

JUNE 2020 QUARTER ACTIVITIES UPDATE

Highlights

- Signed MOU with leading defence contractors Axiom Precision Manufacturing and Bisalloy Steels to develop sovereign capability to maximise its participation in upcoming Australian Defence procurements including the LAND 400 project estimated to be \$10bn-\$15bn
- Strong operating quarter with a number of licencing agreements secured including Glenfield Engineering, Aqseptence Group and John Zink Hamworthy Combustion entering into licence deals
- Secured sale of K-TIG system in Australian domestic market
- Continued execution of US market expansion initiative with number of short listed candidates
- K-TIG reports a cash position of \$3.49m as at 30 June 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 30 June 2020.

MOU with leading Australian Defence Contractors Axiom Precision Manufacturing and Bisalloy Steels

The Company announced that it has signed a Memorandum of Understanding (“MOU”) with Axiom Precision Manufacturing and Bisalloy Steel Group Limited (“Bisalloy”) to jointly develop a sovereign capability for the Australian Defence Industry.

Axiom Precision Manufacturing, is an Australian advanced manufacturing provider with significant defence and aerospace industry experience. Axiom Precision Manufacturing currently produces assemblies and sub-assemblies for air, land and sea defence projects. Axiom Precision Manufacturing manufactures many components for the Australian Collins Class Submarines and is also the sole provider to BAE Systems for the vertical tail components for the F-35 Strike Fighter.

Bisalloy Steels (ASX:BIS) is Australia’s only manufacturer of high-tensile and abrasion-resistant quenched and tempered steel plate used for armour, structural and wear-resistant steel applications. Bisalloy Steel is internationally recognised and certified by major defence departments and is used by major international prime contractors for land and sea projects.

Development of an Australian sovereign capability in the welding of specialist defence steels will allow Australian Industry to maximise its participation in upcoming Defence procurements, such as the four-phase approximately, \$10 - \$15 billion, LAND 400 project, that will see the ADF’s existing

Australian Light Armoured Vehicle and M113 Armoured Personnel Carrier fleets replaced with new vehicles that deliver improved levels of firepower, protection and mobility

Growing customer base

During the June 2020 quarter the Company continued growth in its customer base with licence agreements entered into 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.

In June 2020 the Company sold a K-TIG system to Aestec Services, an Australian domestic customer.

US market expansion

The Company continues to execute its market growth strategy in the USA with a number of shortlisted candidates identified to drive the US market expansion. Further updates will be provided to the market shortly.

Corporate and Financial Summary

During the quarter the Company announced the appointment of Mr Anthony McIntosh. Mr McIntosh has extensive experience in investment marketing, investor relations and strategic planning, with a focus on small caps, as well as a strong and well established network of stockbroking and investment fund managers. Mr McIntosh currently runs Adorina, the McIntosh family investment company, sits on the board of Alice Queen Limited and various private company boards. Mr McIntosh was a Board member of Echo Resources Limited 2013-2019, which acquired by NST at the end of 2019 for \$235m.

The attached Appendix 4C provides details on the cashflows for the quarter ended 30 June 2020. As at 30 June 2020 the Company had a cash balance of \$3.49m. The Company's net cash used in operating activities for the quarter amounted to \$624k. 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, \$80k was paid in respect of directors' fees and consulting fees to entities associated with the directors including company secretarial and accounting & bookkeeping services.

Pipeline

The Company has a substantive pipeline across various market segments. A summary of the pipeline broken down by customers and units as at 30 June 2020 is set out below.

	Qualified Leads	Engaged Leads	Commercial Proposals	Sold
Number of customers	51	30	10	9
Number of Units	51	30	10	11

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")

30 June 2020

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	268	442
1.2 Payments for		
(a) research and development	(32)	(126)
(b) product manufacturing and operating costs	(190)	(722)
(c) advertising and marketing	(25)	(109)
(d) leased assets	-	-
(e) staff costs	(602)	(1,838)
(f) administration and corporate costs	(203)	(1,173)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	4
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	103	143
1.8 Other (provide details if material) ¹	57	159
1.9 Net cash from / (used in) operating activities	(624)	(3,220)

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 6 on page 5.

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(15)	(157)
(d) investments	-	(180)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
	(e) intellectual property	-	-
	(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 activities³	(15)	6,586

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 6 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 6 on page 5.

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	-	(817)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 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	4,132	944
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(624)	(3,220)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(15)	6,586
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	(817)
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	3,493	3,493

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	3,488	4,127
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)	3,493	4,132

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**

80

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)

(624)

8.2 Cash and cash equivalents at quarter end (Item 4.6)

3,493

8.3 Unused finance facilities available at quarter end (Item 7.5)

-

8.4 Total available funding (Item 8.2 + Item 8.3)

3,493

8.5 **Estimated quarters of funding available (Item 8.4 divided by Item 8.1)**

5.6

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?

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?

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

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: 31 July 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.
6. 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.