

14 March 2019

Company Announcements Office
ASX Limited

By E-Lodgement

Serpentine signs non-binding term sheet to acquire commercially proven precision fabrication technology business K-TIG

Highlights:

- Serpentine signs non-binding term sheet to acquire Australian based precision fabrication business, K-TIG
- K-TIG owns all rights, title and interest to industry award winning proprietary patented technology developed by the CSIRO
- K-TIG is revenue generating with commercially proven technology that is in production with numerous customers globally and able to complete a conventional industrial scale weld with a cost and time reduction of over 80% based on customer engagement
- K-TIG's technology welds X-Ray and nuclear grade quality – the highest standard in the fabrication industry
- K-TIG has been proven extensively in mission critical applications including gas turbines, water infrastructure, pharmaceutical and food and beverage sectors
- Cloud based software control platform allows K-TIG to remotely monitor, support, control and record operational performance and output
- Existing customers across 20 countries include General Electric (GE), Siemens, Bilfinger and Doncasters
- Technology de-risked and ready to be deployed at scale
- Serpentine to undertake a capital raising of approximately \$5m. The funds raised will be used to support the continued global expansion of the K-TIG business, provide working capital, fund further R & D on new applications for the technology and costs of the offer

14 March 2019: Serpentine Technologies Limited ("**Serpentine**" or the "**Company**") is pleased to announce that it has entered into a non-binding term sheet to acquire 100% of Keyhole TIG Limited ("**K-TIG**") ("**Transaction**").

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, which won the Australian Industrial product of the year award in 2014 and the DTC Defence Industry Member Award in 2015.

K-TIG has successfully completed its pilot phase of commercialization deploying and commissioning its technology in 20 countries across numerous application and industries. Having thoroughly proven the technology and with exhaustive deployment / commissioning / production experience and expertise over this time, K-TIG intends to pursue a sales, licencing and JV revenue model as part of phase 2 of its commercialisation strategy.

Funds proposed to be raised by way of a convertible note raise of up to \$1.06m by K-TIG and a \$5m capital raising by Serpentine will support the continued growth and market penetration of the K-TIG technology.

The Board of Serpentine is excited by the opportunity, its unique features and properties, namely; the speed at which the manufacturing takes place, the significantly enhanced operational efficiencies that can be obtained for industrial scale manufacture of steel products, at a lower input and materials cost, with a wide range of applications.

K-TIG proprietary welding torch



K-TIG proprietary software



Serpentine Technologies Limited

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West Perth WA 6005
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West Perth WA 6872

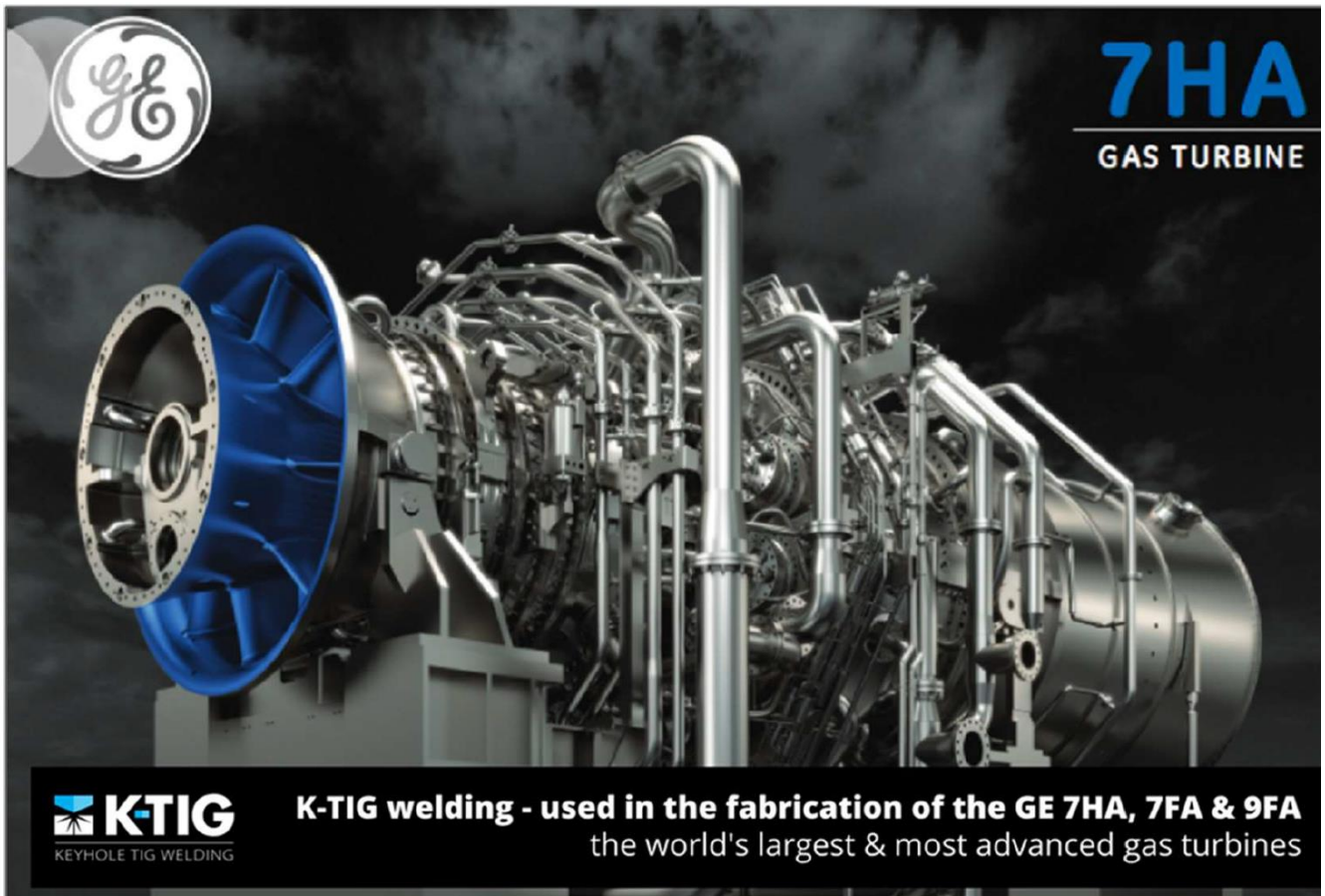
Contact

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ASX Code: S3R

ABN: 28 158 307 549

General Electric (GE) gas turbine engine fabricated using K-TIG technology



K-TIG can disrupt billion dollar industries globally

K-TIG has an extensive blue-chip customer base over 20 countries which provides significant customer validation on K-TIG's technology and operating capabilities. A selection of K-TIG's customers are set out below:

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K-TIG can provide a turnkey solution to fabricators globally. In addition to its welding technology, K-TIG's cloud based control platform allows both the user and K-TIG to remotely monitor and control operational performance. The system can record all activities to ensure adherence to terms of licensing arrangements and provide a complete support ecosystem to its partners and licensees. This enables the company to go to market with a software as a service style model.

Non-binding Term Sheet

Serpentine has executed a non-binding term sheet with K-TIG and its major shareholders, that subject to the satisfaction of a number of conditions precedent, will result in Serpentine acquiring 100% of the issued capital of K-TIG.

Serpentine will acquire K-TIG on the following terms and conditions:

- 4,571,428,571 ordinary S3R shares (on a pre-consolidation basis) (**S3R Shares**) issued at a deemed price of \$0.0035 cents per share (**Consideration Shares**) (collectively referred to as, "**the Acquisition**").
- It is intended, that in addition to the Consideration Shares, S3R will issue 1,714,285,714 deferred consideration shares (on a pre-consolidation basis), subject to the grant of an ASX waiver (**Deferred Consideration Shares**).
- The Deferred Consideration Shares will be issued in tranches and will immediately convert into ordinary shares upon achievement of the following milestones:
 - **Tranche 1:** 571,427,571 Deferred Consideration Shares that will convert into an equal number of S3R Shares upon K-TIG achieving \$30m of cumulative revenue within 3 years from January 2020;
 - **Tranche 2:** 571,427,571 Deferred Consideration Shares that will convert into an equal number of S3R ordinary shares upon K-TIG achieving \$60m of cumulative revenue within 48 months from January 2020; and

- **Tranche 3:** 571,427,571 Deferred Consideration Shares that will convert into an equal number of S3R Shares upon K-TIG achieving \$15m cumulative EBITDA within 48 months from January 2020.

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

The Company acknowledges that the proposed Transaction will require the Company to re-comply with Chapters 1 and 2 of the ASX Listing Rules and this process involves the Company preparing a Notice of Meeting and Prospectus.

An indicative timetable for the Transaction is set out below. The Company notes that the timetable may be subject to change.

Announcement of Acquisition	14 March 2019
Signing of binding Term Sheet subject to satisfactory completion of due diligence	End-March 2019
Dispatch Notice of Meeting	April 2019
Lodgment of Prospectus and offer open	May / June 2019
Shareholder meeting to approve acquisition	June / July 2019
Prospectus offer close	June / July 2019
Re-admission to the Official List of the ASX will occur as soon as possible following the Shareholder meeting	July 2019

Conditions Precedent

The Transaction is subject to a number of conditions being satisfied, including:

- Completion of due diligence by each party to the Transaction;
- The drawdown of the convertible note funds;
- Execution of binding transaction documents;
- Preparation of audited financial statements for 6-month period to 31 December 2018;
- Receipt of any required Company shareholder or regulatory approvals under applicable laws and regulations, including but not limited to:
 - ASX waivers;
 - Shareholder approval for the appointment of the proposed new Directors;
 - Shareholder approval for the issue of securities pursuant to the Transaction;
- Completion of the Capital Raising, for A\$5,000,000; and
- The Company receiving a conditional reinstatement conditions letter from ASX, on terms satisfactory to the Company and K-TIG.

Name Change

As part of the transaction, the Company will seek the approval of shareholders to change its name to "K-TIG Limited".

Management Changes

Upon completion of the Transaction it is proposed that Mr Neil Le Quesne will assume the role of CEO of the Company. Mr Le Quesne is currently CEO of K-TIG and has over 20 years of experience in international development, commercialisation, global sales, strategy, investment attraction and executive leadership on six continents.

Indicative capital structure at Completion (post consolidation on 1-for-10 basis and assuming \$5 million raise at indicative price of \$0.035 per share)

Details	Securities*
Existing Serpentine shares on issue post consolidation	72,209,611
Consideration shares issued to K-TIG and Advisors upon completion	487,600,000
K-TIG Convertible Note shares **	50,476,191
Capital raise to comply with ASX listing rules	142,857,143
Total Serpentine shares (undiluted)	753,142,945
Deferred Consideration Shares Tranche 1	57,142,857
Deferred Consideration Shares Tranche 2	57,142,857
Deferred Consideration Shares Tranche 3	57,142,857
Options	
Advisor, Broker and Director options to be issued upon completion, exercisable at \$0.0525, expiring 4 years from completion	29,094,288
Listed options on issue, exercisable at \$0.04 on or before 30 April 2021	12,072,871
Listed Options on issue, exercisable at \$0.50 on or before 30 June 2019	7,056,715
Unlisted Options on issue, exercisable at \$1.80 on or before 31 March 2019	201,333
Unlisted Options on issue, exercisable at \$0.50 on or before 30 September 2019	7,500
Unlisted Options on issue, exercisable at \$0.60 on or before 30 June 2019	300,000
Unlisted Options on issue, exercisable at \$0.60 on or before 31 March 2019	100,000
Unlisted Options on issue, exercisable at \$0.60 on or before 30 June 2019	100,000
Fully diluted capital structure	973,504,223

*subject to consolidation per ASX requirements and assuming the Company receives a waiver to conduct the Capital Raising (as defined below)

** K-TIG can raise up to \$1.06 million in a convertible note which converts to shares in Serpentine at a 40% discount to the completion price of \$0.035 per share

Capital raising / Indicative Use of Funds

The Company proposes to raise funds for expansion, working capital, via a capital raising of \$5,000,000 ("Capital Raising"), at a price of \$0.035 per share post consolidation.

Indicative Use of Funds	\$5m capital raise
Marketing Costs	420,000
Long Lead Capital Items	2,650,000
R&D	685,795
Working capital	714,205
Listing Costs	200,000
Costs of capital raise	330,000
Gross Proceeds from capital raise	5,000,000

Financial information

Financial statements for K-TIG are currently being independently audited and historical financial information is to be provided within the notice of meeting to Shareholders to approve the Transaction.

Suspension from trading on ASX

In accordance with ASX's policy for entities undertaking back door listing transactions, the Company's securities will remain suspended from trading on ASX until the Company has complied with Chapters 1 and 2 of the Listing Rules in accordance with listing rule 11.1.3.

For further information please contact the Chairman of the Company, Stuart Carmichael, on +61 8 9 482 0500.

For further information on K-TIG please refer to the website www.k-tig.com

Ends