

March Q3 FY2022 Quarterly Activities Report

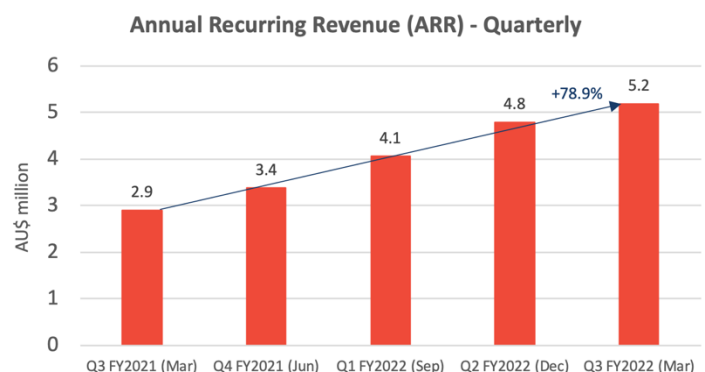
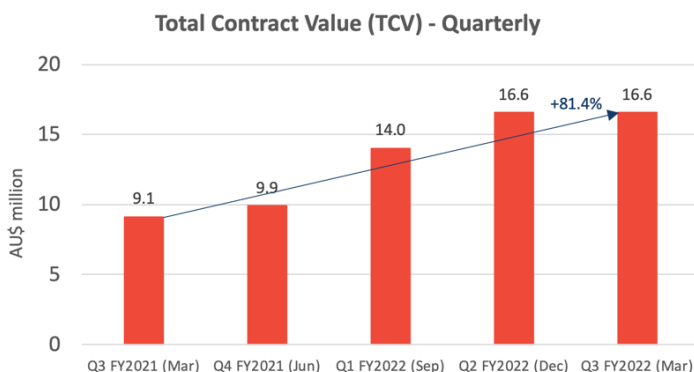
Record Quarterly Invoicing; ARR exceeds \$5m; Capital Raising and Strategic investment by Maptek post quarter end raising \$6.2m

Highlights

- Record quarterly Invoices Raised; \$3.3m in Q3 FY2022, up 33.5% from Q2 and 60.2% compared to Q3 FY2021
- Total Contract Value (TCV)¹ of \$16.6m in Q3 FY2022, 81.4% higher than Q3 FY2021 (TCV is the remaining value of existing contracts)
- Annual Recurring Revenue (ARR)¹ of \$5.2m in Q3 FY2022, 78.9% higher than in Q3 FY2021
- Two material contracts signed: South32 (TCV \$781k / ARR \$180k) and Freeport-McMoRan (TCV \$768k / ARR \$200k) on 3-year terms
- Capital raising (placement) of \$6.2m before costs to existing institutional investors, key K2fly executives and existing sophisticated investors in April 2022
- Maptek strategic investment in K2fly (largest global private mining software group) as part of placement with Maptek's Chairman Peter Johnson appointed to K2fly's Board as Non-Executive Director
- Cash balance on 31 March 2022 was \$1.5m (no debt). Post quarter end placement proceeds (before costs) of \$6.2m were received. Trade receivables at 31 March 2022 were \$3.2m.

K2fly Limited (K2F, K2fly or the Company) (ASX: K2F), is the leading provider of Resource Governance solutions for 'net positive impact' in Environmental, Social and Governance (ESG) compliance, disclosure and technical assurance. We focus on the operations of mining and asset intensive industries through our platform-based SaaS cloud solutions. K2fly is pleased to provide commentary regarding its activities for the March quarter, Q3 FY2022.

Key movements in Total Contract Value (TCV) and Annual Recurring Revenue (ARR) in the quarter:



CONTRACTS AND FINANCIAL RESULTS

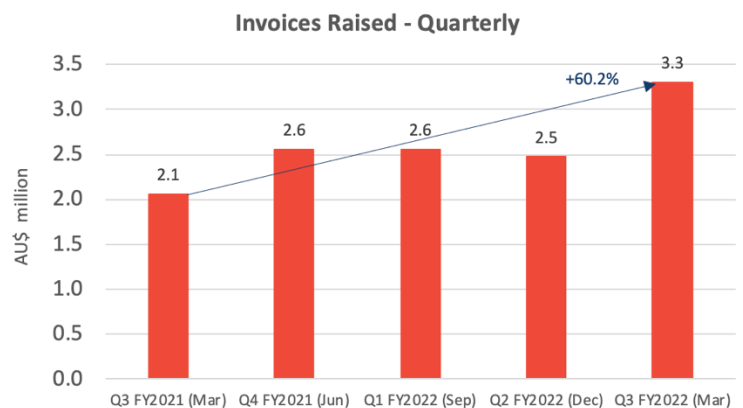
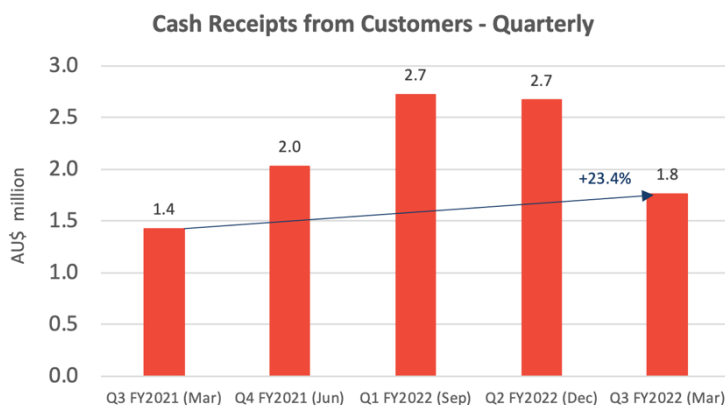
TCV & ARR¹: TCV is the remaining value of current contracts. It depletes monthly, as the remaining term of the contract reduces. Two major contracts were signed during the March quarter, Q3 FY2022 (South32 and Freeport-McMoRan). **TCV has grown 81.4%** compared to Q3 FY2021. After adding new contracts, on a net basis including depletion, TCV remained unchanged compared to Q2 FY2022. **ARR grew 8.3%** compared to the prior quarter (Q2 FY2022) and **was up 78.9% compared to Q3 FY2021**. See Major Contracts section of this report for more detail.

Invoices Raised and Cash Receipts:

Cash Receipts from Customers during the quarter were up 23.5% over Q3 FY2021 at \$1.8m. Compared to the prior quarter Q2 FY2022, Cash Receipts were down 34.0% due to the timing of billings, which were concentrated in March 2022, and payment terms. Billings, and subsequently Cash Receipts vary by month and quarter due to the anniversary dates of the client contracts (annual billing cycle), and the timing of implementation fees against project milestones.

With \$3.2m in trade receivables at 31 March 2022, it is anticipated that the flow through into cash receipts in the quarter ending 30 June 2022 will be higher than Q2 FY2022. Historically, cash receipts are highest in the June quarter.

Invoices Raised during the quarter were \$3.3m, up 33.5% over the prior quarter and 60.2% higher compared to Q3 FY2021. The timing of Invoices Raised, and subsequently cash received, varies as explained above.



Nic Pollock CEO of K2fly said "Q3 was another quarter where operational and strategic milestones were achieved. We invoiced more than \$3m (\$3.3m) for the quarter and we drove past \$5m in ARR (\$5.2m). We landed a prestigious new client in Freeport-McMoRan, and we successfully expanded the use of our Tailings solution in South32 to all of their operations globally.

We completed a strategic capital raising in April 2022 and have brought on Maptek, the world's largest private mining software group as a strategic investor. We have also appointed a new Non-Executive Director to our Board, Peter Johnson, Chairman of Maptek who has deep experience in mining software. In undertaking the placement, our balance sheet is in a healthy position for us to pursue our global growth ambitions to be the leader in Resource Governance solutions."

MAJOR CONTRACTS

South32 ([announced 10 March 2022](#)): A 3-year contract was signed for K2fly's Dams and Tailings Solution (Decipher) to roll out additional modules across 6 mine operations (Australia and South America). TCV is \$781k and ARR is \$180k. The Dams and Tailings Solution sits within K2fly's Natural Resource Governance area. Read more about this solution [here](#).

Freeport-McMoRan (FCX) ([announced 14 March 2022](#)): A 3-year contract was signed for K2fly's RCubed Mineral Resource Governance Solution to be rolled out across all 12 global operations. TCV is \$768k and ARR is \$200k. K2fly's RCubed Mineral Resource Governance Solution is the only Commercial off the Shelf (COTS) solution available in the market globally. Read more about RCubed [here](#).

CORPORATE

Strategic investment and capital raise (placement):

Post quarter end on 8 April 2022, K2fly announced the strategic investment in K2fly by Maptek (largest global private mining software group with revenues in excess of A\$120m) as part of \$6.2m placement, before costs. The placement shares were issued at \$0.18 per ordinary share in a single tranche at a 4.1% premium to the 15-day VWAP, to Maptek, existing institutional investors, key K2fly executives and existing sophisticated investors. The new shares were issued pursuant to the Company's existing placement capacity under ASX Listing Rule 7.1 and 7.1.A.

Maptek accounted for \$4.05m of the overall \$6.2m placement, becoming a 13.2% shareholder in K2fly. Maptek dominates the sector globally for mine planning and geological modelling software as well as solutions across a wide span of the mining value chain. Maptek have entered a 12-month standstill agreement limiting their ability to acquire shares above 19.9% without K2fly board approval.

Funds raised will be used for product development and working capital requirements to deliver continued growth. The placement was completed on 14 April 2020 with all proceeds received. See [announcement 8 April 2022](#) for further details.

Strategy delivering growth:

Our strategy of acquiring businesses with intellectual property which complements our existing solutions and growing them rapidly continues to deliver. In each acquisition we have made we have demonstrated a track record of developing very strong ARR growth from those business in relatively short timeframes.

In this fiscal year (FY22) K2fly have revised our commercial offering to better leverage the greater scale and value of opportunities with major global miners and the broadening of our solution suite into larger operational ESG solutions like Tailings and Ground disturbance. The net effect is that our average annual license fee for new deals has grown more than threefold in the first three quarters of this fiscal year.

At the same time, we continue to invest in R&D to expand our offerings with our clients by building on our own IP, expanding our solution offerings, and growing our moat as the only provider of these unique COTS solutions.

We continue to deliver new clients (*land*) and then *expand* our solution footprint and revenues in many customers. At this point 30% of our customers use more than one K2fly solution. Rio Tinto now

use 5 from our 9 K2fly solutions, some globally and some in limited operations since they bought their first solution less than three years ago. There remain strong further growth opportunities embedded within major customers for global rollout of solutions.

Board appointment: As part of Maptek's 13.2% strategic investment in K2fly, Maptek's Chairman, Peter Johnson, has been appointed to K2fly's board as Non-Executive Director. Peter is a mechanical engineer with over 20 years' experience in the development and application of technology in the global mining industry and has worked at Maptek since 1999, including as General Manager (Australia) since 2006, and was responsible for expanding Maptek's footprint beyond geological modelling and mine design into mine operations, scheduling, drill and blast and production management and success in these areas at a global scale.

Ongoing investigation: The investigation into the suspected fraud event in K2fly's South African registered subsidiary linked to a former employee is ongoing. See [announcement 8 March 2022](#).

Cash position: The Company held a cash balance on 31 March 2022 of \$1.5m (no debt). Post quarter end placement proceeds (before costs) of \$6.2m were received. Trade receivables at 31 March 2022 were \$3.2m.

Post quarter end: The cash runway calculation (estimated quarters of funding available) shown in section 8.7 of the Appendix 4C does not consider funds raised from the 8 April 2022 announced \$6.2m (before costs) or \$5.8m after costs, capital raising (placement). Adding these funds to the cash runway calculation, K2fly's runway increases to 4 quarters from 1 quarter.

In addition, the timing of cash inflows throughout the annual billing cycle are aligned with contract anniversary dates. 57% of our existing annual license contracts are due in the second half of the fiscal year.

Operating expenditure: 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: R&D, product manufacturing and operating costs, advertising and marketing, staff costs and administration and corporate costs. Net Cash from Operating Activities outflow was \$1.4m (Section 1.9, Appendix 4C). Gross expenditure in the March quarter amounted to cash outflows of \$3.1m (Section 1.2, Appendix 4C). Expenditure decreased by \$0.8m compared to the Q2 2022 due to the one-off nature of some prior period costs (e.g. executive recruitment fees), and the timing of financial commitments, including sales commissions and third-party licences.

Net cash outflow from investing activities: Outflows relate to investment in software development to enhance the current suite of solutions (\$596k), milestone payments related to the deferred performance-based consideration in respect to the Sateva acquisition (\$11k), and capital purchases to run business operations (\$32k).

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 \$62k relating to the Executive Director salary, Non-Executive Director fees and payments to director-related entities for consulting services. 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.

Footnotes

¹ Exchange rate fluctuations impact ARR and TCV.



Announcement released with authority of K2fly Board.

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About K2fly

K2fly Limited (ASX: K2F) is an ASX listed technology provider of enterprise-level Resource Governance solutions for **'net positive impact'** 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 multinational tier-1 and tier-2 mining 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) and Descartes Labs (USA).

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")

31 March 2022

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	1,761	7,149
1.2 Payments for		
(a) research and development	-	(18)
(b) product manufacturing and operating costs	(1,089)	(3,362)
(c) advertising and marketing	(175)	(351)
(d) leased assets	-	-
(e) staff costs	(1,596)	(4,725)
(f) administration and corporate costs	(316)	(1,543)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	2
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)
1.8 Other (R&D refund)	-	125
1.9 Net cash from / (used in) operating activities	(1,414)	(2,751)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(g) entities	-	-
(h) businesses	(11)	(508)
(i) property, plant and equipment	(32)	(104)
(j) investments	-	-
(k) intellectual property	(596)	(1,905)

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
(l) 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	-	-
2.6 Net cash from / (used in) investing activities	(639)	(2,517)

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	3,602	6,906
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(1,414)	(2,751)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(639)	(2,517)

Appendix 4C
Quarterly cash flow report for entities subject to Listing Rule 4.7B

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 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	6	(83)
4.6	Cash and cash equivalents at end of period	1,555	1,555

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	1,555	3,602
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)	1,555	3,602

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	62
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

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.

Payments included in item 6.1 relates to payment of director fees and executive director salary (\$62k).

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

7. Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<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>		
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)	(1,414)
8.2 Other (software development) (item 2.1e)	(596)*
8.3 Total relevant outgoings (item 8.1 + item 8.2)	(2,010)
8.4 Cash and cash equivalents at quarter end (item 4.6)	1,555
8.5 Unused finance facilities available at quarter end (item 7.5)	-
8.6 Total available funding (item 8.4 + item 8.5)	1,555
* 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)	1
<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>	
<i>The cash runway calculation does not take into account the timing of cash inflows throughout the annual billing cycle from licence and SaaS fees which are billed annually in advance (aligned with contract anniversary dates).</i>	
8.8 If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.8.1 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?	
<p>The entity's operating cashflows reported on a quarterly basis impacted by the timing of financial commitments and the anniversary dates and payment terms of SaaS and licence agreements (which are billed annually in advance), and the timing of implementation fee billing milestones.</p> <p>Total invoices raised during the March quarter were \$3.3m however collections during the quarter ended 31 March 2022 have been lower than the prior quarter due to the relative higher weighting of invoices falling in March 2022. With \$3.2m in trade receivables at 31 March 2022, it is anticipated that the flow through into cash receipts in the quarter ending 30 June 2022 will be higher than the March quarter. Historically, the entity's cash receipts are highest in the June quarter.</p>	

8.8.2 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?

On 8 April 2022, a \$6.2m (before costs) capital raising was announced. The placement was closed on 19 April 2022. Adding these funds to the cash runway calculation, the runway increases to 4 quarters.

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

Yes, see above.

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.

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: 28 April 2022.....

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.