

ASX / Media Release

29 July 2021

ASX code: **K2F**

Q4 FY21 Quarterly Activities Report

Highlights:

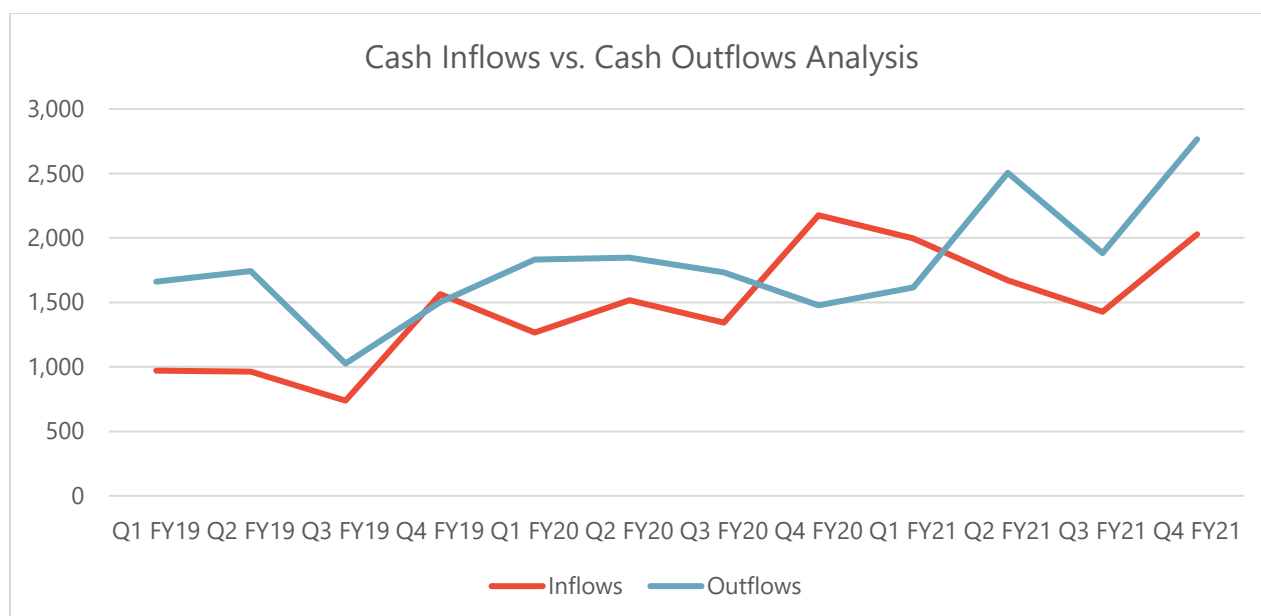
- Invoices for FY21 total \$7.8M, an increase of 18% on previous corresponding period (FY20: \$6.6M)
- Q4 FY21 record invoices of \$2.56M raised (34% increase from June 2020 Quarter)
- ARR* (Annual Recurring Revenue) \$3.38M increases 50% (from June 2020 Quarter)
- TCV* (Total Contract Value) \$9.90M increases 48% (from June 2020 Quarter)
- Encouraging spread of revenue increases across all parts of the business, with multiple opportunities in the pipeline for FY22
- Milestone Agreement signed with Roy Hill for Mine Technical Assurance suite. 5-year agreement, TCV of \$2.44M. Additional sales include expansion of Rio Tinto Iron Ore for Maximum Return mine data management solution, TCV of \$0.75M over three years. Both solutions are from the SATEVA acquisition in 2020
- Significant 3-year contract extension signed with Fortescue Metals Group (FMG) for the Infoscope solution with a TCV of \$1.455M, and solution deployed in both Europe and South America
- Evolution Mining and Heathgate Resources take the Decipher Solution for Tailings and Land Access. Additional TCV of over \$0.6M
- K2fly and Descartes Labs (DL) signed a reseller agreement whereby K2fly will resell DL Deformation solutions. Partnership adds further enhancement to K2fly support of Global Industry Standard on Tailings Management (GISTM)
- On 19 April 2021, \$7.25M (before costs) was raised through a strongly supported share placement to institutional and sophisticated investors
- Cash available on 30 June 2021 was \$6.90M, \$2.15M in receivables and no debt

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 \$2.56M in the Q4 FY21 (vs. \$1.90M in the equivalent previous corresponding period (pcp) in FY20). This means that invoices raised for FY21 were \$7.8M, which is a 18% increase on invoices raised for FY20 (\$6.6M).

As at 30 June 2021, the cash available was \$6.90M. In addition, there was \$2.15M in receivables predominantly from Tier 1 clients. Following receipts from customers, cash as at 27 July increased to \$7.2M. K2F has no debt.

* ARR and TCV may be affected by exchange rate fluctuations



In Q4FY21, K2F had a positive cash movement of \$5.382M resulting from the following:

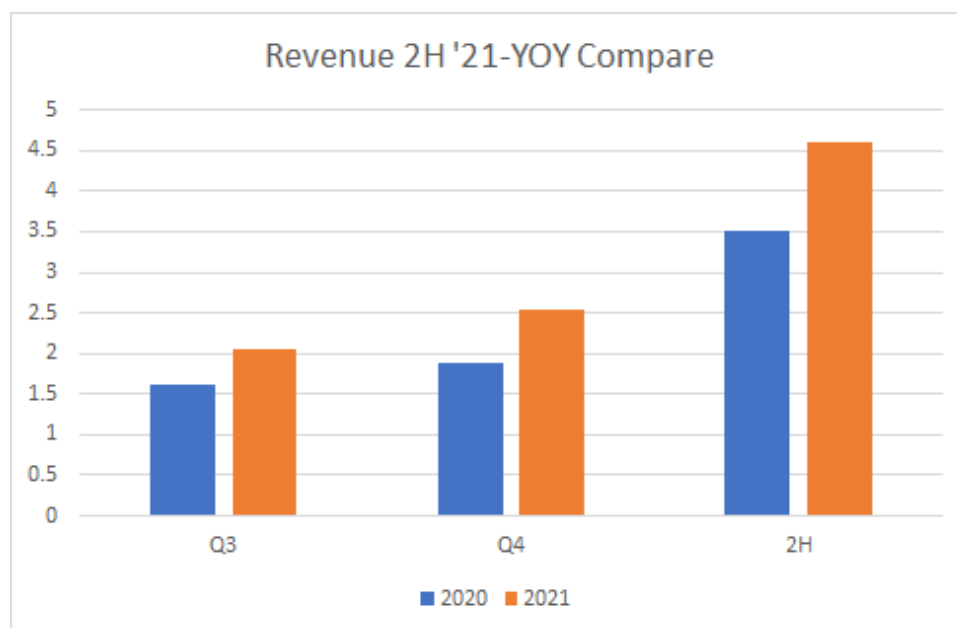
- Net cash inflow of \$6,781M from financing activities through the issue of 25,000,000 shares at an issue price of \$0.29 per share to raise funds of \$7.25M, reduced by transaction costs (associated with the placement) of \$0.469m.
- Net cash outflow of \$0.656M from investing activities which includes outflows of \$0.628M related to the Company's development of Intellectual Property (IP). This comes on the back of significant investment in Q3 (\$0.53M) where K2F decided to further develop its own IP to enhance its current Software as a Service (SaaS) product suite and as additional opportunities in the Resources' sector became apparent. Some of this development relates to the SATEVA suite which was still under development at the time K2F acquired SATEVA (refer ASX announcement data 28 October 2020). K2F is also working with three Tier 1 clients who have identified further requirements in the Environmental, Social and Governance (ESG) arena and have contracted for specific enhancements to our solutions' offerings. As announced on 27 April 2021 the Company is currently incurring costs and will continue to invest in relation to product development (refer ASX announcement dated 27 April 2021) in building or refining K2F's own software products including:
 - Increased investment in new product development 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 customer list of Tier 1 and Tier 2 miners.
 - Development of NextGen which utilises Infoscope and Decipher for Mining for a land management solution.

K2F is confident that the new enhancements to our current solutions and development of new solutions will have broad market appeal and have already generated a great deal of interest from existing K2F clients; including those based in North America. Whilst the Company does not anticipate that enhancement of its software solutions and development of new solutions will be a permanent component of the Company's cost structure, the Company has allocated expenditure to occur in FY22.

- Net cash outflow of \$0.736M from operating activities. There was \$2.029M through the cash receipt of sales which were offset by expenses including direct cost of sale expenses (\$1.011M), employee costs (\$0.926M) and other corporate overhead and administration expenses (\$0.733M).

Own Software

Q4 saw the continuation of our strong second half performance with record invoicing months in March (\$0.851M), April (\$0.887M) and May (\$1.01M) and a record quarter for Q4 FY 21 of more than \$2.54M in invoices.



Most encouraging was the spread of the business across all of our solution offerings in the second half of the year. Quarter 3 saw strong RCubed sales from North America including Alcoa and Coeur Mining as well as a landmark Heritage deals with Rio Tinto Iron Ore and Griffith University.

Quarter 4 was an extremely strong quarter for our Mine Technical assurance suite (formerly SATEVA) across Roy Hill and Rio Tinto. In May 2021 K2fly made its inaugural sale of the full Mine Technical assurance solution from the SATEVA suite of products acquired in October 2020. The five-year agreement with Roy Hill is worth \$2.44M and is the beginning of a long-term partnership with Roy Hill.

In June 2021 K2fly expanded its relationship with Rio Tinto Iron Ore with a new agreement to implement its Maximum Return, Geology Data Management solution. The 3-year agreement has a total contract value of at \$0.75M.

In summary the SATEVA acquisition has now added over \$0.6M of ARR or \$3.2M in TCV in less than six months. In addition, the SATEVA consulting business continues to drive strong consulting revenues of over \$1.5M per annum.

Fortescue Metals Group (FMG) continues to show faith in the K2F Infoscope solution. In May 2021 FMG signed a 3-year extension to its existing contract and also expanded its use of the solution across their ore body assets in Europe and South America. FMG has been a user of the Infoscope solution for more than 8 years and regularly invests in Infoscope developments.

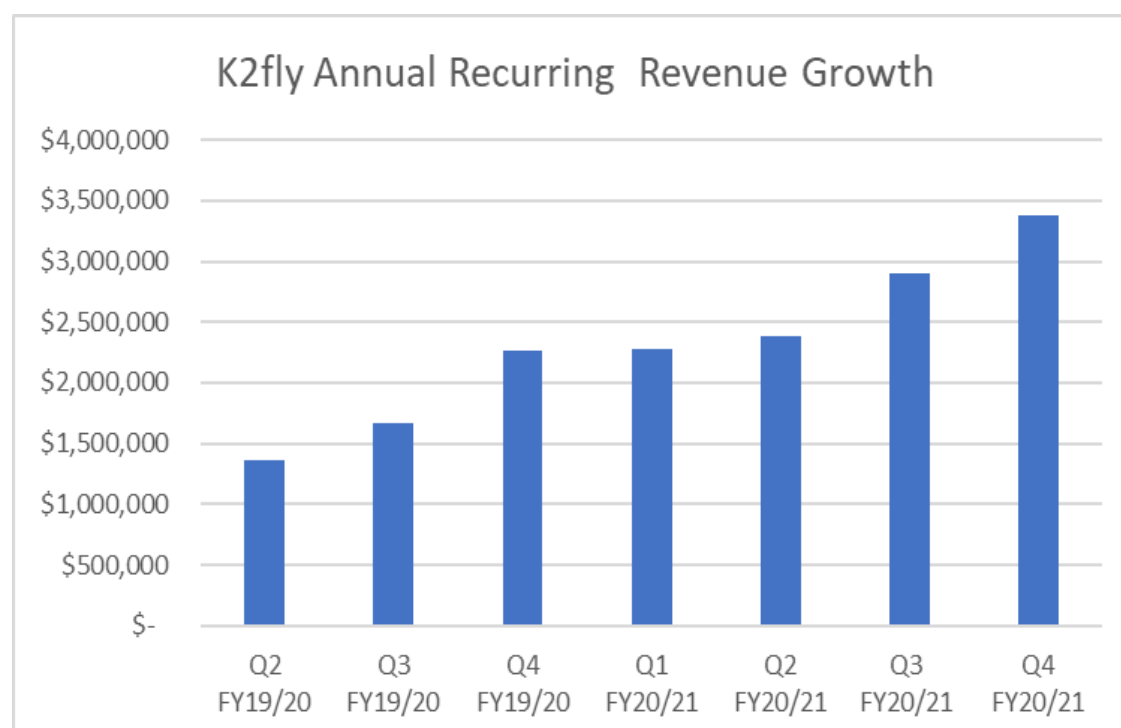
Our new Tailings and monitoring solutions via the Decipher acquisition also delivered results across Q4 with contracts for the solution being signed with Evolution Mining Limited and Heathgate Resources Pty Ltd. Evolution Mining has contracted with K2fly for stage 1 of its Tailings Management solution. Heathgate Resources has contracted to use the Decipher for Mining solution to implement a land access and monitoring solution at its Beverley and Beverley North mine site in South Australia. The agreements add an additional TCV value of over \$0.615M.

With the new Global Industry Standard on Tailings Management (GISTM) now released and more companies committing to the implementation of the standard, we expect to see strong demand throughout calendar 2021 and beyond. We also anticipate deal sizes will increase in line with global rollouts.

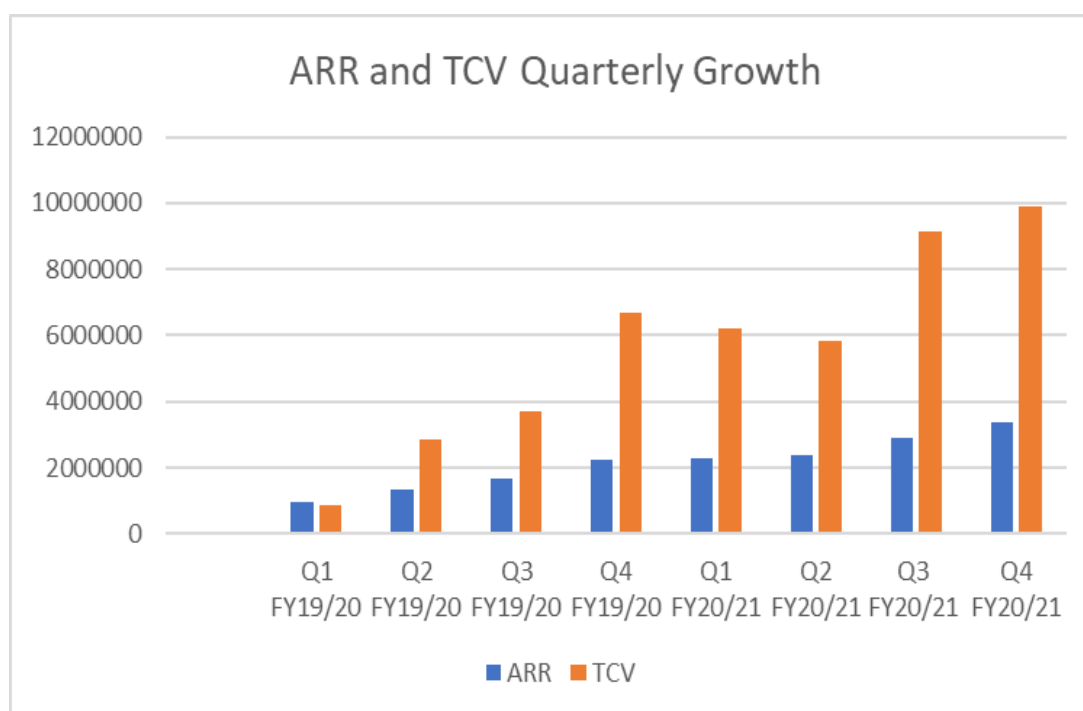
As noted above, K2fly has continued to invest heavily in our current and new solutions. In Q4 K2fly invested \$0.628M in product development across our RCubed V2, Mine Technical Assurance and Next Gen solutions. When added to the Q3 investment (\$0.53M) in developing IP, K2F has spent more than a million dollars (\$1.16M) in the last 6 months as it seeks to create innovative and highly relevant solutions which are being sought by both existing and prospective clients.

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 result in sales in 2021 and beyond.

ARR¹ grew strongly in Q4 FY21 (50%) from Q4 FY20



TCV² grew strongly in Q4 FY21 (48%) from Q4 FY20



^{1,2} ARR and TCV may vary with exchange rate fluctuations.

Partnerships

K2fly and Descartes Labs (DL) have signed a 12 month reseller (partnership) agreement whereby K2fly will resell DL Deformation solutions. Descartes Labs is a geospatial intelligence company based in Santa Fe, New Mexico. Initially K2fly will bundle DL's SaaS based Deformation systems into K2fly's Tailings and Rehabilitation solutions with the intention of expanding the offering across multiple solutions. This partnership adds further enhancement to K2fly support of GISTM. Both companies are already joint bidding on several advanced tailings opportunities with Tier 1 and 2 global miners. K2F believes that it is well placed in two sales situations but until a contract is signed, or a purchase order received, there is no guarantee that either of these opportunities will result in new clients.

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 \$0.123M 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:

- 27 April 2021 – Issue of 25,000,000 shares at an issue price of \$0.29 per share to raise funds of \$7.25m (before costs) and 2,265,625 unlisted options at an issue price of \$0.00001 each, exercisable at \$0.435 each on or before 10 March 2024
- 11 June 2021 – Issue of 718,484 shares upon the exercise of unlisted options
- 23 June 2021 – Issue of 105,225 shares upon the exercise of unlisted options

Announcement released with authority of K2F board.

ENDS

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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, Decipher for Mining and the SATEVA Suite.

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.