

**ASX Release**

ASX code: K2F

21 July 2022

## June Q4 FY2022 Quarterly Activities Report

### Record Growth in Key Metrics for the Quarter and Financial Year FY2022

#### Highlights

- Net operating cash flow was positive (\$1.7m) in the June quarter, a function of strong sales and ongoing business improvement initiatives.
- Record Annual Recurring Revenue, Invoices Raised and Cash Receipts from Customers in the June quarter and for the full year FY2022 on the back of continued contract wins, confirming the Company's growth strategy and growing track record
- Cash Receipts from Customers; \$5.4m in Q4 FY2022, up 200% from Q3 and 170% compared to Q4 FY2021; full year FY2022 up 77% on FY2021
- Record quarterly Invoices Raised; \$3.8m in Q4 FY2022, up 15% from Q3 and 46% compared to Q4 FY2021
- Annual Recurring Revenue (ARR)<sup>2</sup> of \$6.0m in Q4 FY2022, 76% higher than in Q4 FY2021
- Total Contract Value (TCV)<sup>2</sup> of \$17.8m in Q4 FY2022, 80% higher than Q4 FY2021 (TCV is the remaining value of current contracts)
- Contracts: material contract signed during the quarter with BHP Iron Ore (TCV \$2.12m / ARR \$620k) and new non-material contracts: additional services agreement with Rio Tinto (purchase order \$423k) and Asarco (subsidiary of Grupo Mexico) signs 3-year Tailings monitoring contract for \$145k ARR \$468k TCV
- Maptek strategic investment in K2fly (largest global private mining software group) as part of placement; Maptek's Chairman Peter Johnson appointed to K2fly's Board as Non-Executive Director. Maptek accounted for \$4.05m of the overall \$6.2m placement, becoming a 13.2% shareholder in K2fly
- Capital raising (placement) of \$6.2m before costs to Maptek, existing institutional investors, key K2fly executives and existing sophisticated investors in April 2022. The placement shares were issued in a single tranche at a 4.1% premium to the 15-day VWAP
- Cash balance on 30 June 2022 was \$8.3m (no debt); includes placement proceeds

**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 June quarter, Q4 FY2022.



## CONTRACTS AND FINANCIAL RESULTS<sup>1</sup>

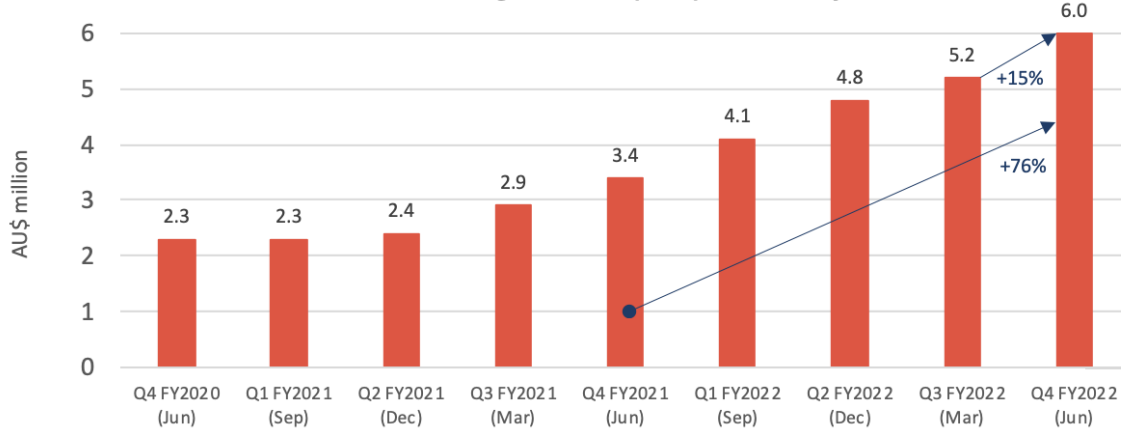
### TCV & ARR<sup>2</sup>:

- **ARR grew 15%** to \$6.0m compared to the prior quarter (Q3 FY2022) and **was up 76% compared to Q4 FY2021**
- **TCV grew 80%** to \$17.8m compared to Q4 FY2021 and **was up 7% compared to Q3 FY2022**

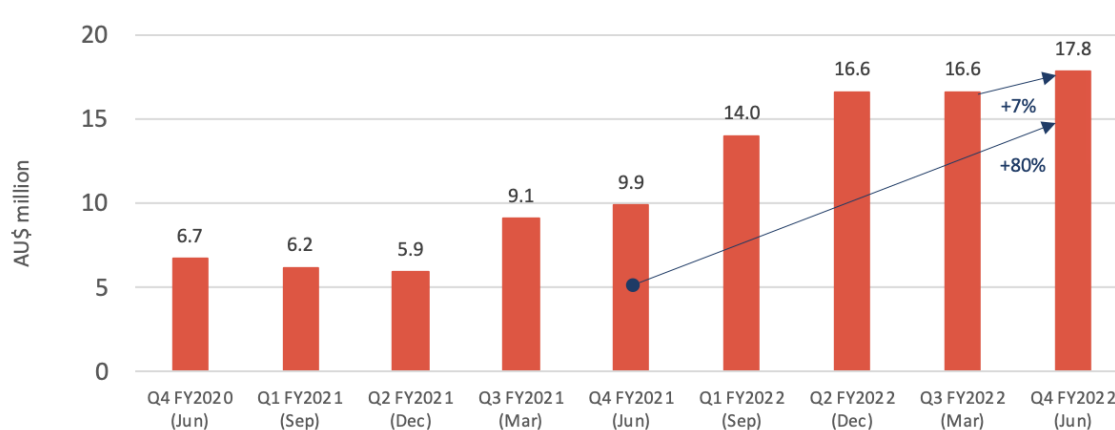
The quarter-to-quarter movement in TCV is due to the addition of new contracts and the depletion of existing contracts as the remaining term reduces

- A major contract was signed with BHP Iron Ore during the quarter (see Major Contracts section of this report for more detail) and a purchase order signed with Rio Tinto (contributing to TCV but not impacting ARR due to its one-off nature)

**Annual Recurring Revenue (ARR) - Quarterly**



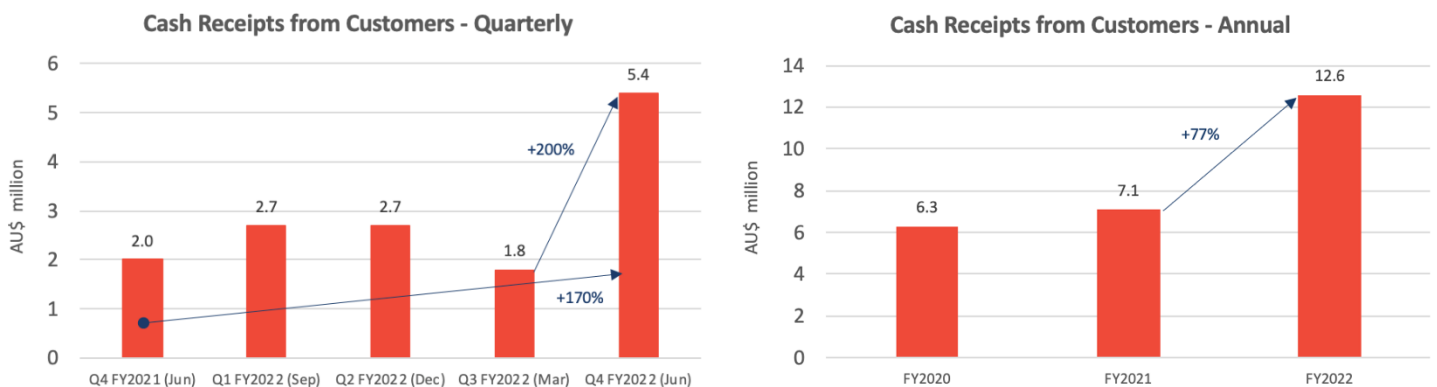
**Total Contract Value (TCV) - Quarterly**



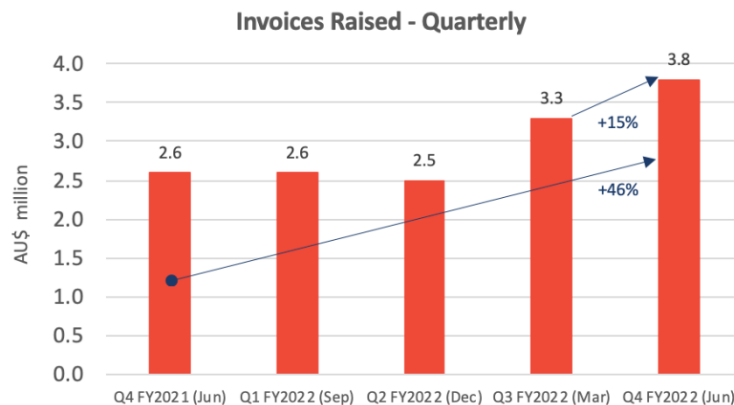
## Invoices Raised and Cash Receipts:

**Cash Receipts from Customers** during the quarter were **up 170% over Q4 FY2021 at \$5.4m**. Compared to the prior quarter Q3 FY2022, Cash Receipts were up 200%. Full year Cash Receipts were up 77% on FY2021.

The timing and collection of Invoices Raised into Cash Receipts throughout the year vary by month and quarter and are historically concentrated in the June and September quarters due to anniversary dates of annual contracts. Cash receipts are also influenced by timing of implementation fees against project milestones on individual contracts and payment terms (annual billing cycle).



**Invoices Raised** during the quarter were \$3.8m, up 15% over the prior quarter and 46% higher compared to Q4 FY2021. The timing of Invoices Raised varies as explained above.



## Net Operating Cashflow:

Net operating cashflow was positive in the June quarter at \$1.7m, a function of the timing of receipts and payables, and recent sales.

This sets a pathway for the business to achieve a positive net operating cash position on an annualised basis as we achieve growth in recurring revenue through new contracts being signed.

Due to the variation in timing of quarterly invoicing, we however expect net operating cash flow to fluctuate on a quarterly basis over coming quarters until recurring revenues have sufficiently reached a level that net operating cash is positive on an annualised basis (see reference to the annual billing cycle explained in the paragraphs above).

**Nic Pollock CEO of K2fly said** “We are very pleased with the quarterly and annual growth achieved across our key financial metrics in closing out the financial year FY2022 to record levels. Our management team is demonstrating a strong track record of delivering high growth whilst implementing ongoing business improvement initiatives across sales, product, delivery, and finance. Consequently, we delivered a new record quarterly invoicing amount, new milestones in ARR and TCY and a positive June quarter net operating cash flow (\$1.7m) which reduced our annual net operating cash flow deficit to just over one million dollars for the year end. This sets a pathway for the business to achieve a net positive operating cash position on an annualised basis.

We are extremely proud to now count BHP as another one of the global Tier 1 customers to the K2fly list having signed our first contract in the quarter. This shows strong relevance of our solutions to Tier 1 miners and beyond. Annual Recurring Revenue base has grown to \$6.0m from \$3.4m in FY2021.

In line with our other Tier 1 clients, we see considerable potential to win further work with BHP. More broadly, we will continue to focus on Tier 1 and 2 miners globally for which we see a strong runway within our existing customer base to roll out our additional, complimentary solutions. There remains great scope to service and penetrate, more broadly geographically and more deeply into, commodity types of our existing customers.

Our strong expectation of future growth is underpinned by our leading solutions being more relevant to our customers than ever. This is driven by a growing expectation among our customers key stakeholders of seeing a more sustainable mining sector. We remain bullish on the thematic that integrating ESG solutions into their businesses is no longer a choice but a necessity being driven by investors, community expectations and regulators.”

## MAJOR CONTRACTS

**BHP Iron Ore:** An initial one-year contract was signed for K2fly's Ground Disturbance Solution to roll out across its iron ore operations, WA Iron Ore (WAI0), in the Pilbara of Western Australia. TCY is \$2.12m and ARR is \$620k. This contract was deemed as material to K2fly. See [ASX announcement 9 May 2022](#).

The Ground Disturbance Solution sits within K2fly's Natural Resource Governance area. Read more about this solution [here](#). This solution is the only COTS solution available in the market today and is transforming the way resource and infrastructure landowners manage and govern their land assets.

**Rio Tinto:** An additional services agreement was recently signed with Rio Tinto for K2fly's Heritage Management Solution for the Rio Tinto Iron Ore Division. The financial impact is deemed not material to K2fly. Read more about this solution [here](#).

The purchase order for services has a value of \$423k relating to K2fly's solution enhancements. The services contribute to growth in TCY however are one-off in nature thereby not impacting ARR.

The new agreement for additional services by Rio Tinto for K2fly's Heritage Solution marks a second phase of contract signing in the area of Heritage in its iron ore division (see [ASX announcement 4 February 2021](#)) and sits alongside existing contracted K2fly solutions including: Resource Inventory & Reconciliation, Dams & tailings and Mine Geology Data Management.

**Asarco (a subsidiary of Grupo Mexico):** One of the major copper producers in the world, Asarco have contracted with K2fly for a tailings monitoring solution across three sites in the Americas (Mexico, Peru, and US). The contract ARR is \$145k for a three-year contract making the TCY \$468k including one off services.

## CORPORATE

### Strategic investment and capital raise (placement):

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 a \$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.

### Board and executive changes:

**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.

**Executive changes:** Brian Miller has retired from his executive position and became a Non-Executive Director of the Company (effective 1 July 2022). In addition, Brian has been engaged pursuant to a consultancy agreement to provide advisory services to assist K2fly with business and relationship management. Jenny Cutri, Non-Executive Chair of K2fly said: "Brian has been of tremendous support and brought much success including seeing rapid growth of the Company over the last 6 years, initially leading the Company as CEO at which time K2fly was largely a consulting business to what we see K2fly as today." See [announcement 29 June 2022](#).

**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 30 June 2022 of \$8.3m (no debt), which include placement proceeds (before costs) of \$6.2m. Trade receivables at 30 June 2022 were \$1.8m.

**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 was an inflow of \$1.7m (Section 1.9, Appendix 4C). Gross expenditure in the June quarter amounted to cash outflows of \$3.8m (Section 1.2, Appendix 4C).

K2fly Limited ACN 125 345 502



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**Net cash outflow from investing activities:** Outflows primarily relate to investment in software development to enhance the current platform of solutions (\$794k).

**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 \$183k 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

<sup>1</sup> Unaudited.

<sup>2</sup> Exchange rate fluctuations impact ARR and TCV.

Announcement released with authority of K2fly Board.

## For further information, please contact:

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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 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 [overview](#)

Area	Solution	Related Acquisition
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<b>Natural Resource Governance</b>	<a href="#">Heritage Management</a> <a href="#">Land Access</a> <a href="#">Ground Disturbance</a> <a href="#">Tailings Management</a> <a href="#">Mine Rehabilitation</a>	Infoscope Infoscope Infoscope Decipher Decipher
<b>Mineral Resource Governance</b>	<a href="#">Resource Reporting</a> <a href="#">Model Manager</a>	RCubed RCubed, Sateva
<b>Technical Assurance</b>	<a href="#">Ore Blocker</a> <a href="#">Mine Geology</a>	Sateva Sateva

## 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 June 2022

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (12 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	5,412	12,561
1.2 Payments for		
(a) research and development	-	(18)
(b) product manufacturing and operating costs	(1,209)	(4,571)
(c) advertising and marketing	(63)	(414)
(d) leased assets	-	-
(e) staff costs	(1,281)	(6,006)
(f) administration and corporate costs	(1,201)	(2,745)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	3
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	75	75
1.8 Other (cash restricted to non-restricted)	-	(28)
1.8 Other (R&D refund)	-	125
<b>1.9 Net cash from / (used in) operating activities</b>	<b>1,734</b>	<b>(1,018)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire or for:		
(g) entities	-	-
(h) businesses	(14)	(522)
(i) property, plant and equipment	(6)	(110)
(j) investments	-	-
(k) intellectual property	(794)	(2,699)



Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
(l) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(2)	(2)
(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	-	-
<b>2.6 Net cash from / (used in) investing activities</b>	<b>(816)</b>	<b>(3,333)</b>

<b>3. Cash flows from financing activities</b>		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	6,206	6,206
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	(363)	(363)
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)	-	-
<b>3.10 Net cash from / (used in) financing activities</b>	<b>5,843</b>	<b>5,843</b>

<b>4. Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1 Cash and cash equivalents at beginning of period	1,555	6,906
4.2 Net cash from / (used in) operating activities (item 1.9 above)	1,734	(1,018)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(816)	(3,333)

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (12 months) \$A'000</b>
4.4	Net cash from / (used in) financing activities (item 3.10 above)	5,843	5,843
4.5	Effect of movement in exchange rates on cash held	(45)	(127)
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>8,271</b>	<b>8,271</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	8,271	1,555
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>8,271</b>	<b>1,555</b>

<b>6.</b>	<b>Payments to related parties of the entity and their associates</b>	<b>Current quarter \$A'000</b>
6.1	Aggregate amount of payments to related parties and their associates included in item 1	183
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 (\$183k).

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

<b>7. Financing facilities</b>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
<i>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.</i>		
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 <b>Total financing facilities</b>	-	-
7.5 <b>Unused financing facilities available at quarter end</b>		-
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.		

<b>8. Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1 Net cash from / (used in) operating activities (item 1.9)	1,734
8.2 Other (software development) (item 2.1e)	(794)*
8.3 Total relevant outgoings (item 8.1 + item 8.2)	940
8.4 Cash and cash equivalents at quarter end (item 4.6)	8,271
8.5 Unused finance facilities available at quarter end (item 7.5)	-
8.6 Total available funding (item 8.4 + item 8.5)	8,271
* 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 <b>Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	N/A
<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. 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?	
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?	

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?

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: 21 July 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.