

ASX Announcement 31 January 2024

DECEMBER 2023 QUARTERLY ACTIVITIES REPORT

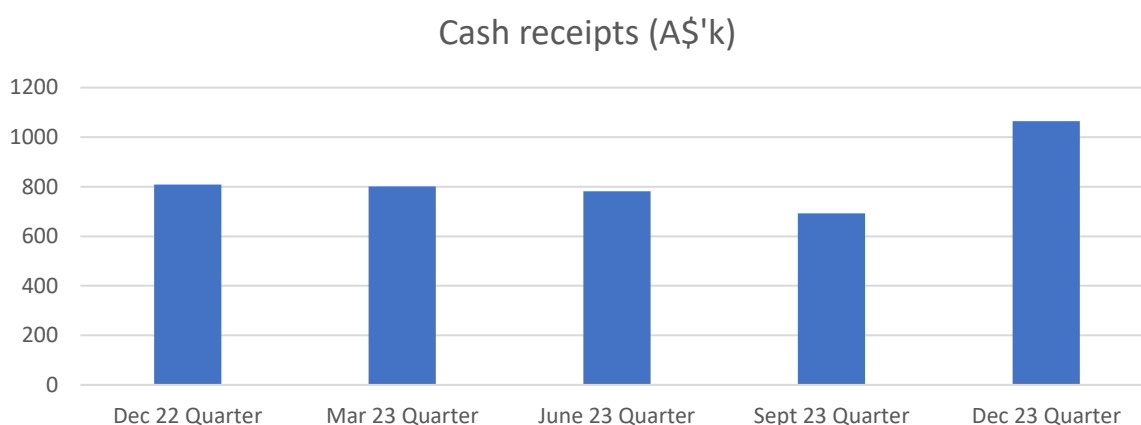
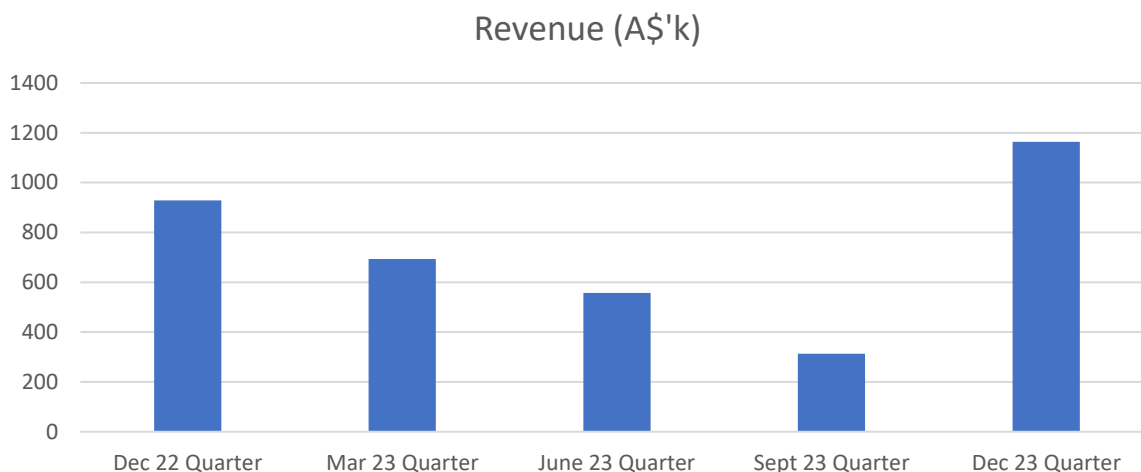
Highlights

- The Company achieved record quarterly sales revenue of \$1,164k representing 272% growth over the September 2023 quarter and 25% growth over the December 2022 quarter
- The Company has achieved a secured backlog of \$1,532k, representing 57% growth compared to December Quarter 2022. Of the \$1,532k secured backlog, \$1,343k is scheduled to be delivered by 30 June 2024
- Quarterly cash receipts of \$1,065k received during the December 2023 quarter representing a 54% growth over the September 2023 quarter and 32% growth over the December 2022 quarter
- The Company had \$353k cash as at 31 December 2023
- The Company remains focused on cost reductions and to streamline the operations of the Company with \$1.9m annualised cost savings implemented during H1 FY24 with a further \$1.1m of annual cost savings identified
- The Company remains in discussions with 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 31 December 2023.

The Company reports the following December 2023 quarterly results:

- Quarterly sales revenue of \$1,164k representing 272% growth over the September 2023 quarter and 25% growth over the December 2022 quarter.
- Quarterly cash receipts of \$1,065k representing a 54% growth over the September 2023 quarter and 32% growth over the December 2022 quarter.
- Secured backlog of \$1,532k.
- Cash at bank of \$353k.



Graham Engineering Limited

The Company remains in discussions with GEL and 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 securing K-TIG's highest recorded quarterly revenue. This was achieved despite market conditions continuing to exhibit a lengthening in the sales cycle due to the uncertainty in economic conditions arising from the slowing down of economies across major markets. K-TIG continues to progress the US, UK and European markets for our fully automated welding solutions to customers, which have helped achieve an increase in value per order as well as an increase in our backlog compared to the equivalent quarter in FY2023.

As part of K-TIG's ongoing market activities, the Company participated at Fabtech Chicago, the USA's largest welding and fabrication trade show, alongside our distributor MITUSA, where we showcased our K-TIG system on their stand and conducted live welding demonstrations. This show lifted K-TIG's market profile resulting in significant customer interest and an immediate order valued at US\$355K from Apache Stainless. Looking ahead, we are actively engaged in discussions

for multiple deals from leads generated at Fabtech, who are currently showing accelerated intent levels.

During this quarter, as part of our commitment to optimizing our marketing efforts and driving growth through effective lead generation strategies, K-TIG has implemented significant improvements in our lead generation approach, focusing on targeted ad word campaigns and enhancing our website to boost organic performance. These efforts have included the introduction of a new form submission pop-up and the addition of more blog content to our page. The results have been encouraging, with notable increases in website traffic, views, conversion rates, and form submissions. Since the launch of the campaign, website views have surged by over 300%, while form submissions have seen a remarkable increase of over 200%. We will continue to monitor and refine our approach to capitalize on these positive trends.

Defence

K-TIG continues to work with 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' to qualify its technology for application in the production and repair of US submarines, particularly the Virginia Class proposed to be procured by Australia as part of the AUKUS agreements.

This project is making good progress with the coupon welding undertaken to date yielding encouraging results, indicating the potential suitability of keyhole welding using K-TIG's technology to submarine material applications.

Research and development

In addition to the Defence materials R&D discussed above, the focus of K-TIG's R&D efforts has been on the further development of the Evolve 3 product. Evolve 3 is the next generation of welding controller for the K-TIG product line and will be released commercially to customers in the coming quarter, Q3FY24.

Evolve 3 represents a significant investment by K-TIG in the Company's future and provides an Industry 4.0 compatible platform that provides greater reliability, functionality and security over the existing Evolve 2 controller. Evolve 3 will offer customers more control over their welding, improved insights into their welding processes through enhanced quality records as well as more reliable welding. In addition, this product is anticipated to materially reduce the customer support costs through improved software reliability and customer usability.

Cost savings

During H1 FY24 the Company has implemented a number of cost savings measures with a view to streamline the operations of the Company. This internal strategic review has resulted in \$1.9m annual cost savings. A further \$1.1m of annual cost savings have been identified.

Financial Summary

The attached Appendix 4C provides details on the cashflows for the quarter ended 31 December 2023. As at 31 December 2023, the Company had a cash balance of \$0.353m. The Company's net cash used in operating activities for the quarter amounted to \$0.007m comprising \$1.065m receipts

from customers, \$0.003m for research and development, \$0.467m for product manufacturing and operating costs, \$0.024m for advertising and marketing, \$0.651m for staff costs and \$0.013m for administrative and corporate costs.

The Company notes that the Radium Capital loan facility provided as an advance of the Company's estimated R&D Tax Incentive 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 was repaid during the December 2023 quarter.

As disclosed in item 6.1 of the attached Appendix 4C, \$0.054m was paid in respect of managing directors' fees during the December 2023 quarter. Non-executive director fees continue to be accrued but are unpaid, as a cash preservation measure.

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")

31 December 2023

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	1,065	1,757
1.2 Payments for		
(a) research and development	(3)	(7)
(b) product manufacturing and operating costs	(467)	(678)
(c) advertising and marketing	(24)	(69)
(d) leased assets	-	-
(e) staff costs	(651)	(1,344)
(f) administration and corporate costs	(13)	(331)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	1
1.5 Interest and other costs of finance paid	(13)	(16)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	99	321
1.8 Other (provide details if material) ¹	-	-
1.9 Net cash from / (used in) operating activities	(7)	(366)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	(48)
(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	63	63
	(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	63	15

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	(51)	(154)
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	(51)	(154)

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	353	859
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(7)	(366)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	63	15
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(51)	(154)

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	(5)	(1)
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

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.

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	(7)
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)	353
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	50

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 January 2024

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.