

ASX Release

18 October 2021

ASX code: K2F

Q1 FY2022 Quarterly Activities Report

Growth in TCV and ARR to record levels following signing of multiple contracts

Highlights

- **Total Contract Value (TCV) growth of 42% to \$14.0m in Q1 FY2022, compared to the prior quarter and up 125% compared to Q1 FY2021, resulting from three new major contracts all signed on 5-year contract terms (including contracts with Newmont and Sibanye-Stillwater) - growth to record level**
- **Annual Recurring Revenue (ARR) growth of 20% to \$4.1m in Q1 FY2022, compared to the prior quarter and up 79% compared to Q1 FY2021**
- **Invoices Raised grew 1% to \$2.6m in Q1 FY2022 compared to the prior quarter and up 58% compared to Q1 FY2021, influenced by an annual invoicing cycle with Q1 traditionally being a low invoicing quarter**
- **Cash Receipts from Customers grew 34% to \$2.7m in Q1 FY2022 compared to the prior quarter and up 36% compared to Q1 FY2021, driven by invoicing of new contracts signed in recent quarters and is also influenced by the invoicing cycle**
- **Largest contract signed to date with Rio Tinto of TCV \$3.44m / ARR \$620k – post quarter end**
- **Executive restructure: Brian Miller former CEO moved into an Executive Director role and Nic Pollock former Chief Commercial Officer was promoted into CEO role; a review of the operating model resulted in Sara Amir-Ansari being appointed as inaugural CFO**
- **Cash balance on 30 September 2021 was \$5.7m (no debt) with a cash balance of \$6.25m at the date of this announcement**

K2fly Limited (K2F, K2fly or the Company) (ASX: K2F), a provider of 'net positive impact' solutions in Environmental, Social and Governance (ESG) compliance, disclosure and technical assurance, to operations of mining and asset intensive industries through its platform-based SaaS cloud solutions, is pleased to provide commentary regarding its activities for the September quarter, Q1 FY2022.

CONTRACTS AND FINANCIAL RESULTS (AU\$)

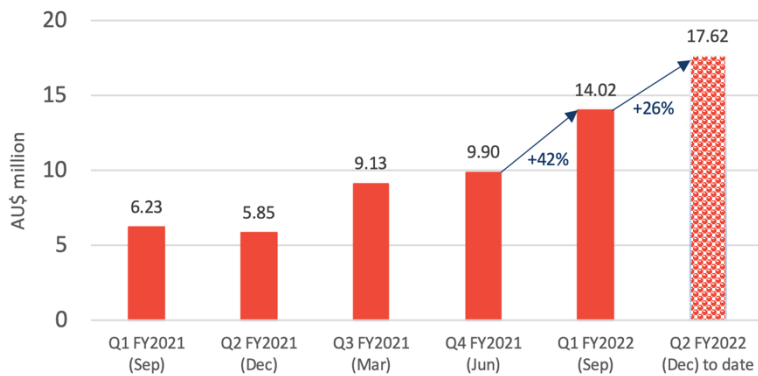
TCV & ARR*: Three major contracts were signed during the September quarter, Q1 FY2022 (Alcoa, Newmont and Sibanye-Stillwater), resulting in significant double-digit growth in TCV of 42% and ARR of 20% in the quarter compared to the prior quarter (Q4 FY2021) and up 125% and 79% respectively compared to Q1 FY2021.

Post quarter end, K2fly signed its largest contract to date with Rio Tinto resulting in TCV of \$17.6m and ARR \$4.7m, growth of 26% and 15% respectively, already achieved to date in the current December quarter (Q2 FY2022). See Major Contracts section of this report for more detail.

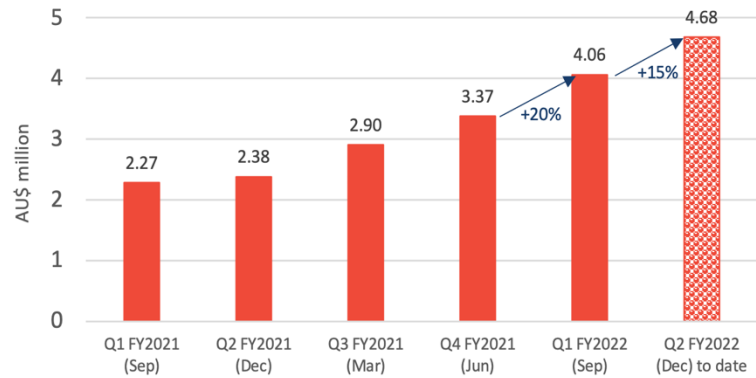
* ARR and TCV may vary with exchange rate fluctuations.



Total Contract Value (TCV) - Quarterly



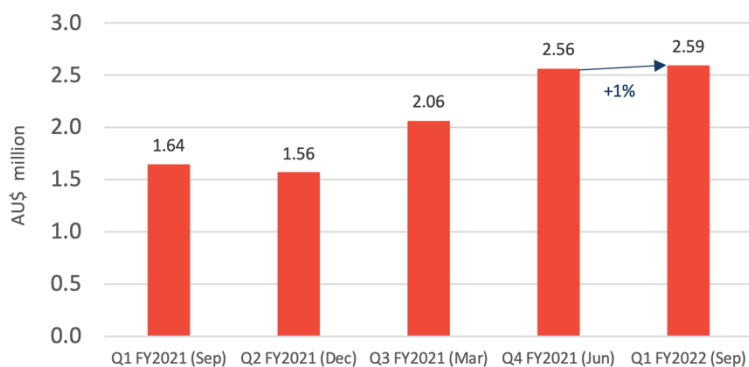
Annual Recurring Revenue (ARR) - Quarterly



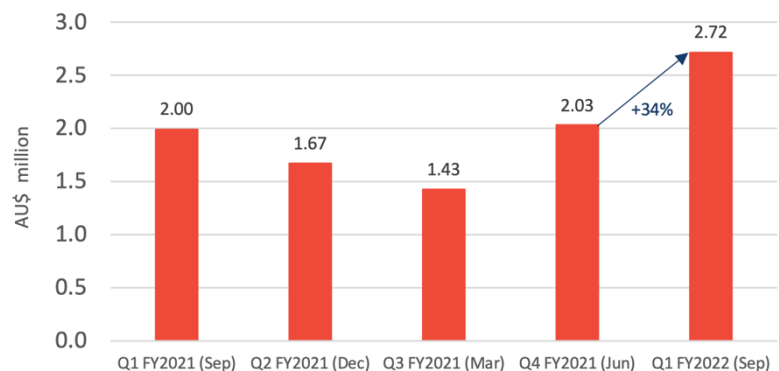
Invoices Raised and Cash Receipts: Invoices Raised during the quarter grew 1% to \$2.59m compared to the prior quarter and grew 58% compared to Q1 FY2021. Invoicing is cyclical due to being mostly based on an annual billing cycle, with clients paying in advance. The first quarter of the financial year is traditionally a low invoicing quarter based on relatively fewer annual invoices being raised in this quarter across the spread of K2fly's current clients.

Cash Receipts from Customers grew 34% to \$2.72m, compared to the prior quarter and grew 36% compared to Q1 FY2021. Growth in Cash Receipts is the result of invoicing of new contracts signed in recent quarters and is also influenced by an annual invoicing cycle as explained above.

Invoices Raised - Quarterly



Cash Receipts from Customers - Quarterly



Nic Pollock CEO of K2fly said "We have achieved record growth in TCV and ARR this quarter from three major contract signings all on 5-year terms, which will flow through to growth in future Invoices Raised and Cash Receipts.

Having completed a number of acquisitions in the past few years to broaden and deepen our platform of 9 ESG solutions, our offering has never been stronger. The acquisition of the Decipher Tailings Solution earlier this calendar year is showing a very strong contribution to our overall TCV and ARR growth. We are seeing increasing focus and spend on ESG solutions by the mining industry to which K2fly's offering is showing strong take-up.

We anticipate a continuation of further strong growth in the December quarter having recently signed a 5-year contract with Rio Tinto post quarter end for our Ground Disturbance solution amounting to our largest single contract value signed to date of \$3.44m, bringing our TCV to \$17.6m

post quarter end at the date of this report. Our strategy to 'land and expand' is progressing well as evidenced by this contract, with Rio now using 5 out of our 9 platform solutions."

MAJOR CONTRACTS

Alcoa USA Corp ([announced 6 August 2021](#)): A 5-year contract was signed for K2fly's Dams and Tailings Solution, across 7 sites globally. Alcoa is a global industry leader in the production of bauxite, alumina and aluminium.

Newmont Corporation ([announced 17 September 2021](#)): A 5-year contract extension was signed through to March 2028 for K2fly's Mineral Resource Governance Solution (extension TCV of \$1.3m). The agreement builds on the initial 3 year agreement signed in March 2020 (TCV \$0.9m – see [12 March 2020 agreement](#)). Newmont is the world's leading gold company and producer of copper, silver, zinc and lead.

Sibanye-Stillwater ([announced 20 September 2021](#)): A 5-year contract was signed for K2fly's Tailings Solution, across 38 tailings facilities globally (TCV of \$2.85m and ARR of \$475k). Sibanye-Stillwater is one of the world's largest primary producers of platinum, second largest producer of palladium and third largest producer of gold on a gold equivalent basis. The contract is being bundled with Descartes Labs' geospatial intelligence solution in partnership with K2fly.

Rio Tinto ([announced 5 October 2021](#), post quarter end): A 5-year contract was signed for K2fly's Ground Disturbance solution, to be rolled out across the Pilbara of Western Australia (TCV of \$3.44m and ARR of \$620k). Rio Tinto operates the world's largest integrated portfolio of iron ore assets. The contract expands the number of K2fly's solutions used by Rio Tinto to five out of nine solutions which already include: Resource Inventory & Reconciliation, Dams & Tailings, Community & Heritage and Mine Geology Data Management.

Other: A proof of concept (POC) study was signed with an existing client, an international mining company (ICMM member), during the quarter for K2fly's Tailings Solution (Decipher). The size of this initial pilot study is not material but we will update the market in due course if the POC is a success and the client chooses to roll out this solution.

Summary of major new contracts signed

Client	TCV (AU\$)	ARR (AU\$)	Term (Years)	Solution Area
Alcoa	1.50m	180-250k	5	Tailings
Newmont	1.30m		5	Resource Governance
Sibanye-Stillwater	2.85m	475k	5	Tailings
Total Q1 FY2022	5.65m	655k		
Rio Tinto (post quarter end)	3.44m	620k	5	Ground Disturbance

CORPORATE

Restructure: In August ([announced 23 July 2021](#)) Brian Miller decided to step back from the CEO role having successfully developed the company this far as the founding CEO. Nic Pollock former K2fly Chief Commercial Officer, was promoted into the CEO role, while Brian Miller moved into Executive Director role, effective 1 September 2021. Brian's new responsibilities include capital markets (investors), new acquisitions and the consulting business.

Operating model review: During the quarter, the Company undertook a review of its operating model resulting in building capability for anticipated substantial growth. An inaugural CFO was

appointed with Sara Amir-Ansari, commencing 25 October 2021 ([announced 2 September 2021](#)). Sara is an experienced CFO with over 20 years' experience in asset intensive and service-based industries (including ASX-listed), private and government-owned enterprises, across a variety of finance and commercial roles. Sara holds a Bachelor of Commerce, is a member of Chartered Accountants Australia and a graduate of the Australian Institute of Company Directors.

Decipher Tailings Solution acquisition update: The acquisition ([announced 1 February 2021](#)) has proved to be a highly successful and complementary addition to the Company's platform of 9 solutions, deepening our offerings and providing leadership in our Dams & Tailings and Rehabilitation & Closure solutions, within our Natural Resource Governance offering.

Since completion of the acquisition in March 2021, only 6 months ago, new contracts for Decipher have been signed with further global tier 1 and tier 2 miners totalling TCV of \$5.02m and ARR of \$904k.

Strategy delivering growth: The Company's go to market strategy to target tier 1 and tier 2 global miners is proving very successful as evidenced by strong growth in contract agreements signed during the September quarter and post quarter end. As part of this strategy, K2fly's sales process is receiving good traction by leading with its Resource Inventory Reconciliation Solution, under a 'land and expand' growth strategy with existing customers into other solutions over time, under our nine solutions offering.

In addition, K2fly has focused its sales process on members of the International Council on Mining and Metals (ICMM) and its Global Industry Standard on Tailings Management (GISTM) through which K2fly's Decipher solution helps clients manage and address ESG risk. To date, 5 out of 28 ICMM members are using K2fly's Tailings Solution.

Annual report: The Company released its FY2021 Annual Report during the quarter (view [here](#)).

Cash position: The Company held a cash position of \$5.67m at 30 September 2021 (no debt) and balance of \$6.25m at 15 October 2021 following significant payments received post quarter end.

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 \$120k 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 2021 Annual Report for further details on director remuneration.

Operating expenditure: Gross expenditure in the September quarter amounted to cash outflows of \$2.852m (Section 1.2, Appendix 4C). Net Cash from Operating Activities outflow was AU\$159k (Section 1.9, Appendix 4C). Cash outflows related to ongoing operating expenditures to run business operations and deliver K2fly's platform of 9 solutions to clients which include the key items of: Product manufacturing and operating costs, Advertising and marketing, Staff costs and Administration and corporate costs.

Net cash outflow from investing activities: Outflows relate to the development of own IP to enhance the current product suite of solutions (\$747k), instalment payment for RCubed acquisition due to achievement of performance milestones (\$150k), deferred performance-based consideration in respect to the Sateva acquisition (\$119k) and capital purchases to run business operations (\$52k).

Capital Movements: During the quarter, the following change in securities occurred:

- 6 July 2021 – Issue of 55,431 shares upon the exercise of options

Announcement released with authority of K2fly Board.

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More on K2fly: [Website](#) | [Investor centre](#) | [Subscribe to investor updates](#)

About K2fly

K2fly Limited (ASX: K2F) is an ASX listed technology provider of enterprise-level '**net positive impact**' solutions in Environmental, Social and Governance (ESG) compliance, disclosure and technical assurance, to operations of mining and asset intensive industries through its platform-based SaaS cloud solutions.

Our solutions address many industry challenges and help manage risk around clients' social license to operate concerning reporting & governance, reputation and disclosure demands.

Product & service offering: We deliver a suite of solutions across three key areas on a single platform:

- Natural Resource Governance
- Mineral Resource Governance
- Technical Assurance

Customers: Spanning all continents, our customer base includes Australian and overseas tier-1 clients operating in 54 countries.

Strategy: Through acquisition, development, and partnerships, K2fly have assembled a unique platform that generates high margin SaaS recurring revenues, being rolled out globally. Our strategy is to 'land and expand' our offering with clients over time whereby additional solutions are rolled out to support central operational management and efficiency gains.

K2fly works closely with peak industry bodies, regulators, and our own industry advisory groups on ESG topics that are driven by rapidly changing regulations, community and investor expectations to build fit for purpose industry solutions that adhere to recognised codes and standards.

Strategic alliances: K2fly has strategic alliances with global technology companies such as Esri (USA), SAP (Germany), Hitachi-ABB (Japan), Descartes Labs (USA) and Cyient (UK).

Platform

Area	Solution	Related Acquisition
Natural Resource Governance	Community & Heritage Land Access & Monitoring Ground Disturbance Dams & Tailings Rehabilitation & Closure	Infoscope Infoscope Infoscope Decipher Decipher
Mineral Resource Governance	Resource Inventory & Reconciliation Block Model Management & Governance	RCubed RCubed, Sateva
Technical Assurance	Automated Ore Blocking Mine Geology Data Management	Sateva Sateva

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Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

K2fly Limited

ABN

69 125 345 502

Quarter ended ("current quarter")

30 September 2021

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	2,720	2,720
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(991)	(991)
(c) advertising and marketing	(59)	(59)
(d) leased assets	-	-
(e) staff costs	(1,180)	(1,180)
(f) administration and corporate costs	(622)	(622)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	1
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (cash restricted to non-restricted)	(28)	(28)
1.9 Net cash from / (used in) operating activities	(159)	(159)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	(269)	(269)
(c) property, plant and equipment	(52)	(52)
(d) investments	-	-
(e) intellectual property	(747)	(747)
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
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	-	-
2.6	Net cash from / (used in) investing activities	(1,068)	(1,068)

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	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
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	-	-

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	6,906	6,906
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(159)	(159)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,068)	(1,068)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	-
4.5	Effect of movement in exchange rates on cash held	(14)	(14)
4.6	Cash and cash equivalents at end of period	5,665	5,665

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	5,665	6,906
5.2	Call deposits	-	-
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)	5,665	6,906

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	120
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<i>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.</i>		

Payments included in item 6.1 relates to payment of director fees and executive director salary (\$120k).

7.	Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i> <i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	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.		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(159)
8.2	Other (software development) (item 2.1e)	(747)*
8.3	Total relevant outgoings (item 8.1 + item 8.2)	(906)
8.4	Cash and cash equivalents at quarter end (item 4.6)	5,665
8.5	Unused finance facilities available at quarter end (item 7.5)	-
8.6	Total available funding (item 8.4 + item 8.5)	5,665
* The Company considers it appropriate to include cash outflows related to the development of IP activities. Whilst this is not a permanent component of the Company's cost structure, the Company is currently incurring costs in relation to its product development (refer ASX announcement dated 19 April 2021)		
8.7	Estimated quarters of funding available (item 8.4 divided by item 8.1)	6.25
<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>		
8.8	If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1	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?	
8.6.2	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?	
8.6.3	Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
<i>Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.</i>		

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: .18 October 2021.....

Authorised by: . 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.