

ASX / Media Release

27 April 2021

ASX code : **K2F**

Q3 FY21 Quarterly Activities Report

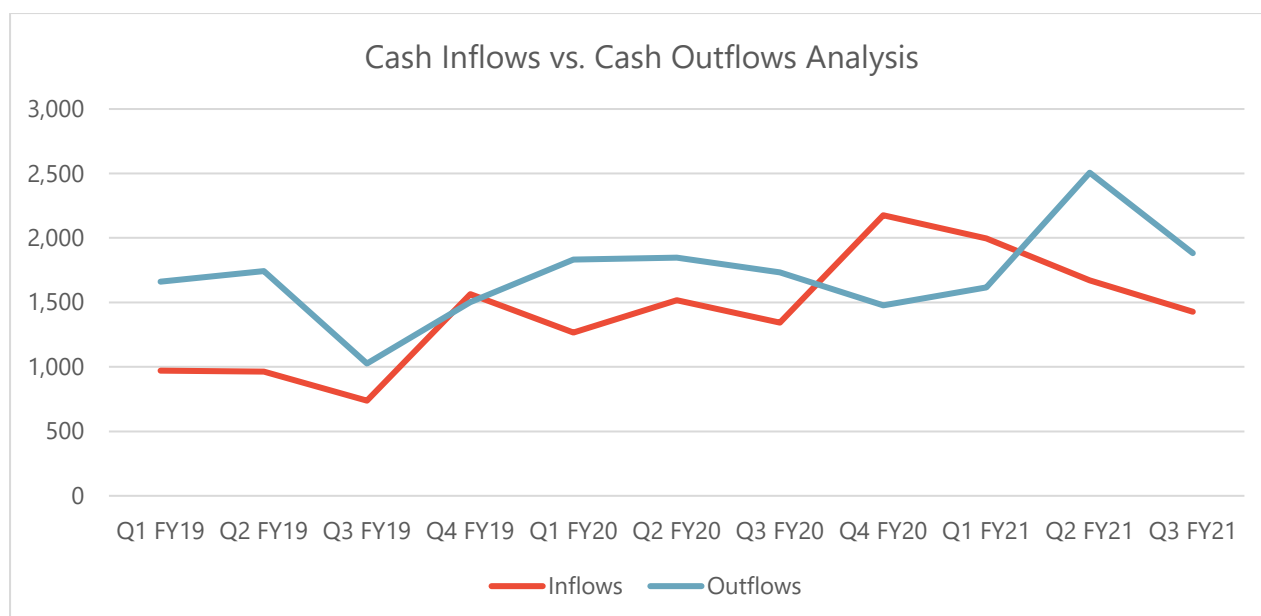
Highlights:

- **Record invoicing quarter of \$2.06M, 27% increase from corresponding quarter Q3FY20**
- **Decipher acquisition completed bringing additional depth to K2fly's growing solution suite in tailings and rehabilitation and extends K2fly's technical assurance and governance footprint inside existing global customers**
- **CSBP Ltd (a subsidiary of Wesfarmers) becomes >10% shareholder in K2fly**
- **2 new RCubed Mineral Inventory clients signed in the USA - Alcoa and Coeur Mining**
- **Rio Tinto Iron Ore takes up K2fly Heritage Solution**
- **Contracts signed with Griffith University for new heritage solution for Cape York communities**
- **ARR (Annual Recurring Revenue) grows 80% from Q3 FY20 and 26% from Q2FY21 to \$2.9M per annum**
- **TCV (Total Contract Value) grows 146% from Q3 FY20 and 56% from Q2FY21 to \$9.13M**
- **Cash available on 31 March 2021 was \$1.52M, \$1.58M in receivables and no debt**
- **On 19 April 2021, \$7.25M (before costs) was raised through a strongly supported share placement to institutional and sophisticated investors**

Billing and Cash Flow

K2fly Limited (ASX: K2F) (**K2F, K2fly or the Company**) is pleased to announce that it had a record invoicing quarter, raising invoices for \$2.06M in the Q3 FY21 (vs. \$1.61M in the equivalent previous corresponding period in FY20). We are pleased to see that in Q3 K2fly returned to more normal contract signing cadence with 4 new software subscription contracts signed in the quarter, increasing invoicing (28%), ARR (26%) and TCV (56%) substantially.

As at 31 March 2021, the cash available was \$1.52M. In addition, there was \$1.58M in receivables predominantly from Tier 1 clients. K2F has no debt.



In Q3FY21, while K2F had an overall negative cash position of \$1.04m, (with \$0.455m negative cash from operations) this was primarily due to investing in building or refining K2F's own software products, including:

- Increased investment in new product development including within the SATEVA suite of technical assurance solutions Model Manager and Ore Blocker.
- Our continued investment in our Tailings Governance Solution.
- Upgrading our leading RCubed Mineral Inventory Governance and Reporting solution to support our rapidly growing customers list of Tier 1 and Tier 2 miners.
- Development of NextGen which utilises Infoscope and Decipher for Mining for a land management solution.
- Expansion of our global sales and delivery capability in the USA, South Africa and Europe as well as global sales operations and strategic partnership support.

Negative cash flows also resulted from integration costs associated with the Sateva acquisition and also acquisition costs in relation to the Decipher for Mining transaction.

Software as a Service (SaaS)

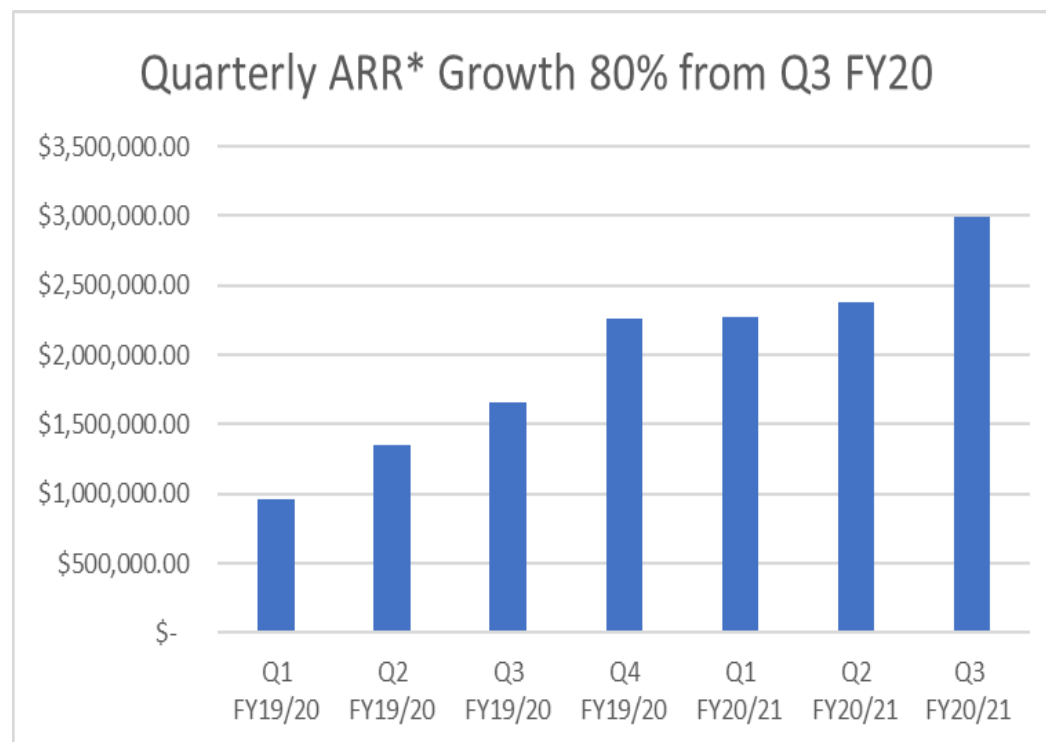
In Q3 FY21 K2F made substantial investments in the following ongoing strategic activities: a new release of our highly successful RCubed solution; the further enhancement of Model Manager, and Tailings; and a new solution currently named NextGen. These internal investments are working towards creating both new products and capability to meet our rapidly growing pipeline. The new offerings form part of our well-advertised "land & expand" strategy. We are confident that these investments will pay dividends in 2021 and beyond, especially in conjunction with our new SAP Endorsed Apps Certification bringing these to market.

In Q3 2021 our Heritage solution was sold successfully into both Rio Tinto Iron Ore and Griffith University. In addition, this solution was also being expanded within Fortescue Metals Group (FMG) and Mineral Resources Ltd.

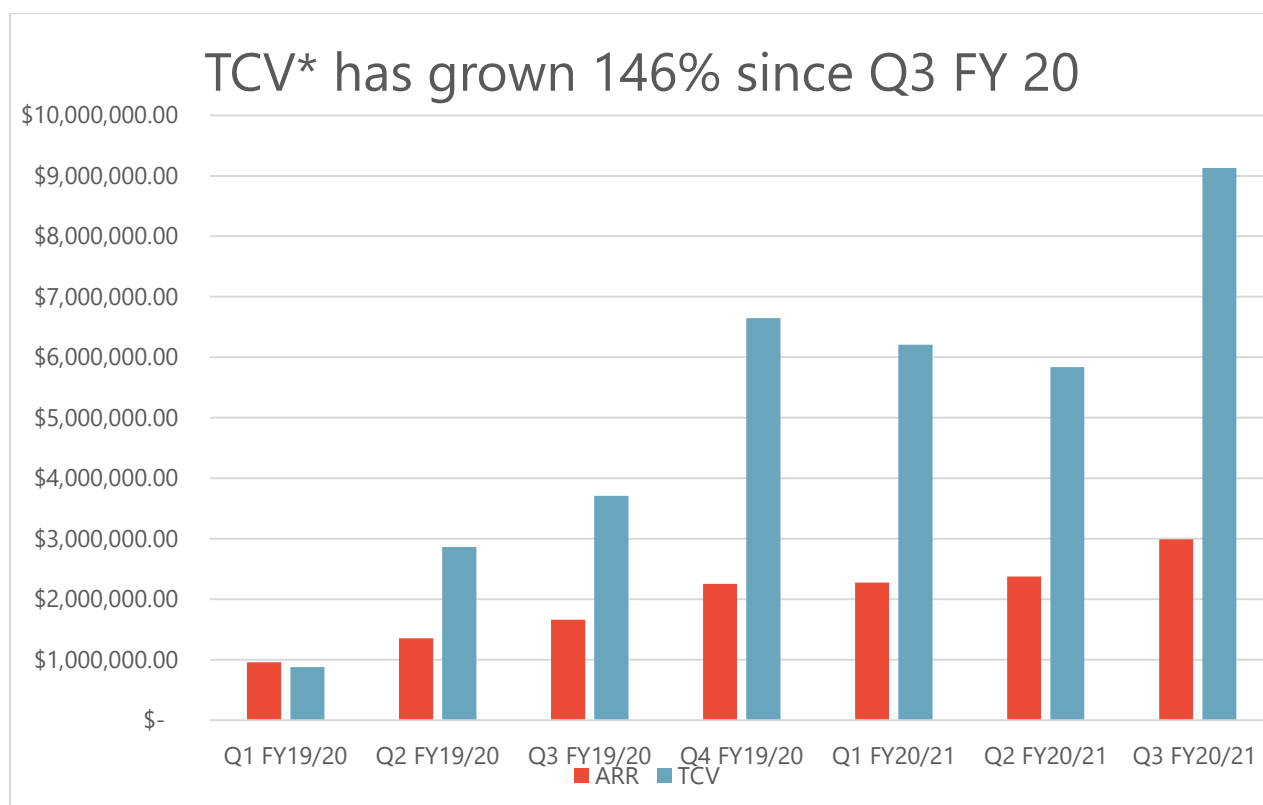
K2F is also in advanced discussions with other major mining organisations for global roll out of our land access solution. However, until contracts are signed, and purchase orders are received these situations are not commercial certainties.

Our RCubed solution continues to grow its client base with new contract awards from Alcoa and Coeur Mining. Both contracts were for five-year terms and this is a growing trend within our client base. In addition, Newmont and Goldfields had successful Go Live events with their implementation of the RCubed software. Other clients plan to be going live with the solution during the current quarter.

The SATEVA solutions continue to go from strength to strength with new purchase order cover gained from Roy Hill, FMG and Rio Tinto Iron Ore. The SATEVA team has integrated very successfully with K2F and the joint team is now creating some very exciting intellectual property. It is anticipated that these offerings will then become available for general release to all K2F clients and prospective clients.



ARR¹ grew strongly in Q3 FY21 (26%) from Q2 FY21 and a significant 80% growth from the equivalent previous corresponding period (Q3 FY20). ARR is now \$2.9M per annum.



TCV² grew strongly in Q3 FY21 (56%) from Q2 FY21, and an extraordinary 146% from the equivalent previous corresponding period (Q3 FY20). TCV is now \$9.13M.

^{1,2} *ARR and TCV Constant Currency – figures have been normalised to eliminate the effect of exchange rate fluctuations. Currency set at 25.01.21.

Completion of Decipher Acquisition

On 31 March 2021, K2fly completed the acquisition of Decipher for Mining from CSBP Limited (CSBP) (a subsidiary of Wesfarmers Limited).

The Decipher for Mining business provides cloud-based software-as-a-service technology and compliance solutions for mining industry customers, including in relation to rehabilitation and closure, tailings governance and monitoring and tailings disclosure database solution.

K2F has issued:

- 11,366,691 fully paid ordinary shares to CSBP (Consideration Shares), valued at \$3.7M; and
- 5,345,633 Performance Shares.

The Consideration Shares are subject to voluntary escrow of 2 years, and any shares issued on conversion of the Performance Shares will also be subject to a voluntary escrow period of 12 months.

CSBP become a substantial shareholder of K2F with a holding of 10.13% (pre Placement issue referred to below).

Payments to Related Parties and their Associates

In accordance with ASX Listing Rule 4.7C.3, payments to related parties of the Company and their associates during the quarter totalled \$64k relating to the Executive Director salary and Non-Executive Director fees. This amount is included at Item 6.1 of the Appendix 4C.

Refer to the Remuneration Report in the 2020 Annual Report for further details on director remuneration.

Capital Update and Placement

During the quarter, the following change in securities occurred:

- 31 March 2021 – Issue of 11,366,691 shares and 5,345,633 performance shares pursuant to the acquisition of Decipher for Mining ([refer ASX announcement 1 February 2021](#)).

On 19 April 2021 K2F raised \$7.25M (before costs) through a strongly supported share placement to institutional and sophisticated investors. The Placement will result in the issue of 25 million fully paid ordinary shares (New Shares) in K2F at an issue price of \$0.29 per New Share. Refer to ASX [announcement](#) and Investor Presentation released on 19 April for additional information.

Announcement released with authority of K2F board.

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About K2fly

K2fly Ltd (K2F) is an ASX listed technology company providing enterprise-level technical assurance and reporting solutions across all aspects of the Environmental, Social and Governance functions.

Servicing the mining, oil & gas, utilities and agriculture sectors, K2fly delivers a suite of solutions in governance and compliance, stakeholder engagement and permits and obligations services for clients covering:

- Land Access
- Community and heritage
- Rehab
- Dams & Tailing
- Resources Inventory and Mine Geology Systems
- Ground Disturbance

Underpinning K2fly's Software as a Service (SaaS) offering are its proprietary technologies: RCubed, Infoscope, the SATEVA Suite and Decipher.

K2fly has strategic alliances with global technology companies such as Esri (USA), SAP (Germany) and Hitachi-ABB (Japan).

In addition, K2fly provides cutting edge business consultancy services with subject matter experts across Rail, Electricity, Gas, Water, Mining, Oil & Gas, and Facilities Management.