

ASX Announcement 2 July 2024

COMPANY UPDATE

K-TIG Limited ("K-TIG" or the "Company") wishes to provide the following update to shareholders.

Effectuation of Deed of Company Arrangement

As announced on 17 April 2024, the Deed of Company Arrangement was executed on 12 April 2024 and effectuated on 16 April 2024. Since this date the companies have returned to trading.

Operational update

Customer orders

The Company wishes to advise that it is continuing to fulfil customer orders with a number of fully integrated turnkey welding systems currently in development due for delivery to USA customers in the September 2024 quarter.

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 Defence Navy Manufacturing Technology sponsored program associated with the Next Generation Autogenous Welding Process and Equipment Development'. Under this program, K-TIG's research and development team has been developing the keyhole welding process and parameters for the pipe joints and undertaking the initial prototype welding. This program continues to progress well with further updates to be provided shortly.

Evolve 3 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, improve and measure weld quality through the integration of 3rd party technologies, use machine learning to replicate welding code required for non-destructive test results and to develop software enabled plug and play options for recurrent revenue. As previously announced to the market, weld testing has been completed and the Company has been in beta testing for international demonstration.

Convertible note raise

As part of the Deed of Company Arrangement an amount of \$500,000 was made to the Deed of Company Arrangement Fund (administered by the Deed Administrator) by way of a convertible note to be issued by the Company (see terms below) post effectuation of the Deed of Company Arrangement.

Furthermore, under the Deed of Company Arrangement the Deed of Company Arrangement Proponent agreed to provide an amount of \$500,000, which was made to Deed Administrators to provide working capital to the Company, before effectuation of the Deed of Company Arrangement.

Post effectuation of the Deed of Company Arrangement the contributions noted above have been structured by way of a convertible note with the issuance of 1,000 convertible debt notes with a face value of \$1,000 each.

The terms of the convertible notes are:

- (i) face value equal to \$1,000;
- (ii) convert automatically at the next capital raise at the same terms as the next capital raise price capped at \$0.01 with a one for one free attaching three-year option with a strike price of \$0.01;
- (iii) non-redeemable; and
- (iv) The maturity date is 24 months from the issue date.

Conversion to shares is subject to shareholder approval.

The Directors, Mr Stuart Carmichael, Mr Darryl Abotomey, Mr Ant McIntosh and Mr Adrian Smith each participated in the convertible note raise committing a total of \$100,000 into the convertible note facility, subject to shareholder approval.

The terms and conditions of the Notes are provided in Schedule A.

March 2023 convertible notes - Amendment of Terms

In March 2023, the Company raised \$2m through the issuance of convertible notes (refer to ASX release dated 16 March 2023) ("March 2023 Notes"). Under the terms of the March 2023 Convertible Note Deeds, the March 2023 Notes could only convert to equity in conjunction with a minimum A\$4m equity raise.

Under the administration process, and as approved by creditors at the Second Creditor Meeting, certain amendments and clarification as to the treatment of the holders of March 2023 Notes were made including:

- Each noteholder agrees to forbear taking action in relation to their outstanding debt position until such time as an equity conversion is achievable;
- This forbearance is to continue for a period of 24 months from the date the DOCA is executed (Forbearance Period); and
- Shareholders approving, inter alia, the:
 - i. Issue of fully paid ordinary shares in capital of K-TIG Limited upon the conversion of the noteholders' debt to equity at a conversion price of A\$0.02; and
 - ii. Issue of 1 unquoted option for each share issued upon the conversion of the noteholders' debt to equity, with an exercise price of A\$0.02 and an expiry date of three years from the date of conversion (together, the "Shareholder Approval") and

- iii. The terms of the March 2023 Notes being amended such that Noteholders will have no entitlement to interest (upon conversion or redemption), redemption options or any other amount payable to them under the March 2023 Notes, other than the shares and options to be issued upon the conversion of the noteholder' debt to equity, at which point the noteholders must convert their debt to equity; or an insolvency event occurs in respect of K-TIG or its subsidiaries.

As the amendments to the March 2023 Notes were not possible under voluntary administration, shareholders will be afforded an opportunity to, in effect, approve a variation of the convertible note deeds. This will occur by way of a shareholder meeting with further details to be provided in due course.

Management Changes

The Company wishes to advise that Mr Adrian Smith and Stephen Urkenov stepped down from the position of Managing Director and Chief Financial Officer. These roles have not been replaced. Mr Smith remains a non-executive director of the Company.

Reporting

On 29 February 2024 the administrators gave notice to the Australian Securities and Investments Commission (ASIC) that they intend to rely on the relief set out in ASIC Corporations (Externally-Administered Bodies) Instrument 2015/251 ("Instrument") which provides for the deferral of financial reporting obligations for a minimum period of 6 months from the date of appointment of the Administrators and up to a maximum of 24 months from the date of appointment of the Administrators. Following the effectuation of the Deed of Company Arrangement, the Company intends to finalise the interim financial report for the period to 31 December 2023 and update the market accordingly.

-Ends

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.

Schedule 1 – Convertible Note Terms

Issuer	K-TIG Limited (KTG)
Investors	Sophisticated, wholesale, professional investors or other investors exempt from offer document disclosure by way of section 708 of the Corporations Act
Face Value	\$1,000 per Note.
Funds Raised	\$1,000,000
Maturity Date	24 months from the date of issue
Debt Instrument	Prior to the satisfaction of the Conversion Conditions (defined below), the Notes will be debt instruments.
Conversion Conditions	Convert automatically at the next capital raise at the same terms as the next capital raise price capped at \$0.01 with a one for one free attaching three-year option with a strike price of \$0.01. Conversion is subject to shareholder approval.
Placement Capacity / Shareholder Approval	No equity securities will be issued until Shareholder Approval is obtained under Listing Rule 7.1.
Security	The Notes will be unsecured, unsubordinated and rank behind any secured indebtedness of the Company whilst ranking pari-passu as between themselves.
Unquoted	The Notes will be unquoted. KTG will apply for quotation of the Shares issued on conversion.
Options	On conversion of the Notes, and subject to satisfaction of the Conversion Conditions, the Noteholders will receive 1 unquoted option for every Share issued on conversion, with an exercise price equal to \$0.01.