

MARCH 2021 QUARTERLY ACTIVITIES REPORT

Significant progress achieved across key strategic pillars

Highlights

- Revenue of \$467k during the March 2021 quarter in-line with December 2020 quarterly guidance
- Strong balance sheet with \$5.2m cash as at 31 March 2021
- Signed MOU with major international defence manufacturer – Hanwha Defence
- K-TIG partner secured federal funding to pursue strategically vital defence projects
- K-TIG cements US expansion with signing of a distribution agreement with Key Plant
- Signs distribution agreement with UK based WB Alloy
- The Company successfully welds high strength carbon steel

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 March 2021.

The Company is pleased to report the following March 2021 quarterly results:

- Quarterly sales revenue of \$467k - in line with December 2020 quarterly guidance
- Quarterly cash receipts of \$217k
- Cash at bank of \$5.2m

The March quarter has seen significant progress with the achievement of a number of strategically important milestones within the defence, UK and customer acceleration strategic pillars.

Defence

During the quarter the Company announced the signing of a MOU with Hanwha Defence Australia Pty Ltd and Hanwha Defence Corporation (collectively referred to as “Hanwha”).

Hanwha is one of South Korea’s largest military manufacturers and has been named as the preferred supplier for the Australian Army’s billion-dollar acquisition of the Land 8116 self-propelled artillery project and shortlisted for the Land 400 Phase 3 Infantry Fighting Vehicle project.

Hanwha, as preferred tenderer, will offer its Huntsman self-propelled howitzer in the first phase of the army’s Protected Mobile Fires project. Hanwha will build and assemble Huntsman and its supporting systems in Australia with a budget estimated at up to AUD\$2.6 billion¹. Under the MOU, K-TIG will demonstrate its ability to weld advanced steels for military vehicles in the joint geometries

applicable to the Huntsman vehicle.

“K-TIG’s technology and its ability to reduce the number of welding passes over conventional TIG welding results in harder joints with better ballistic properties providing greater protection to the crews of armoured fighting vehicles. Partnering with Hanwha to create crucial equipment for Australia’s defence is a significant opportunity for K-TIG to deploy the speed, efficiency and effectiveness of our advanced keyhole welding technology, all while helping to create local jobs, develop strategically vital manufacturing skills for the nation, and provide the Australian Army with the self-propelled artillery capability it’s desired for many years,” said K-TIG Managing Director Adrian Smith at the time of signing the MOU.

During the quarter, K-TIG also announced its defence industry partner Axiom Precision Manufacturing secured AUD\$1M in funding from the Australian government to fast track the deployment of advanced welding technology to the nation’s multi-billion dollar defence industry.

The Sovereign Industrial Capability Priority Grant from the Centre for Defence Industry Capability (CDIC) will prime Axiom Precision Manufacturing - a sub-contractor for the F-35 Joint Strike Fighter - to create plate armour and other structures for Australia’s military utilising K-TIG’s transformative keyhole welding technology within a specially-built 6,000 square foot secure facility near Adelaide.

K-TIG will supply welding equipment and process protocols to Axiom so keyhole welding techniques can be applied at scale for major local and international defence contracts. K-TIG will retain the technology’s Intellectual Property while helping Axiom commission strategically significant manufacturing capabilities.

Customer acceleration

K-TIG continues to build sales momentum with strong progress made during the quarter both in the US and UK markets.

During the quarter K-TIG signed a distribution agreement in January 2021 with automatic welding and robotics welding provider Key Plant Automation (“Key Plant”) which will allow the Company to further expand its operations in the US.

Key Plant provides automated welding solutions across more than 45 countries and services a wide range of market segments including pressure vessels, aerospace, defence and oil and gas sectors.

The UK market expansion also continues to gain momentum with K-TIG signing a distribution agreement in April 2021 with WB Alloy Welding Products Ltd (“WB Alloy”), a UK based welding consumables manufacturer who supply a range of high quality, high integrity products for both welding and cutting applications across a variety of sectors including nuclear, oil and gas, renewables, power generation and construction.

Corporate and Financial Summary

The attached Appendix 4C provides details on the cashflows for the quarter ended 31 March 2021. As at 31 March 2021 K-TIG had a cash balance of \$5.2m. The Company’s net cash used in operating activities for the quarter amounted to \$1.4m.

Use of Funds Statement

K-TIG was admitted to the official list of the ASX on 9 October 2019 following completion of its listing raising \$7m. The March 2021 quarter is included in a period covered by a use of funds statement in the prospectus lodged with ASX under Listing rule 1.1 condition 3.

A comparison of the Company's actual expenditure since admission to 31 March 2021 against the estimated expenditure in the use of funds statement is set out below as required by ASX Listing Rule 4.7C.2. The table also includes K-TIG's expenditure for the March 2021 quarter.

Use of funds – Year 1 & 2	Actual total (9 Oct 19 – 31 Mar 21)	Prospectus total (9 Oct 19 – 9 Oct 21)
Sales and marketing costs	1,725,078	1,500,000
Long lead capital items	134,912	2,655,000
Research and development	265,674	946,000
Working capital	4,744,44	1,206,000
Offer costs	1,328,549	693,000
Total	8,198,456	7,000,000

The Company notes:

- That since listing K-TIG has received total cash receipts of approx. \$1.1m, grant funding receipts of approx. \$0.2k and undertaken a secondary capital raising of \$5.6m.
- That since listing K-TIG has provided regular updates to the market regarding its growth strategy and use of funds including deferral of long-lead items due to COVID-19 (refer to ASX release dated 8 April 2020).
- The 'working capital' line item includes, inter alia, executive management salaries and wages who are supporting the growth strategy and the Company's business objectives.
- The actual 'Offer costs' line item includes costs in relation to the listing and the subsequent secondary capital raise undertake in the September 2020 quarter.

As disclosed in item 6.1 of the attached Appendix 4C, \$206k was paid in respect of directors' fees and consulting fees to entities associated with the directors including payment of \$27k to Ventnor Capital, a company related to Stuart Carmichael for company secretarial and accounting & bookkeeping services during the March 2021 quarter.

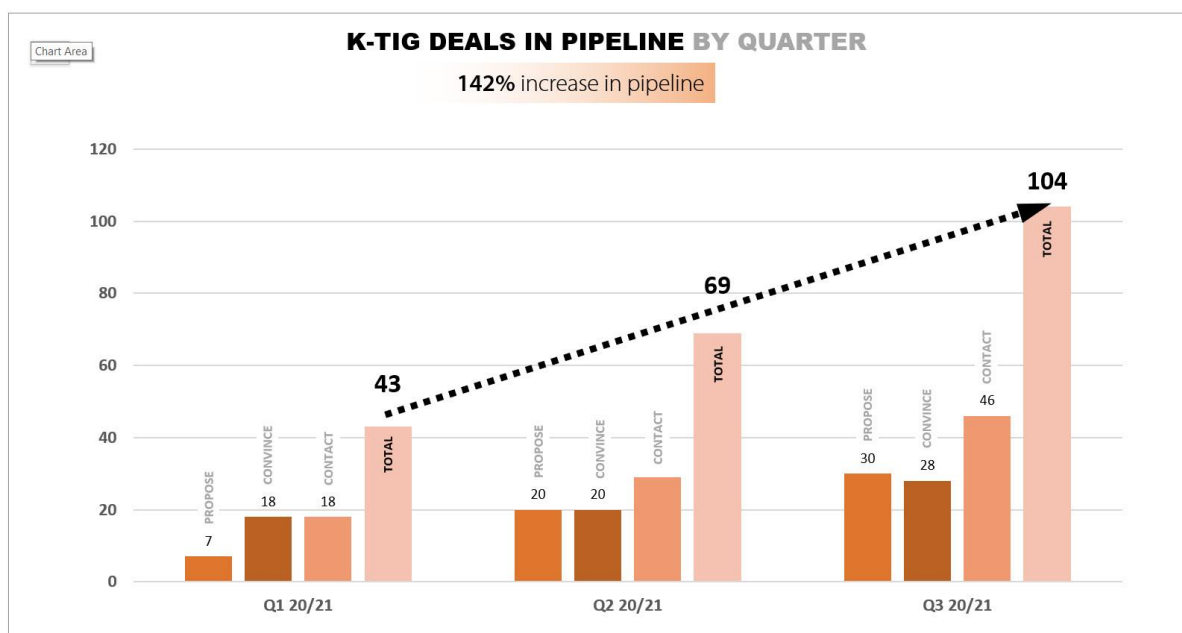
Quarterly Outlook

K-TIG remains focused on accelerating its strategic pillars and expects over the next quarter to deliver:

- Revenues in the range of \$400,000 to \$600,000;
- Further distribution agreements in the key growth markets; and
- Hanwha's continued evaluation of K-TIG's advanced keyhole welding technology for its multi-billion-dollar defence projects in Australia.

Pipeline

The Company has a substantive pipeline across various market segments. A summary of the pipeline broken down by sales stage as at 31 March 2021 is set out below.



K-TIG Managing Director, Mr Adrian Smith said: *“The March quarter has seen significant progress across a number of our key strategic pillars which we believe will position the Company well into the future.”*

--ENDS--

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

For more information, please contact:

Company enquiries

Adrian Smith
K-TIG Limited
P: +61 8 7324 6800

Corporate enquiries

George Rogers
SRG Partners
P: +61 438 815 495

Media / Investor enquiries

Michelle Vella
Corporate Conversation
P: +61 402 137 285

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 March 2021

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	217	711
1.2 Payments for		
(a) research and development	(74)	(171)
(b) product manufacturing and operating costs	(362)	(731)
(c) advertising and marketing	(30)	(116)
(d) leased assets	(31)	(84)
(e) staff costs	(544)	(1,458)
(f) administration and corporate costs	(420)	(1,046)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	0	2
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	58	78
1.8 Other (provide details if material) ¹	(222) ¹	(332)
1.9 Net cash from / (used in) operating activities	(1,408)	(3,148)

¹1.8 Relates to intercompany funds transfers. Payment on 31st March but receiving party received it on 1st April.

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(117)	(256)
(d) investments	-	-
(e) intellectual property	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
	(f) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(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 activities³	(117)	(256)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	5,600
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	15	15
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	(409)
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) ²	-	-
3.10	Net cash from / (used in) financing activities	15	5,206

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	6,782	3,493
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,408)	(3,148)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(117)	(256)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	15	5,206
4.5	Effect of movement in exchange rates on cash held	-	(24)
4.6	Cash and cash equivalents at end of period	5,272	5,272

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	5,232	6,742
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)	5,272	6,782

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**

206

-

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

Included in payments to related parties are payments for Director Fees as well as related entities performing services on behalf of K-TIG Limited.

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.

7.1 Loan facilities

7.2 Credit standby arrangements

7.3 Other (please specify)

7.4 **Total financing facilities**

Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
-	-
-	-
-	-
-	-

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.

N/A

8. Estimated cash available for future operating activities

\$A'000

8.1	Net cash from / (used in) operating activities (Item 1.9)	(1,408)
8.2	Cash and cash equivalents at quarter end (Item 4.6)	5,272
8.3	Unused finance facilities available at quarter end (Item 7.5)	-
8.4	Total available funding (Item 8.2 + Item 8.3)	5,272
8.5	Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	3.7

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: 30 April 2021

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.