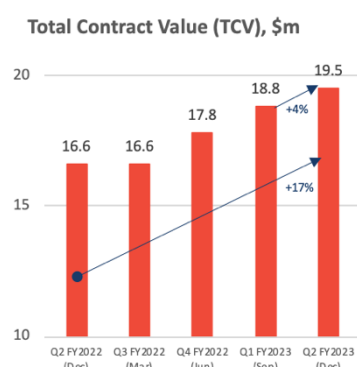
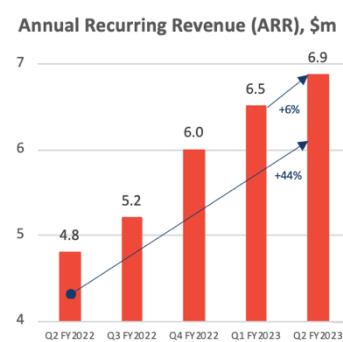
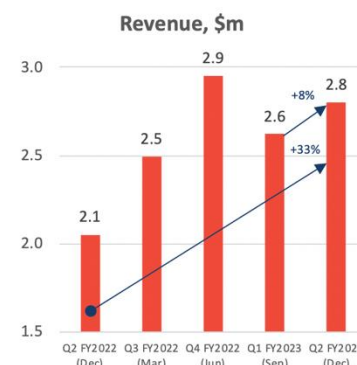


December Q2 FY2023 Quarterly Activities Report

Strong Uptake of New Resource Governance Platform Leading to Significant Tier-1 Contract Wins and Continued Growth in Key Financial Metrics

Highlights

- Revenue of \$2.8m in Q2 FY2023, up 8% from Q1 FY2023 and up 33% from Q2 FY2022; due to new contracts signed in recent quarters
- Annual Recurring Revenue (ARR)² of \$6.9m in Q2 FY2023, 6% higher than Q1 FY2023 and 44% higher than in Q2 FY2022
- Total Contract Value (TCV)² of \$19.5m in Q2 FY2023, 4% higher than Q1 FY2023 and 17% higher than Q2 FY2022 (TCV is the remaining value of current contracts)
- Cash Receipts from Customers; \$2.9m in Q2 FY2023, up 7% compared to Q2 FY2022, a function of the timing of billings and payment terms, and new contracts
- Material contracts signed (driven by new governance platform):
 - Rio Tinto (Reconciliation solution); 3-years - TCV \$360k / ARR \$75k
 - Mineral Resources Limited (Model Manager solution); 3-years - TCV \$1.75m / ARR \$475k
 - ArcelorMittal Mining UK (Resource Disclosure & Model Manager solutions); 5-years - TCV \$1.9m / ARR \$332k
 - Anglo American plc (Resource Disclosure solution); 3-years - TCV \$1.44m / ARR \$375k
- New Resource Governance Platform launched in December 2022 including upgraded Mineral Resource Reporting solution (RCubed), integrated with Maptek Vulcan
- Rio Tinto - mutual discontinuation of Ground Disturbance licence and implementation project (Pilbara region of Western Australia); contract TCV of \$2.6m and ARR of \$620k
- Pauline Vamos joined K2fly Board and was appointed Chair; Directors Jenny Cutri (outgoing Chair) and James Deacon retired after the November AGM
- Cash balance on 31 December 2022 was \$5.0m (no debt)



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 December quarter, Q2 FY2023.

Nic Pollock CEO of K2fly said “Q2 FY23 was a pivotal quarter for K2fly with the new platform release coupled with significant new tier-1 customer acquisition and continued fiscal discipline. Unfortunately, the record growth in new customer ARR and TCV was offset by the mutual discontinuation of the Rio Tinto ground disturbance project in the Pilbara.

Our ongoing investment in our platforms and solutions is paying dividends and attracting mining majors like Anglo American plc. This confirms that K2fly is on the right path and capitalising on a once in a generation investment by global majors to enhance their public disclosures to maintain and strengthen their ESG credentials. Our new platform will open more opportunities for our customers to leverage that investment and for K2fly to offer more adjacent solutions.

Our key metrics continue to trend in the right direction as we manage the balance between our continued investment in growth coupled with our increased focus on costs positioning us on the path to operational cash flow breakeven. There remains lumpiness in invoicing and cash collections across quarters, which are due to the annual invoicing cycle, but overall, the trends are in the right direction and variability will stabilise as K2fly grows its revenue base. It's also encouraging that we know that the second half of the financial year is contractually stronger than the first half, due to many invoicing anniversary dates and collections falling into the June quarter.

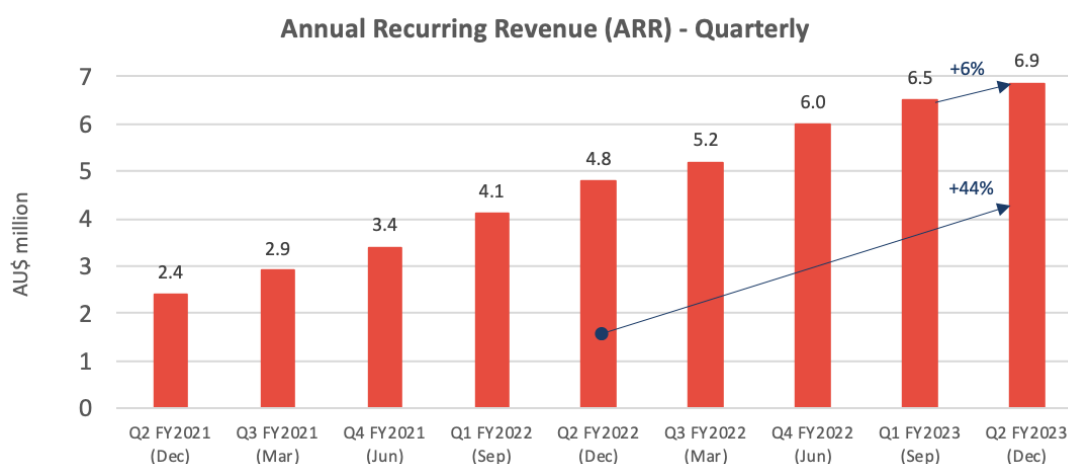
We are really pleased to welcome Pauline Vamos as our new Chair, and we are already benefiting from Pauline's energy, experience, and new perspectives on our business.”

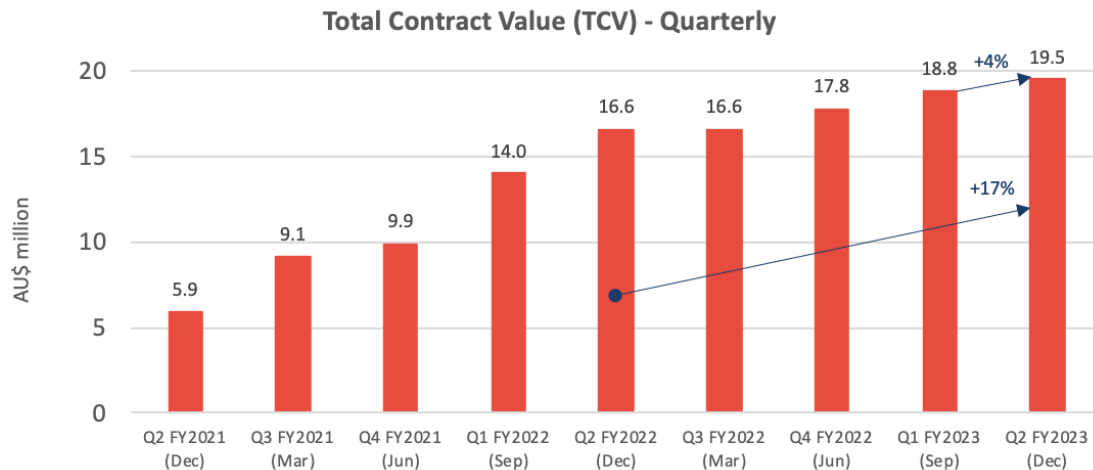
CONTRACTS AND FINANCIAL RESULTS¹

TCV & ARR²:

- **ARR grew 6%** to \$6.9m compared to the prior quarter (Q1 FY2023) and **was up 44% compared to Q2 FY2022**
- **TCV grew 4%** to \$19.5m compared to the prior quarter and **was up 17% compared to Q2 FY2022**
- Major contracts signed during the quarter were with Rio Tinto, Mineral Resources Limited, ArcelorMittal Mining UK and Anglo American plc (see Major Contracts section of this report for more detail)
- TCV was negatively impacted by the mutual discontinuation of the Ground Disturbance licence and implementation project (Pilbara region of Western Australia) with Rio Tinto (see Major Contracts section of this report for more detail)

Note: quarter-to-quarter movements in TCV include the net impact of new contracts and the depletion of existing contracts as the remaining term reduces.



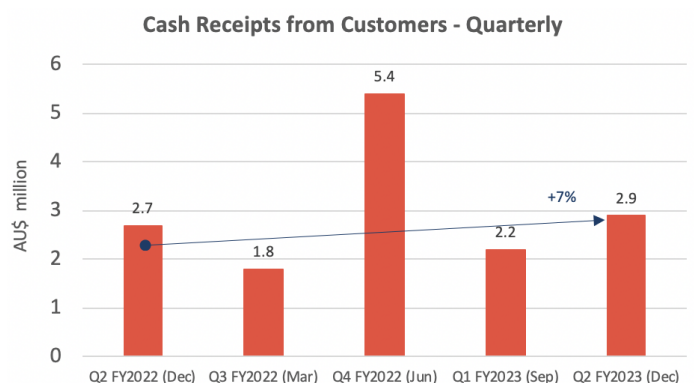
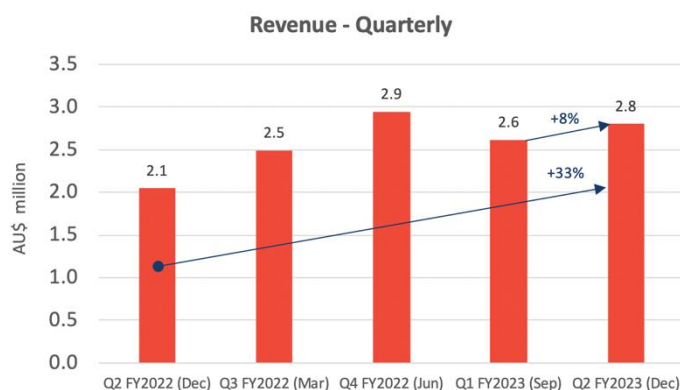


Revenue and Cash Receipts:

Revenue during the quarter was up 8% over Q1 FY2023 at \$2.8m and up 33% over Q2 FY2022. Revenue was up in the quarter due to new contracts signed in recent quarters. In Q4 FY2022, revenue was impacted by a high amount of one-off implementation revenue.

Cash Receipts from Customers during the quarter were **up 7% over Q2 FY2022 at \$2.9m**.

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. For this reason, cash receipts are best compared to the same quarter in the prior year.



Net Operating Cashflow:

Net operating cash outflow in the quarter was \$0.4m, a 34% improvement on Q1 FY22. Overall costs continue to trend downwards and are lower than the prior two quarters, a function of cost management and the timing of financial commitments.

PLATFORM SOLUTION DEVELOPMENTS

New Resource Governance Platform: In December 2022 K2fly released the 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 underpins 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 Disclosure is the first of the new platform solutions released that will allow existing RCubed customers to upgrade and further open our addressable market to a broader base of customers and leverage new modules like K2fly Reconciliation Governance and K2fly Model Manager, to enhance public disclosures.

In addition, K2fly Resource Disclosure has been 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 UPDATE

Rio Tinto: A 3-year contract was signed for K2fly's Mineral Resource Governance platform (Reconciliation Solution) for reconciliation reporting across its 24 reporting sites (an extension of using K2fly's current suite of Mineral Resource Governance solutions). TCV is \$360k and ARR is \$75k. This contract was deemed as material to K2fly. See [ASX announcement](#) 21 November 2022.

Mineral Resources Limited (MinRes): A 3-year contract was signed for K2fly's Mineral Resource Governance (Model Manager) and Technical Assurance (Ore Blocker) solutions, to cover iron ore and lithium operations. TCV is \$1.75m (estimated based on variable implementation fees) and ARR is \$475k. This contract was deemed as material to K2fly. See [ASX announcement](#) 22 November 2022.

ArcelorMittal Mining UK Ltd: A 5-year contract was signed for K2fly's Mineral Resource Governance solutions (Resource Disclosure and Model Manager), to consolidate its group mineral resources and reserves disclosure, spanning 10 mining regions within the group. TCV is \$1.9m and ARR is \$332k. This contract was deemed as material to K2fly. See [ASX announcement](#) 28 November 2022.

ArcelorMittal Mining UK Ltd is part of the ArcelorMittal Group, a world leading steel and mining company with numerous vertically integrated mines globally, which is publicly listed on multiple stock exchanges.

Rio Tinto: Mutual discontinuation of Ground Disturbance licence and implementation project (Pilbara region of Western Australia). K2fly has agreed in-principle to terminate by mutual agreement the contract, first announced on 5 October 2021. The contract had a TCV of \$2.6m and ARR of \$620k. See [ASX announcement](#) 2 December 2022.

Anglo American plc: A 3-year contract was signed for K2fly's Mineral Resource Governance solution (Resource Disclosure), to cover mineral resource public reporting requirements across all Anglo American Commodities and operating regions. TCV is \$1.44m and ARR is \$375k. This contract was deemed as material to K2fly. See [ASX announcement](#) 12 December 2022.

CORPORATE

Board and executive changes:

Pauline Vamos has joined K2fly's Board as Non-Executive Director and subsequent to the AGM, was appointed 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) retired from the Board after the November AGM. This followed 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:

- **Australian Microcap Investment Conference:** K2fly presented at the conference on Tuesday 19 October (Sofitel, Melbourne). View the investor presentation [here](#).
- **TechKnow Invest Roadshow:** K2fly presented at the conference on Monday 7 November at (Grand Hyatt, Melbourne) and on Wednesday 9 November (Radisson Blu Plaza Hotel, Sydney), (same presentation as used for Australian Microcap Investment Conference). View the investor presentation [here](#).
- **Coffee Microcaps Technology Conference:** Tuesday 8 November, virtual conference, (same presentation as used for TechKnow).

Annual General Meeting (AGM): The Company held its AGM on Monday 28 November 2022. All resolutions were carried. View the Chair's address [here](#) and CEO's presentation [here](#).

Cash position: The Company held a cash balance on 31 December 2022 of \$5.0m (no debt). Trade receivables at 31 December 2022 were \$2.0m.

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 \$0.4m (Section 1.9, Appendix 4C). Gross expenditure in the December quarter amounted to cash outflows of \$3.3m (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 (\$725k), the remittance of deferred payments in relation to the acquisition of RCubed (\$20k) and PPE (\$18k).

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 \$109k 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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Glen Zurcher, Investor Relations. T: +61 420 249 299. E: glen.z@k2fly.com

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

K2fly Limited ACN 125 345 502



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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 December 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	2,891	5,075
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(1,235)	(2,643)
(c) advertising and marketing	(127)	(261)
(d) leased assets	(54)	(108)
(e) staff costs	(1,033)	(2,389)
(f) administration and corporate costs	(885)	(1,336)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	9	16
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	31	31
1.8 Other (cash restricted to non-restricted)	-	-
1.8 Other (R&D refund)	-	-
1.9 Net cash from / (used in) operating activities	(403)	(1,615)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(g) entities	-	-
(h) businesses	(20)	(121)
(i) property, plant and equipment	(18)	(20)
(j) investments	-	-
(k) intellectual property	(725)	(1,515)

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	(763)	(1,656)

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	6,167	8,271
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(403)	(1,615)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(763)	(1,656)

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	(6)	(5)
4.6	Cash and cash equivalents at end of period	4,995	4,995

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	4,995	6,167
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)	4,995	6,167

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	109
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 (total: \$109k).

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)	(403)
8.2 Other (software development) (item 2.1e)	(725)*
8.3 Total relevant outgoings (item 8.1 + item 8.2)	(1,128)
8.4 Cash and cash equivalents at quarter end (item 4.6)	4,995
8.5 Unused finance facilities available at quarter end (item 7.5)	-
8.6 Total available funding (item 8.4 + item 8.5)	4,995
<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)	4
<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: 23 January 2023.....

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.