

## DECEMBER 2019 QUARTER ACTIVITIES UPDATE

### Highlights

- K-TIG secured a number of licencing agreements during the quarter with fabricators in the US and SE Asia, across both the small and large stainless-steel vessel market, demonstrating the market's willingness to adopt its technology under licence
- K-TIG continues to build an extensive sales pipeline in key growth markets, including the US and South East Asia where it intends to increase its market share in both the small and large stainless-steel vessel industry
- K-TIG will leverage its experience and customers in the nuclear decommissioning market and its membership of the Nuclear Advanced Manufacturing Research Centre (NAMRC) to licence its technology into the USD\$1 trillion global nuclear decommissioning market
- The K-TIG technology is currently being used by one of two major companies contracted by the UK Government to deliver the first round of nuclear decommissioning vessels totalling many hundreds of millions of USD. K-TIG is well positioned to further participate in this rapidly emerging market.

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 its activities during the Quarter ended 31 December 2019.

#### **Operational developments on track for a strong 2020**

The December quarter marks the first full quarter for K-TIG since re-listing on the Australian Securities Exchange ("ASX") and the Company has delivered strong progress across all operations.

In a landmark achievement, K-TIG signed a number of licencing agreements for its precision welding technology in both the USA and SE Asian stainless steel vessel market. The Global Pressure Vessel Market was valued at USD\$156.8 billion in 2018 and is expected to reach USD\$225.7 billion by 2025" (*Source: Market Research Future*), representing a very significant opportunity for K-TIG. The agreements signed are the first Welding-as-a-Service ("WAAS") " licence agreements globally and demonstrate the market's willingness to adopt this new business model.

### **First WAAS milestone achieved**

Shortly after re-listing on the ASX, on 9 October 2019, the Company signed its first WAAS licence agreement with world leading US based fabricator, Precision Fabricators.

Precision Fabricators is a specialist USA manufacturer of small stainless steel vessels to the semiconductor, pharmaceutical and chemical industries and has built a worldwide fleet of over 35,000 cylinders and vessels for customers globally.

Under the licencing agreement, Precision Fabricators will utilise K-TIG's welding technology to significantly increase output of its stainless 3mm and 6mm steel cylinders and vessels for chemical storage.

The adoption of the K-TIG technology by Precision Fabricators demonstrates the technology's production efficiencies have outstanding economics in both the large vessel and small vessel fabrication markets. K-TIG is in commercial discussions with a number of vessel fabricators in the US and other key markets.

### **K-TIG signs 8-year WAAS Licence Agreement in SE Asia**

In a milestone achievement, K-TIG signed an 8-year WAAS licence agreement with Singaporean based fabricator, Steel-Ti Precision Welding Pte Ltd ("Steel-Ti).

Steel-Ti is a newly incorporated venture by Mr Michael Teo, and will fabricate and supply high value stainless steel tanks and vessels to the oil & gas, aviation and shipping industries, and piping for the liquified natural gas industry to the rapidly growing Asian markets. The Steel-Ti business has designed and is building its factory around the deployment of the K-TIG technology which is expected to give them the competitive advantage to win contracts.

Mr Teo is part of the Teo family who are synonymous with fabrication, global shipping and logistics through a conglomerate of family owned companies throughout South East Asia. The Teo family own and control companies including Pacific International Lines (PIL) and Singamas.

The efficiency gain from K-TIG in the large stainless steel vessel and pipe industry is enormous as demonstrated by the Acueducto Gran Tulum water pipeline project in Argentina, where Industrias Metalurgicas Jaime SRL delivered 15km of stainless steel pipe using K-TIG technology 550 days early using just 8 process operators. These increases in efficiency gains in the fabrication of large vessels and pipe would be expected to increase the revenue per unit to K-TIG under a WaaS licence agreement.

K-TIG expects to sign further WAAS license agreements with large stainless-steel vessel and pipe fabricators in the near term and will update the market as these occur.

### **UK Nuclear Decommissioning**

During the quarter K-TIG became a formal member of the UK's Nuclear Advanced Manufacturing Research Centre (Nuclear AMRC), significantly strengthening its relationship and advancing discussions with related parties operating in the nuclear decommissioning sector.

The Nuclear AMRC is a collaborative body comprised of Government, industrial and academic partners and is one of the world's leading centres of excellence and innovation focused on research and enhancement of technologies that can be utilised in the building, operating and decommissioning of nuclear facilities.

Becoming a formal member of the Nuclear AMRC represents significant progress for the Company and ensures K-TIG is well positioned to capture market share within the global nuclear decommissioning market which is projected to be worth USD\$1 Trillion through to 2050.

The K-TIG technology has been proven to meet the standards of the nuclear industry and is currently being used by one of two major companies contracted by the UK Government to deliver the first round of nuclear decommissioning vessels expected to total many hundreds of millions of USD.

The next and far more significant round of contracts are expected to be awarded in 2020 and likely to be well in excess of a billion USD. K-TIG is well positioned to further participate in this rapidly emerging market through the provision of its technology to both existing nuclear fabricators and the large number of additional fabricators which are expected to enter this market.

## Quarterly Outlook

The Company has currently sold the technology to over 20 countries and has a substantive pipeline across the stainless-steel tank & vessel, pipe industry and UK Nuclear markets with:

- Over 10 commercial proposals currently being negotiated across multiple contract sizes, markets, and regional spread (North America, Asia, Ireland, and Europe).
- A further 10-15 potential customers with whom the Company are in discussion with regarding implementing the Technology in their operations; and
- Qualified interest from a further 28 customers who K-TIG are looking to engage in the near future.

The company has recently employed a number of additional sales executives. The sales team will continue to be expanded throughout 2020 and beyond. This investment in sales infrastructure will continue through 2020 with the establishment of a commercial demonstration facility in the US expected to be delivered by Q2 2020. The pipeline will scale in line with the company further investment in its sales and marketing infrastructure.

Additionally, the Company continues to explore aggressively implementing a UK growth strategy including accelerating developments within the nuclear industry and investigating strategic structure and investment to provide a platform for further growth within the UK market.

The Company remains in a strong financial position and is well placed to execute on its strategy.

--ENDS--

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

For more information, please contact:

**Company enquiries**

David Williams  
K-TIG Limited  
P: +61 8 7324 6800

**Investor relations**

Hannah Howlett  
Media & Capital Partners  
P: +61 4 5064 8064  
[Hannah.howlett@mcpartners.com.au](mailto:Hannah.howlett@mcpartners.com.au)

**Media enquiries**

Daniel Paperny  
Media & Capital Partners  
P: +61 433 339 454  
[daniel.paperny@mcpartners.com.au](mailto:daniel.paperny@mcpartners.com.au)

## 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

**ABN**

28 158 307 549

**Quarter ended ("current quarter")**

31 December 2019

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (6 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	29	41
1.2 Payments for		
(a) research and development	(28)	(59)
(b) product manufacturing and operating costs	(190)	(247)
(c) advertising and marketing	(22)	(46)
(d) leased assets	-	-
(e) staff costs	(440)	(744)
(f) administration and corporate costs	(450)	(700)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	2	3
1.5 Interest and other costs of finance paid	0	(1)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	0	40
1.8 Other (provide details if material)	25	26
<b>1.9 Net cash from / (used in) operating activities<sup>1</sup></b>	<b>(1,074)</b>	<b>(1,687)</b>

<sup>1</sup>cash 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.

<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	(26)	(43)
(b) businesses (see item 10)	-	-
(c) investments	(180)	(180)

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 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 <sup>2</sup>	-	6,923
<b>2.6 Net cash from / (used in) investing activities<sup>3</sup></b>	<b>(206)</b>	<b>6,700</b>

<sup>2</sup>amount 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.

<sup>3</sup>cash 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.

<b>3. Cash flows from financing activities</b>		
3.1 Proceeds from issues of shares	-	-
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	4	4
3.4 Transaction costs related to issues of shares, convertible notes or options	(821)	(821)
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)	-	-
<b>3.10 Net cash from / (used in) financing activities</b>	<b>(817)</b>	<b>(817)</b>

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (6 months) \$A'000</b>
<b>4. Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1 Cash and cash equivalents at beginning of quarter/year to date	7,237	944
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(1,074)	(1,687)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(206)	6,700
4.4 Net cash from / (used in) financing activities (item 3.10 above)	(817)	(817)
4.5 Effect of movement in exchange rates on cash held	-	-
<b>4.6 Cash and cash equivalents at end of quarter</b>	<b>5,140</b>	<b>5,140</b>

<b>5. Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1 Bank balances	5,135	7,232
5.2 Call deposits	5	5
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	-	-
<b>5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>5,140</b>	<b>7,237</b>

<b>6. Payments to directors of the entity and their associates</b>	<b>Current quarter \$A'000</b>
6.1 Aggregate amount of payments to these parties included in item 1.2	243
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	

Relates to director fees and superannuation and payment for services rendered by related parties.

7. <b>Payments to related entities of the entity and their associates</b>	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. <b>Financing facilities available</b> <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. <b>Estimated cash outflows for next quarter</b>	\$A'000
9.1 Research and development	(50)
9.2 Product manufacturing and operating costs	(300)
9.3 Advertising and marketing	(25)
9.4 Leased assets	-
9.5 Staff costs	(400)
9.6 Administration and corporate costs	(310)
9.7 Other (provide details if material)*	(85)
<b>9.8 Total estimated cash outflows**</b>	<b>(1,150)</b>

\*Other includes Capital upgrade of facility.

\*\*Excludes Cash Receipts

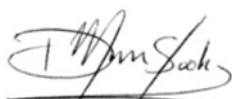


10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1 Name of entity	-	-
10.2 Place of incorporation or registration	-	-
10.3 Consideration for acquisition or disposal	-	-
10.4 Total net assets	-	-
10.5 Nature of business	-	-

### 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 January 2020

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.