which may lead to a longer sales cycle or may force K-TIG to shift to another supplier.

**Key personnel risk**
K-TIG's operational success will substantially depend on the continued employment of senior executives, technical staff and other key personnel who have substantial strategic, technical, functional, marketing and customer expertise with K-TIG's technology and are familiar with the Company's business and structure. Although these individuals have entered into contracts with the Company, there is no assurance that such contracts will not be terminated. If such contracts are terminated or breached, or if these individuals no longer continue in their current roles, new personnel will need to be employed, which may adversely affect the business. The Company is substantially dependent on the continued service of its existing personnel because of the complexity of its services and technologies. The departure of any key personnel may also lead to disruptions of customer relationships or delays in the manufacturing and product development efforts. There is no assurance that the Company will be able to retain the services of these persons.


# TRANSFORMING
## FABRICATION

K-TIG
KEYHOLE TIG WELDING

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