

ASX Release

ASX code: K2F

31 October 2022

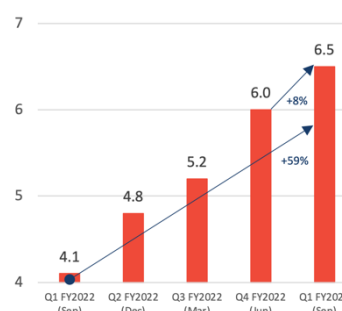
September Q1 FY2023 Quarterly Activities Report

Continued Major Tier-1 Contract Wins and ARR/TCV Growth in First Quarter of the New Financial Year

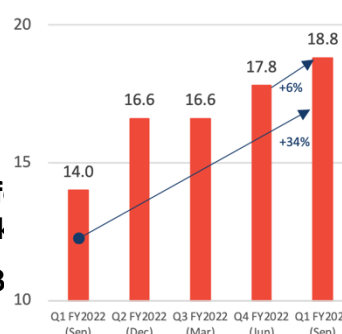
Highlights

- Pauline Vamos joined K2fly Board (proposed incoming chair), an experienced director who also brings ESG expertise; Directors Jenny Cutri (Chair) and James Deacon to retire after the November AGM following over 5 years of valued contribution and service
- Annual Recurring Revenue (ARR)² of \$6.5m in Q1 FY2023, 8% higher than Q4 FY2022 and 59% higher than in Q1 FY2022
- Total Contract Value (TCV)² of \$18.8m in Q1 FY2023, 6% higher than Q4 FY2022 and 34% higher than Q1 FY2022 (TCV is the remaining value of current contracts)
- Cash Receipts from Customers; \$2.2m in Q1 FY2023, down 19% compared to Q1 FY2022, a function of the timing of billings and payment terms, which contributed to the record collections in Q4 FY2022
- Net operating cash outflow of \$1.2m in the September quarter, a function of the timing of collection outlined above; overall outflows were consistent with the H2 FY2022 average
- Revenue was down 11% from Q4 FY2022 at \$2.6m and up 4% from Q1 FY2022; due the recognition of one-off implementation revenue, which was higher in prior quarters relative to this quarter (implementation revenue is recognised as the project progresses and milestones are achieved)
- Platform solution: K2fly to launch new Resource Governance Platform Mineral Resource Reporting solution(RCubed), integrated with Maptel
- Contracts: material contract signed during the quarter with Imerys (\$123k) and Fortescue Metals Group (TCV \$1.2m over 6 months)
- Cash balance on 30 September 2023 was \$6.2m (no debt)

Annual Recurring Revenue (ARR), \$m



Total Contract Value (TCV), \$m



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 September quarter, Q1 FY2023.

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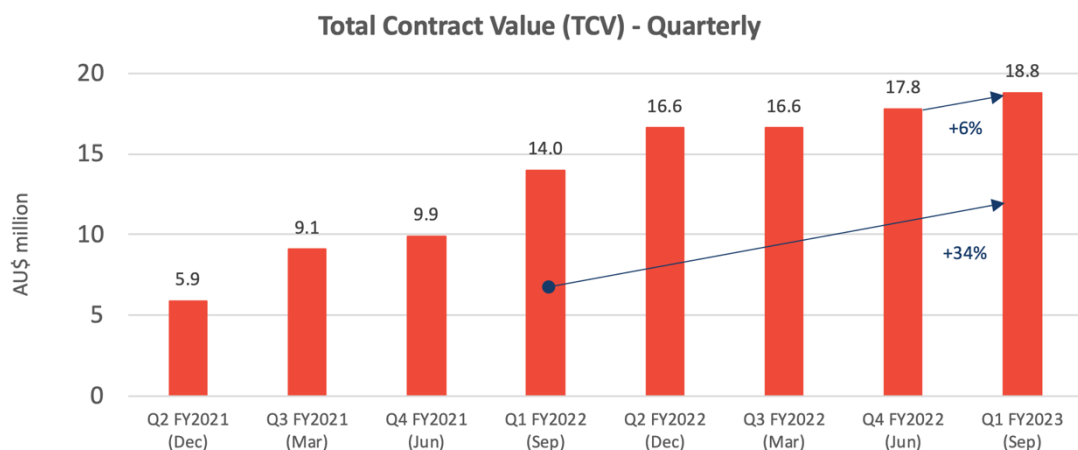
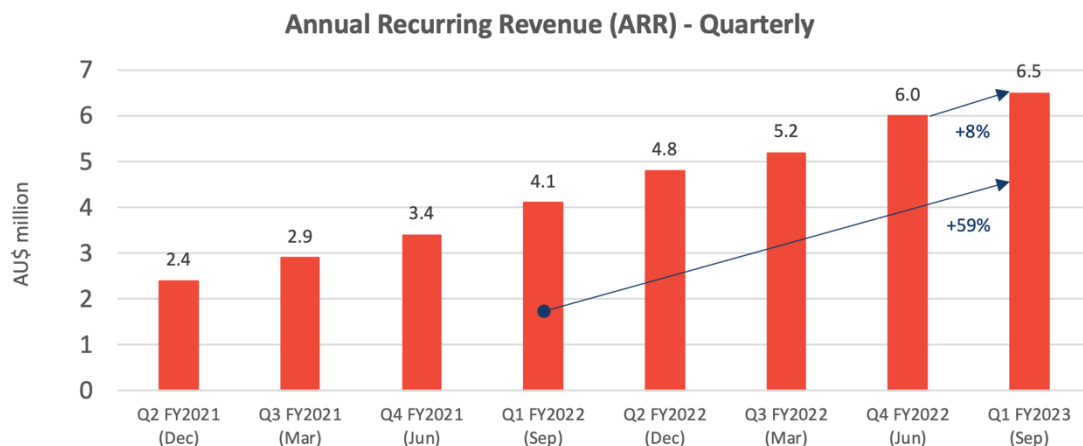


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CONTRACTS AND FINANCIAL RESULTS¹

TCV & ARR²:

- **ARR grew 8%** to \$6.5m compared to the prior quarter (Q4 FY2022) and **was up 59% compared to Q1 FY2022**
- **TCV grew 6%** to \$18.8m compared to Q4 FY2022 and **was up 34% compared to Q1 FY2022**
- Major contracts were signed with Imerys and Fortescue Metals Group during the quarter (Fortescue contributes to TCV but not impacting ARR due to its one-off nature), see Major Contracts section of this report for more detail
- Note: quarter-to-quarter movements in TCV include the impact of new contracts and the depletion of existing contracts as the remaining term reduces



Nic Pollock CEO of K2fly said "In this, the first quarter of FY23 we have introduced a new metric, 'Revenue' which provides investors with a more consistent measure of performance from quarter to quarter. Operating cash is highly variable and heavily influenced by our client annual billing and cash collection cycle linked to anniversary dates of contracts. Despite Operating cash being lower this quarter on the back of an exceptionally high prior quarter (collection timing), our commitment to financial sustainability in FY 23 has not changed and our core metrics of ARR and TCV continue to grow strongly ahead of revenue recognition with continued expansions into our global customer base.

Notwithstanding, we continue to be vigilant about our revenue and cost assumptions, given changes in our market dynamics in an increasingly uncertain global environment.

I am particularly excited about the new project we are kicking off with Imerys (France) which is a truly international example of our natural resource governance solutions being deployed across multiple geographies and jurisdictions and further proves that K2fly is increasingly occupying an uncontested space in land management for global resource companies.

Our ongoing investment in product is delivering results with the upcoming release of our new cloud first resource governance platform. This will provide a stronger base to scale new and existing customers across multiple resource governance solutions more rapidly.

That combined with our new model manager and reconciliation solutions is growing our pipeline rapidly.

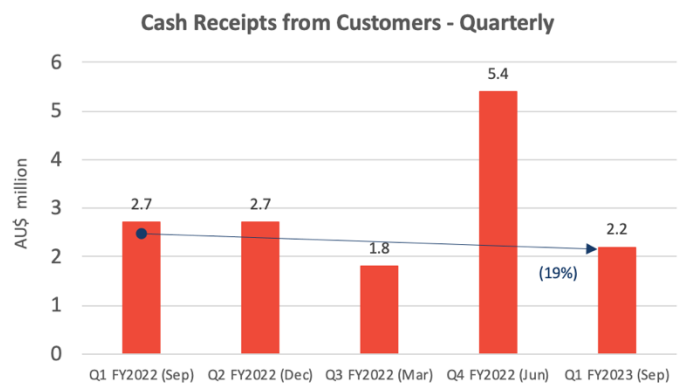
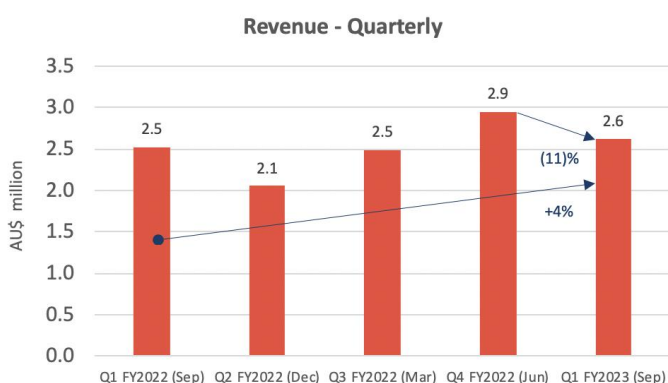
I am also very pleased to welcome Ms Pauline Vamos to K2fly as a new board member who will become Chair subject to approval at the AGM. Jenny Cutri has brought K2fly strong guidance and governance, and I am sure that Pauline will continue to grow on this foundation with her own strong brand in these disciplines as well as strong ESG background and experience."

Revenue and Cash Receipts:

Cash Receipts from Customers during the quarter were **down 19% over Q1 FY2022 at \$2.2m** due to the high rate of in-quarter collections during Q4 FY2022 (invoiced raised and collected in the same quarter), which contributed to record collections in the prior period, and the timing of the billing of one-off implementation fees.

Note: the timing and collection of Cash Receipts throughout the year vary by month and quarter and are historically concentrated in the June quarter 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.

Revenue during the quarter was down 11% over Q4 FY2022 at \$2.6m and up 4% over Q1 FY2022. Revenue was down in the quarter due one-off implementation revenue, which was higher in the prior periods.



Net Operating Cashflow:

Net operating cash outflow in the quarter was \$1.2m. As described above, this is a function of the timing of receipts from existing contracts and new contracts. In terms of costs, overall, they are consistent with the H2 FY2022 average outflow. Across the categories, a reduction in administration and corporate costs during the quarter has offset increased expenditure on product costs.

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PLATFORM SOLUTION DEVELOPMENTS

New Resource Governance Platform: In December 2022 K2fly will release a new Resource Governance Platform which is based on the global success of its extensively used RCubed Mineral Resource and Reserve Reporting Governance solution. The new platform will underpin multiple Resource Governance Solutions leveraging the same core data and governance model, enabling mining customers to comply with rapidly changing ESG regulations, standards and disclosures, adding significant value to the solutions K2fly offers industry.

K2fly Resource Reporting is the first of the new platform solutions released that will allow existing RCubed customers upgrade and leverage new modules like K2fly Reconciliation Governance and K2fly Model Manager, to enhance public disclosures.

In addition, K2fly Resource Reporting will be integrated with Maptek Vulcan; the most advanced 3D geological modelling, mine design and production planning software solution. See [ASX announcement](#) 22 August 2022.

Our new platform release is a direct result of the sustained investment into our technology platforms thus improving and extending our customer experiences and are already showing a big impact on our sales pipeline.

MAJOR CONTRACTS

Imerys: A 3-year contract was signed for K2fly's Natural Resource Governance platform (Land Access Solution), to roll out across its global operational footprint, beginning with an initial 15 contracted sites. TCV is \$860k and ARR is \$123k. This contract was deemed as material to K2fly. See [ASX announcement](#) 30 September 2022.

Imerys is a world leading specialist in the production and processing of industrial minerals with operations in over 40 countries and over 200 sites.

The Land Access Solution delivers spatial and non-spatial data governance relating to the management of land access, studies, approvals, stakeholder engagement, operations and land use. Read more about this solution [here](#).

Fortescue Metals Group: Contracts for software development services amounting to a TCV of \$1.2m were signed. These services are to be provided and billed on a time and materials basis over an expected period of 6 months. This contract was deemed as material to K2fly. See [ASX announcement](#) 28 September 2022.

K2fly is working with Fortescue across a number of areas in the business. Fortescue are also using a number of platform solutions and in addition, have engaged K2fly for software development services in other areas of their business. These services are one-off revenues for K2fly and are also generated from time to time with other K2fly clients.

CORPORATE

Board and executive changes:

Pauline Vamos has joined K2fly's Board as Non-Executive Director (proposed incoming chair). Pauline is an experienced director and chair and brings substantial ESG expertise including a prior

role as CEO of Regnan, an ASX200 ESG specialist research and engagement company, and is currently a Non-Executive Director of Mercer Superannuation (Australia) Limited.

Jenny Cutri (Non-Executive Chair) and James Deacon (Non-Executive Director) will retire from the Board after the November AGM. This follows long tenures on the Board. The Company is grateful for their dedicated service, valued advice and wishes them well. See [ASX announcement](#) 3 October 2022.

Market engagement subsequent to the end of the quarter:

- **Australian Microcap Investment Conference:** K2fly presented at the conference on Tuesday 19 October (Sofitel, Melbourne). View the investor presentation [here](#).
- **TechKnow Invest Roadshow:** K2fly will present at the conference on Monday 7 November at (9:45 am, Grand Hyatt, Melbourne) and on Wednesday 9 November (3:00 pm, Radisson Blu Plaza Hotel, Sydney).
- **Coffee Microcaps Technology Conference:** Tuesday 8 November: virtual conference, 9:00 am, Sydney time zone.

Annual Report: The Company released its FY2022 annual report during the quarter. See [ASX announcement](#) 30 September 2022.

Annual General Meeting (AGM): The Company will hold its AGM on Friday 28 November 2022. The Notice of Meeting (NOM) has been lodged with the ASX.

Cash position: The Company held a cash balance on 30 September 2022 of \$6.2m (no debt). Trade receivables at 30 September 2022 were \$1.6m.

Operating expenditure: Cash outflows related to ongoing operating expenditures to run business operations and deliver K2fly's platform of 10 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 outflow of \$1.2m (Section 1.9, Appendix 4C). Gross expenditure in the September quarter amounted to cash outflows of \$3.4m (Section 1.2, Appendix 4C). See commentary section Revenue and Cash Receipts for further insight in to K2fly's billing cycle.

Net cash outflow from investing activities: Outflows relate to investment in software development to enhance the current platform of solutions (\$790k) and the remittance of deferred payments in relation to the acquisition of Sateva (\$102k).

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 \$54k relating to 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 2022 Annual Report for further details on director remuneration.

Footnotes

¹ Unaudited.

² 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
Natural Resource Governance	Heritage Management Land Access Ground Disturbance Tailings Management Mine Rehabilitation	Infoscope Infoscope Infoscope Decipher Decipher
Mineral Resource Governance	Resource Disclosure Model Manager Mine Reconciliation	RCubed RCubed, Sateva RCubed
Technical Assurance	Ore Blocker Mine Geology	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 2022

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	2,184	2,184
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(1,408)	(1,408)
(c) advertising and marketing	(134)	(134)
(d) leased assets	(54)	(54)
(e) staff costs	(1,355)	(1,355)
(f) administration and corporate costs	(451)	(451)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	7	7
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)	-	-
1.8 Other (R&D refund)	-	-
1.9 Net cash from / (used in) operating activities	(1,211)	(1,211)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(g) entities	-	-
(h) businesses	(102)	(102)
(i) property, plant and equipment	(2)	(2)
(j) investments	-	-
(k) intellectual property	(790)	(790)

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	-	-
	(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	(894)	(894)

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	8,271	8,271
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,211)	(1,211)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(894)	(894)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 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	1	1
4.6	Cash and cash equivalents at end of period	6,167	6,167

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	6,167	8,271
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)	6,167	8,271

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	54
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 non-executive director consulting fees (\$54k).

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)	(1,211)
8.2 Other (software development) (item 2.1e)	(790)*
8.3 Total relevant outgoings (item 8.1 + item 8.2)	(2,001)
8.4 Cash and cash equivalents at quarter end (item 4.6)	6,167
8.5 Unused finance facilities available at quarter end (item 7.5)	-
8.6 Total available funding (item 8.4 + item 8.5)	6,167
<p>* 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)</p>	
8.7 Estimated quarters of funding available (item 8.4 divided by item 8.1)	3
<p><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></p> <p><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></p>	
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: 31 October 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.