

ASX Announcement 31 October 2023

SEPTEMBER 2023 QUARTERLY ACTIVITIES REPORT

Highlights

- The Company has achieved a secured backlog of \$2,049k, representing 105% growth compared to June Quarter 2023. Of the \$2,049k secured backlog, \$1,878k is scheduled to be delivered by 30 June 2024
- Quarterly cash receipts of \$692k received during the September quarter
- The Company had \$353k cash as at 30 September 2023
- K-TIG selected as part of General Dynamics Electric Boat US Department of Defense Mantech Award, the project "Next Generation Autogenous Welding Process and Equipment Development" to General Dynamics Electric Boat
- The Company continues to explore a number of funding options in order to complete the acquisition of Graham Engineering Limited ("GEL")

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 2023.

The Company reports the following September 2023 quarterly results:

- Quarterly cash receipts of \$692k.
- Quarterly sales revenue of \$313k.
- Secured backlog of \$2,049k.
- Cash at bank of \$353k.

Graham Engineering Limited

As announced on 1 September 2023 the sale and purchase agreement ("SPA") to acquire 100% of Graham Engineering Limited ("GEL") reached its sunset date on 31 August 2023, with a number of conditions not yet satisfied.

Challenging capital market conditions caused by underlying macro and geopolitical events have made the completion of the transaction within the sunset date extremely difficult.

Notwithstanding the above, at this point in time, the Company remains committed to completing the SPA, and, subject to the intentions of GEL, is willing to negotiate good faith variations to the SPA to allow this to occur. In the event that a variation cannot be agreed, either party may terminate the SPA.

The Company is currently exploring a number of funding options in order to complete the transaction. K-TIG will keep the market informed of any material updates.

Customer Acceleration

The Company continues to build sales momentum despite seeing a lengthening in the sales cycle due to the current uncertainty of economic conditions arising from higher interest rates and the slowing down of economies across major markets. Progress has been made during the quarter in the US, UK and European markets with our fully automated welding solutions to customers, which have helped achieve an increase in backlog of \$1,001k compared to the previous quarter and an increase in value per order.

The expansion of the distribution partner network continued with signing agreements with Ashraf Group in Pakistan and Renttech SA in South Africa. South Africa has long been a key target, with its extensive industrial output and representation being crucial for success. Renttech SA, has 15 branches around South Africa and an extensive relationship network, along with a planned demonstration centre of welding excellence.

The Company was pleased to identify areas of opportunity to support the Hydrogen market responding to the recent technology alignment to the new ASME31.12 code. Development of suitable weldments to support the conformability trials has commenced, and initial results look promising, with carbon steel and stainless steel grades conforming to the Vickers hardness criteria.

Defence

As announced on 21 July 2023, K-TIG's technology has been selected by General Dynamics Electric Boat (a subsidiary of General Dynamics) as part of a US Department of Defense Navy Manufacturing Technology sponsored program associated with the 'Next Generation Autogenous Welding Process and Equipment Development'.

The Office of Naval Research's Navy Manufacturing Technology (ManTech) Program awarded the project "Next Generation Autogenous Welding Process and Equipment Development" to General Dynamics Electric Boat.

Under this project, K-TIG's research and development team will develop the keyhole welding process and parameters for the pipe joints and undertake the initial prototype welding.

Work for ManTech Program with General Dynamics Electric Boat has commenced with the scope of works and specific material grades confirmed and on track with the project's timeline.

The Company lead National Shipbuilding Research Program (NSPR) project with Fincantieri Marinette Marine (FMM) and Edison Welding Institute (EWI) has progressed to the subcontracting phase and commencement of works to be conducted at K-TIG's USA facility in West Moreland, Pennsylvania.

Financial Summary

The attached Appendix 4C provides details on the cashflows for the quarter ended 30 September 2023. As at 30 September 2023, the Company had a cash balance of \$0.353m. The Company's net cash used in operating activities for the quarter amounted to \$0.359m comprising \$0.692m receipts from customers, \$0.004m for research and development, \$0.211m for product manufacturing and operating costs, \$0.045m for advertising and marketing, \$0.693m for staff costs and \$0.318m for administrative and corporate costs.

As disclosed in item 6.1 of the attached Appendix 4C, \$0.123m was accrued in respect of directors' fees and consulting fees to entities associated with the directors during the September 2023 quarter.

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

For more information, please contact:

Company enquiries

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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 2023

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	692	692
1.2 Payments for		
(a) research and development	(4)	(4)
(b) product manufacturing and operating costs	(211)	(211)
(c) advertising and marketing	(45)	(45)
(d) leased assets	-	-
(e) staff costs	(693)	(693)
(f) administration and corporate costs	(318)	(318)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	1
1.5 Interest and other costs of finance paid	(3)	(3)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	222	222
1.8 Other (provide details if material) ¹	-	-
1.9 Net cash from / (used in) operating activities	(359)	(359)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(48)	(48)
(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	(48)	(48)

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	(103)	(103)
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	(103)	(103)

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	859	859
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(359)	(359)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(48)	(48)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(103)	(103)

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	4	4
4.6	Cash and cash equivalents at end of period	353	353

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	313	313
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)	353	353

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
54
-

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.

A Radium Capital loan facility was entered into in July 2023 as an advance on 80% of the Company's estimated R&D Tax Incentive (RDTI) for the financial year ended 30 June 2023.

The facility amount is \$0.2m, and the interest rate for the loan facility is 16% per annum. Repayment is timed to coincide with receipt of K-TIG's 2023 RDTI refund expected in Q2-24.

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	(359)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	353
8.3 Unused finance facilities available at quarter end (Item 7.5)	-
8.4 Total available funding (Item 8.2 + Item 8.3)	(6)
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	(0.02)

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?

As announced to the ASX on 22 March 2023 K-TIG has signed a definitive share purchase agreement to acquire Graham Engineering Limited. The Company is currently exploring alternative funding options to complete the acquisition.

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?

Please see the above response.

3. 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 October 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.