

MARCH 2020 QUARTER ACTIVITIES UPDATE

Highlights

- Strong operating quarter with a number of licencing agreements secured including Primus Pipe & Tube, an existing customer, that added 3 new systems under a 3 year WaaS licence deal
- K-TIG continues to build sales momentum with a number of customers including Glenfield Engineering, Aqseptence Group and John Zink Hamworthy Combustion entering into licence deals in April 2020
- Appointment of former Quanta Services Australia/McConnell Dowell director and executive, Mark Twycross, and experienced company director and CEO, Adrian Smith, bringing significant experience to the Company
- UK nuclear decommissioning vessel market expansion continuing
- Company undertaking carbon steel welding pilot tests to capitalise on upcoming Australian Department of Defence armoured vehicle plating contracts
- Cost control measures implemented during the quarter including reduction in non-executive director fees, reduction in headcount and staff salaries, reduction in discretionary spend items and deferral of non-essential capex
- K-TIG reports a cash position of \$4.1m as at 31 March 2020

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 March 2020.

Growing customer base

During the March 2020 quarter the Company continued growth in its customer base.

The Company was pleased to enter into a WaaS licence with Primus Pipe & Tube, an existing customer of K-TIG with a system installed in early 2018 at its facility in Wildwood, Florida, USA.

Primus is a leader in the production of large diameter heavy wall pipes in the US, and has the largest size range, including large-diameter heavy wall stainless steel pipe, of any producer in North America. Their products are used in the most challenging environments, offering a combination of high strength, corrosion resistance, and cost savings for customers in a wide range of industries. Primus offers the broadest range of stainless steel, nickel alloys, duplex and many other exotic alloys.

Primus has been using the K-TIG system since 2018 and was looking to upgrade its existing system and add 3 new systems to build on its high productivity welding capability in stainless steel applications.

During April 2020 the Company has secured additional licence agreements with a number of international customers including Ireland based, Glenfield Engineering, USA based Aqseptence Group and John Zink Hamworthy Combustion. John Zink Hamworthy Combustion is part of the Koch Industries family, one of the largest privately held companies in the USA.

K-TIG expects to sign further contracts with large stainless-steel vessel and pipe fabricators in the near term.

UK Nuclear Decommissioning

During the quarter K-TIG continued to progress discussions with key stakeholders in the UK nuclear industry including UK's Nuclear Advanced Manufacturing Research Centre (Nuclear AMRC), existing companies contracted by the UK Government to deliver the first round of nuclear decommissioning vessels expected to total many hundreds of millions of USD of potential revenue, prospective distribution partners as well as customers who may be interested in K-TIG's welding technology.

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.

Australian Department of Defence / Carbon Steel

The Company is uniquely positioned to capitalise on upcoming Australian Department of Defence projects in the armoured vehicle segment. K-TIG is currently undertaking a series of carbon steel welding pilot tests in conjunction with a number domestic and international defence contractors with further updates to be provided to the market in due course.

Being able to weld carbon steel successfully represents a major growth opportunity for the Company both in North America and domestically in Australia. Further updates to be provided to the market in due course.

Corporate and Financial Summary

During the quarter former Quanta Services Australia (QSA) President and executive director and McConnell Dowell, Executive General Manager and executive director, Mr Mark Twycross and experienced B2B entrepreneur Mr Adrian Smith agreed to join the KTIG Board as Non-Executive Directors.

Mr Twycross has over 40 years' experience in energy and water infrastructure in Australia, North America, Asia and the Middle East including pipeline design and construction, process facilities, design, procurement, fabrication and installation.

Mr Smith is an experienced company director and entrepreneur with a proven track record of creating global industry leading firms with a particular focus in the international defence industries. Mr Smith is currently Non-Executive Director of Universal Motion Simulation, UniSA Ventures, and an Advisory Board Member of Axiom Precision Manufacturing. Mr Smith has previously held the role of Managing Director of Rheinmetall Defence Australia Pty Ltd, a subsidiary of Rheinmetall AG.

The Company also implemented a number of cost saving measures across the business to preserve shareholder funds, whilst maintaining positive business progress. Annualised savings of approximately \$750,000 per annum were identified and are currently being implemented including 15% reduction in non-executive director fees, reduction in headcount, reduction in staff salaries, reduction in discretionary spend items and deferral of non-essential capex.

The attached Appendix 4C provides details on the cashflows for the quarter ended 31 March 2020. As at 31 March 2020 the Company had a cash balance of \$4.1m. The Company's net cash used in operating activities for the quarter amounted to \$0.9m. With the exception of long lead capital items which have been deferred due to the COVID-19 pandemic (refer to ASX release dated 8 April 2020), the Company is broadly in line with its use of funds as disclosed in its prospectus.

As disclosed in item 6.1 of the attached Appendix 4C, \$69,660 was paid in respect of directors' fees and consulting fees to entities associated with the directors including company secretarial and accounting & bookkeeping services.

Quarterly Outlook

The Company remains focused on implementing its strategic growth strategy with a key focus on US market expansion, progressing the UK nuclear decommissioning opportunity as well as pursuing Australian domestic opportunities including defence. The Company remains on track to expand its operational presence in the US during Q2 2020.

Pipeline

The Company has a substantive pipeline across various market segments. A summary of the pipeline broken down by customers and units is set out below.

	Qualified Leads	Engaged Leads	Commercial Proposals	Sold
Number of customers	32	20	13	7
Number of Units	32	20	14	9

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

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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 cash flow report for entities subject to Listing Rule 4.7B

Name of entity

K-TIG Limited (formerly Serpentine Technologies Limited)

ABN

28 158 307 549

Quarter ended ("current quarter")

31 March 2020

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	134	175
1.2 Payments for		
(a) research and development	(34)	(93)
(b) product manufacturing and operating costs	(286)	(533)
(c) advertising and marketing	(37)	(83)
(d) leased assets	-	-
(e) staff costs	(492)	(1,236)
(f) administration and corporate costs	(271)	(970)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	4
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	40
1.8 Other (provide details if material) ¹	76	101
1.9 Net cash from / (used in) operating activities	(909)	(2,595)

¹ Amount relates to GST refund received in March quarter.

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(99)	(143)
(d) investments	-	(180)
(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	-	6,923
2.6	Net cash from / (used in) investing activities	(99)	6,601

² 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.

³ cash flow movements represent the continuation of Keyhole TIG Limited (accounting parent) from 1 July 2019 and K-TIG Limited (accounting subsidiary) from 30 September 2019.

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	4
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	(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)	-	-
3.10	Net cash from / (used in) financing activities	-	(818)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	5,140	944
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(909)	(2,595)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(99)	6,601
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	(818)
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	4,132	4,132

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	4,127	5,135
5.2	Call deposits	5	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)	4,132	5,140

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
70
-

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 and related entities performing services on behalf of K-TIG Limited including Company Secretarial services.

7. Financing facilities

*financing arrangements available to the entity.
Add notes as necessary for an understanding of the sources of finance available to the entity.*

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

7.1 Loan facilities

7.2 Credit standby arrangements

7.3 Other (please specify)

7.4 **Total financing facilities**

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)	(909)
8.2	Cash and cash equivalents at quarter end (Item 4.6)	4,132
8.3	Unused finance facilities available at quarter end (Item 7.5)	-
8.4	Total available funding (Item 8.2 + Item 8.3)	4,132
8.5	Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	4.5

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 2020

Authorised by: By the Board

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(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.