

SEPTEMBER 2019 QUARTER ACTIVITIES UPDATE

Highlights

- K-TIG commenced trading on the ASX following a successful capital raise, raising \$7 million from Institutional, high net worth and retail investors
- David Williams commenced the role of Chief Executive Officer, bringing extensive knowledge and experience of corporate growth, implementing commercialisation strategies and ensuring health and safety compliance within the industrials and resources sectors
- K-TIG signed its first Licencing Agreement signed under the new WaaS (Welding-as-a-Service) revenue model with world-leading USA based fabricator, **Precision Fabricators**
 - This represents a significant milestone and demonstrates the industry's willingness to adopt KTG's technology
- The Department of Industry, Innovation and Science confirmed K-TIG R&D project is eligible R&D thus removing the requirement to repay its R&D rebate
- K-TIG is focussed on delivering its growth strategy with a key focus on revenue growth, market penetration and progression of nuclear decommissioning opportunities

K-TIG Limited (ASX: KTG) ("K-TIG"), a technology company commercialising an industry-disruptive high-speed welding technology provides the following summary of its activities during the Quarter ended 30 September 2019.

K-TIG listed on the ASX following \$7 million raise

K-TIG commenced trading on 9 October 2019, under the ticker "KTG", following the completion of a successful capital raise, raising the maximum subscription of \$7 million before costs. Strong demand was received from institutional investors including; Alium Capital Management and Altor Capital as well as a number of high net worth and retail investors.

Under the offer, the Company issued 35,000,000 shares at \$0.20 per share and the total number of shares on issue is 144,593,344, giving K-TIG a market capitalisation of \$28.9 million (at \$0.20 per share).

K-TIG's successful listing followed the completion of a transaction whereby Serpentine Technologies Limited (now K-TIG Limited) acquired 100% of the issued capital of Keyhole TIG Limited.

As noted in the Replacement Prospectus dated 15 August 2019, Mr Michael Edwards resigned as Non-Executive Director on completion of the Offers and Acquisition. Mr Kieran Purcell and Mr Syed Shueb joined the Board as Non-Executive Directors at the same time.

Appointment of new CEO

David Williams commenced his role as Chief Executive Officer of K-TIG on 21 August 2019, bringing extensive corporate and leadership experience from his previous roles as Managing Director and Executive Director of a number of listed and unlisted companies.

His experience spans over two decades and has been focused within the resources, oil and gas and industrials sectors giving him extensive knowledge of corporate growth, implementing commercialisation strategies and ensuring health and safety compliance. This experience also provides valuable insight into product development, technical considerations and operational scaling to be utilised by K-TIG.

His experience also provides a deep understanding of the key drivers for growth and commercialisation of K-TIG's product and represents a strategic turning point for K-TIG, supporting its strategy of building a large customer based that generates revenue for the Company via a recurring revenue model.

Signing of First WaaS Licence Agreement

In a milestone achievement, K-TIG signed its first Licencing Agreement under its WaaS (Welding-as-a-Service) revenue model with USA based, **Precision Fabricators** ("Precision"), a world leading manufacturer of vessels to the semiconductor, pharmaceutical and chemical industries.

Precision currently has a worldwide fleet of over 35,000 cylinders and vessels used by customers globally and is expecting to significantly increase its production output as a result of implementing K-TIG's high speed welding technology.

Under the terms of WaaS Licence, Precision will pay a licence fee to K-TIG based on actual linear metres welded. Faster delivery, lower cost and higher quality are the primary technical metrics K-TIG is expected to deliver during the production of Precision's stainless-steel cylinders/vessels for chemical storage.

Achievement of this key milestone provides formal confirmation of the industry's willingness to adopt K-TIG's WaaS licence model and demonstrates K-TIG's commitment to delivering on its long term recurring revenue growth strategy.

2018 R & D Tax Incentive Review

The Company is pleased to advise that K-TIG has received confirmation from the Department of Industry, Innovation and Science (“DIIS”) that KTIG’s activities have been deemed eligible for the R&D tax rebate and KTIG is not required to repay its 2017/2018 Financial Year R&D tax rebate of \$302,807 as was contemplated in the proposed use of funds as set out in section 2.5 (note 4) the Prospectus.

TechKnow Conference

K-TIG attended and presented at the TechKnow Conference in Sydney on 22 October 2019 and in Melbourne on 24 October 2019. The presentation made by CEO, David Williams, can be viewed on the company’s website – www.k-tig.com.

Strategy & Outlook

The Company has delivered strong operational progress during the quarter and is confident in its ability to continue to deliver growth across all its operations in the coming quarters.

The Company continues to prioritise the following objectives:

- Accelerating the WaaS revenue model;
- Revenue growth through the conversion of identified pipeline opportunities;
- Increased sales and market penetration in key growth markets including Asia, the USA and the United Kingdom;
- Progressing the UK nuclear decommissioning opportunity: K-TIG is being utilised for the fabrication of nuclear storage containers today, with nuclear customers in both the US and Europe. K-TIG has a proven ability to meet the demanding technical and quality requirements of nuclear storage container fabrication; and
- Pursuing a number of strategic market opportunities (customers and projects).

Please refer to the attached Appendix 4C Filing for further details on the results for the quarter.

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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.

Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

K-TIG Limited (formerly Serpentine Technologies Limited)

ABN

28 158 307 549

Quarter ended ("current quarter")

30 September 2019

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	11	11
1.2 Payments for		
(a) research and development	(31)	(31)
(b) product manufacturing and operating costs	(56)	(56)
(c) advertising and marketing	(24)	(24)
(d) leased assets	-	-
(e) staff costs	(303)	(303)
(f) administration and corporate costs	(250)	(250)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	1
1.5 Interest and other costs of finance paid	(1)	(1)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	40	40
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities¹	(613)	(613)

¹cash flows movements represent the continuation of Keyhole TIG Limited (accounting parent) from 1 July 2019 and K-TIG Limited (accounting subsidiary) from 30 September 2019. For further details on acquisition accounting, please refer to note 4 on page 5.

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(17)	(17)
(b) businesses (see item 10)	-	-
(c) investments	-	-

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
(d) intellectual property	-	-
(e) other non-current assets	-	-
2.2 Proceeds from disposal of:	-	-
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other – cash acquired on acquisition of legal parent ²	6,923	6,923
2.6 Net cash from / (used in) investing activities³	6,906	6,906

²amount represents cash of K-TIG Limited (accounting subsidiary) acquired by Keyhole TIG Limited (accounting parent) on completion of the acquisition, being 30 September 2019. This amount includes \$7m raised under K-TIG Limited's Replacement Prospectus dated 15 August 2019, less payments as at 30 September 2019. For further details on acquisition accounting, please refer to note 4 on page 5.

³cash flows movements represent the continuation of Keyhole TIG Limited (accounting parent) from 1 July 2019 and K-TIG Limited (accounting subsidiary) from 30 September 2019. For further details on acquisition accounting, please refer to note 4 on page 5.

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	-	-
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	-	-
3.4 Transaction costs related to issues of shares, convertible notes or options	-	-
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	-	-
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
3.10 Net cash from / (used in) financing activities	-	-

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of quarter/year to date	944	944
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(613)	(613)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	6,906	6,906
4.4 Net cash from / (used in) financing activities (item 3.10 above)	-	-
4.5 Effect of movement in exchange rates on cash held	-	-
4.6 Cash and cash equivalents at end of quarter	7,237	7,237

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	7,232	944
5.2 Call deposits	5	-
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)	7,237	944

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Current quarter \$A'000
98
-

Relates to director fees, executive salary and superannuation paid out to Key Management Personnel
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7. Payments to related entities of the entity and their associates	Current quarter \$A'000
7.1 Aggregate amount of payments to these parties included in item 1.2	-
7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other – convertible notes	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	(100)
9.2 Product manufacturing and operating costs	(200)
9.3 Advertising and marketing	(40)
9.4 Leased assets	-
9.5 Staff costs	(400)
9.6 Administration and corporate costs	(330)
9.7 Other (provide details if material)	-
9.8 Total estimated cash outflows*	(1,070)

*excludes cash receipts

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1 Name of entity	-	-
10.2 Place of incorporation or registration	-	-
10.3 Consideration for acquisition or disposal	-	-
10.4 Total net assets	-	-
10.5 Nature of business	-	-

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.

Sign here:


 (Company Secretary)

Date: 31 October 2019

Print name: Deborah Ho

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly 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 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. Keyhole TIG Limited (legal subsidiary) was acquired by K-TIG Limited (formerly Serpentine Technologies Limited) (legal parent) on 30 September 2019. Under *AASB 3 Business Combinations*, Keyhole TIG Limited is the accounting acquirer as the transaction is deemed a reverse acquisition. The cash flows movements therefore represent the continuation of Keyhole TIG Limited as the accounting parent from 1 July 2019 and K-TIG Limited as the accounting subsidiary from 30 September 2019.