

Appendix 4D

K2FLY LIMITED

ABN 69 125 345 502

Half-Year Report – 31 December 2022

RESULTS FOR ANNOUNCEMENT TO THE MARKET

(This information should be read in conjunction with the last annual report and any announcements to the market by K2fly Limited during the period)

	Half-Year Ended 31/12/22 \$A	Half-Year Ended 31/12/21 \$A	Amount change \$A	Percentage change %
Revenue from ordinary activities	5,445,564	4,576,634	868,930	19%
(Loss) from ordinary activities after tax attributable to members	(1,993,798)	(1,717,584)	(276,214)	16%
Net (loss) for the half year attributable to members	(1,993,798)	(1,717,584)	(276,214)	16%

Comment

K2fly reported revenues of \$5.4m for the half year ended 31 December 2022 (**H1FY23**), which represented 19% growth compared to the result for the half-year ended 31 December 2021 (**H1FY22**) (\$4.6m).

The Company's growth trajectory continued in H1FY23. With revenues growing, cost of sales increased by 26% to \$3.1m (H1FY22 \$2.5m) due to the increased number of in-flight implementation projects and growing client base, and the need to grow the overall service capacity of the business in advance of delivery. Other costs grew by a modest 3% to \$5.2m (H1FY22 \$5.0m) despite a 49% increase in depreciation and amortisation charges to \$0.9m (H1FY22 \$0.6m), a function of diligent cost management in a highly inflationary environment.

Overall, the Group reported a loss after tax for H1FY23 of \$2.0m, which included \$0.3m of non-cash share-based payment expenses for options issued to staff and directors, \$0.7m of non-cash amortisation expenses, which included amortisation of acquired assets, and a \$0.2m benefit from the recognition of a one-off deferred tax asset to offset a related and previously recognised deferred tax liability (both non-cash).

Dividends (distributions)

There are no dividend or distribution reinvestment plans in operation and there have been no dividend or distribution payments during the half-year ended 31 December 2022.

Net tangible asset per ordinary security	31 Dec 2022	31 Dec 2021
Net tangible assets	(2,954,475)	(3,207,702)
Number of shares on issue at reporting date	174,149,647	138,097,038
Net tangible asset per ordinary security	(1.69 cents)	(2.32 cents)

Control Gained or Lost over Entities
Not Applicable

Associates and joint ventures
Not Applicable

Audit / Review Status
This Appendix 4D and the attached interim financial statements are based on accounts which have been subjected to review by the Group's auditor, HLB Mann Judd WA Partnership (HLB). The accounts are not subject to dispute or qualification.

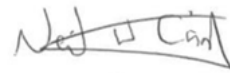
	Current period	Previous corresponding period
Basic (loss) per share in cents	(1.15) cents	(1.24) cents

Independent Auditor's Review Report

The Independent Auditor's Review Report can be found on page 5 of the attached financial report for the Half Year ended 31 December 2022.



Pauline Vamos
Non-Executive Chair
21 February 2023



Neil Canby
Non-Executive Director
21 February 2023

The information required by listing rule 4.2A is contained in both this Appendix 4D and the attached half-year report. This half-yearly reporting information should be read in conjunction with the most recent annual financial report of the company.



K2fly Limited
ABN 69 125 345 502



Financial Report

For the Half-Year Ended

31 December 2022



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DIRECTORS

Pauline Vamos (Non-Executive Chair)
Neil Canby (Non-Executive Director)
Peter Johnson (Non-Executive Director)
Brian Miller (Non-Executive Director)

JOINT COMPANY SECRETARIES

Melissa Chapman
Catherine Grant-Edwards

REGISTERED OFFICE & PRINCIPAL PLACE OF BUSINESS

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502 Hay Street
Subiaco WA 6008
Telephone: (08) 6333 1833
Website: www.k2fly.com

SHARE REGISTRY

Advanced Share Registry
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Nedlands WA 6009
Telephone: (08) 9389 8033
Facsimile: (08) 6370 4203

AUDITORS

HLB Mann Judd (WA Partnership)
Level 4
130 Stirling Street
Perth WA 6000
Telephone: (08) 9227 7500

AUSTRALIAN SECURITIES EXCHANGE

K2fly Limited's shares (**K2F**) are listed on the Australian Securities Exchange

DIRECTORS' REPORT

Your directors present their report on the consolidated entity consisting of K2fly Limited (**K2fly**) (the **Company**) and the entities it controls (the **Group**) for the half-year ended 31 December 2022 (**H1FY23**). In order to comply with the provisions of the *Corporations Act 2001*, the directors report as follows:

DIRECTORS

The following persons were directors of K2fly during the whole of the half-year and up to the date of this report:

Mr Neil Canby
Mr Peter Johnson
Mr Brian Miller

Ms Pauline Vamos was appointed a director on 3 October 2022 and continues in office at the date of this report.

Ms Jenny Cutri was a director from the beginning of the half-year until her retirement on 28 November 2022.

Mr James Deacon was a director from the beginning of the half-year until his retirement on 28 November 2022.

REVIEW OF OPERATIONS

The Group reported revenue of \$5.4m for H1FY23, which represented 19% growth compared to revenue for the half-year ended 31 December 2021 (**H1FY22**) (\$4.6m).

Revenues are generated on the sales and implementation of K2fly's suite of software as a service (SaaS) resource governance solutions for:

- heritage management;
- land access;
- ground disturbance;
- tailings management;
- mine rehabilitation;
- resource disclosure;
- model manager;
- mine reconciliation;
- ore blocker; and
- mine geology.

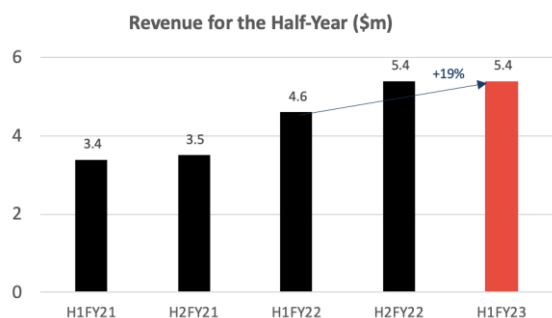


Figure 1: Revenue by half-year

The Group also offers consulting and adjacent services.

The Group charges an annual licence fee for its SaaS products, which is typically billed annually in advance. This metric is reported as annual recurring revenue (**ARR**). The Group accounts for SaaS licence sales in accordance with AASB 15 *Revenues from Contracts with Customers*, which requires that the invoiced licence sales are recognised over the 12-month term of the licence. Unearned income, amounts which have been billed but not yet earned for accounting purposes, is reported in the condensed statement of financial position under contract liabilities.

The Group also tracks and reports its total contract value (**TCV**), which is the aggregate of its contract liabilities (i.e., billed but "unearned" revenue), future licence fees which can be billed over the remaining term of the client's contract and contracted but unbilled one-off implementation fees.

Delivery of the Group's growth strategy, which is focussed on tier-1 and tier-2 global mining companies, is proving to be successful as evidenced by the growth during H1FY23 in ARR, which grew by 44% to \$6.9m and TCV, which grew by 17% to \$19.5m, compared to 31 December 2021.

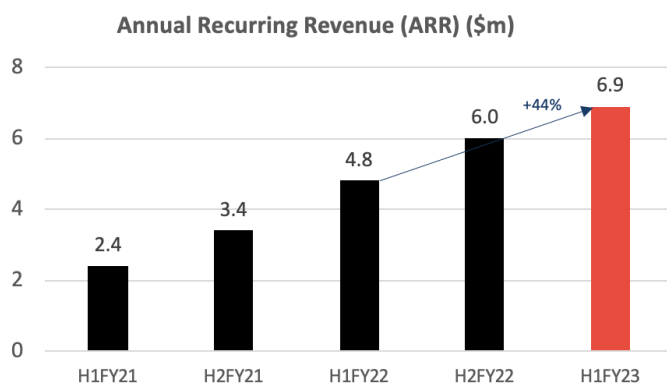


Figure 2: ARR by half-year

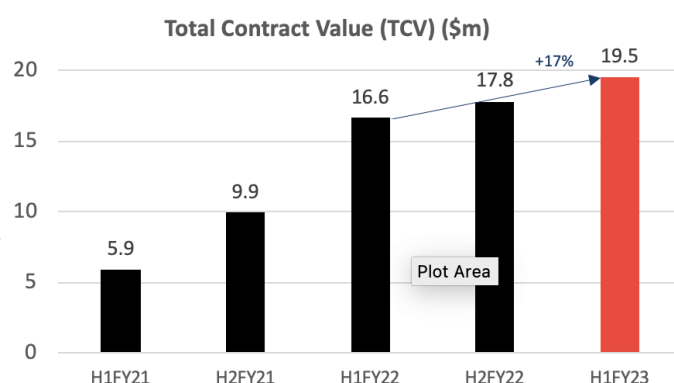


Figure 3: TCV by half-year

Major contracts announced during H1FY23 include:

- ongoing contract with Fortescue Metals Group for software development services (impacting TCV but not ARR);
- three-year contract with Imerys for the land access solution;
- three-year contract with Rio Tinto for the reconciliation solution;
- three-year contract with Mineral Resources Limited for the model manager & ore blocker solutions;
- five-year contract with Arcelor Mittal for the resource disclosure and model manager solutions;
- three-year contract with Anglo American plc for the resource disclosure solution;
- mutual discontinuation with Rio Tinto for the ground disturbance licence and implementation project.

With its current focus on mining, K2fly's operating environment is characterised by strong industry fundamentals and tailwinds in Environmental, Social and Governance (ESG). ESG responsibilities are a key focus of K2fly's client base, which remains well-funded and committed to change. Key operational risks facing K2fly include the duration of the sales cycle, which is a function of the complexity of the underlying business processes and the importance of the solutions to our clients' operations, and access to labour which K2fly manages through its global staffing model.

During H1FY23 the Company launched its new Resource Governance Platform which includes an upgraded mineral resource disclosure solution to replace the RCubed solution. K2fly also released its functionality to integrate Maptek Vulcan with Model Manager and have also released the Reconciliation module of its Resource Disclosure solution which is being delivered to Rio Tinto in the second half of the financial year ending 30 June 2023.

The Company's growth trajectory continued in H1FY23. With revenues growing, cost of sales increased by 26% to \$3.1m (H1FY22 \$2.5m) due to the increased number of in-flight implementation projects and growing client base, and the need to grow the overall service capacity of the business in advance of delivery. Other costs grew by a modest 3% to \$5.2m (H1FY22 \$5.0m) despite a 49% increase in depreciation and amortisation charges to \$0.9m (H1FY22 \$0.6m), a function of diligent cost management in a highly inflationary environment.

Overall, the Group reported a loss after tax for H1FY23 of \$2.0m, which included \$0.3m of non-cash share-based payment expenses for options issued to staff and directors, \$0.7m of non-cash amortisation expenses, which included amortisation of acquired assets, and a \$0.2m benefit from the recognition of a one-off deferred tax asset to offset a related and previously recognised deferred tax liability (both non-cash).

At 31 December 2022, the Group had cash reserves of \$5.0m (30 June 2022: \$8.3m) and un-invoiced, contracted implementation revenue in excess of \$2.5m.

DIRECTORS' REPORT

CHANGES IN STATE OF AFFAIRS

In the opinion of the directors there were no significant changes in the state of affairs of the Group that occurred during the half year ended 31 December 2022 other than those included in this Directors' Report.

SIGNIFICANT EVENTS AFTER BALANCE DATE

There has been no matter or circumstance that has arisen after balance date that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial periods.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is included on page 5 of the half-year report.

Signed in accordance with a resolution of directors made pursuant to s.306(3) of the *Corporations Act 2001*.

On behalf of the Directors



Pauline Vamos
Non-Executive Chair
Sydney, 21 February 2023



Neil Canby
Non-Executive Director
Perth, 21 February 2023

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the consolidated financial report of K2Fly Limited for the half-year ended 31 December 2022, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- a) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) any applicable code of professional conduct in relation to the review.

Perth, Western Australia
21 February 2023



B G McVeigh
Partner

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Liability limited by a scheme approved under Professional Standards Legislation.

HLB Mann Judd (WA Partnership) is a member of HLB International, the global advisory and accounting network.

CONDENSED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

	Notes	Consolidated 31 December 2022 \$	Consolidated 31 December 2021 \$
Revenue	2	5,445,564	4,576,634
Cost of sales		(3,119,006)	(2,481,153)
Gross profit		2,326,558	2,095,481
Other income	3	57,074	127,328
Administration expense		(455,146)	(417,349)
Compliance & regulatory expense		(57,142)	(79,256)
Consultancy expense		(462,583)	(426,990)
Amortisation expense	6	(720,108)	(526,643)
Depreciation plant and equipment		(34,115)	(24,666)
Depreciation right of use assets		(175,731)	(69,935)
Directors' fees		(138,302)	(77,250)
Employee benefits expense	4	(2,391,484)	(2,737,328)
Public relation & marketing expense		(260,767)	(176,316)
Share-based payments expense		(291,386)	(315,511)
Finance expense		(13,749)	(13,099)
Revaluation of provisions	5	642,855	-
Foreign exchange		(30,345)	(68,322)
Other expenses		(144,802)	(108,828)
Loss before income tax expense		(2,149,173)	(2,818,684)
Income tax benefit		155,375	1,101,100
Loss for the period		(1,993,798)	(1,717,584)
Other comprehensive income, net of income tax			
<i>Items that may be reclassified to profit or loss</i>			
Exchange differences on translation of foreign subsidiaries		58,396	(15,747)
Other comprehensive income/(loss) for the period, net of tax		58,396	(15,747)
Total comprehensive loss for the period		(1,935,402)	(1,733,331)
Basic and diluted loss per share (cents)		(1.15)	(1.24)

The accompanying notes form part of the financial statements.

CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

	Note	Consolidated 31 December 2022 \$	Consolidated 30 June 2022 \$
ASSETS			
Current Assets			
Cash and cash equivalents		4,994,758	8,270,720
Trade and other receivables		2,223,201	1,929,942
Total Current Assets		7,217,959	10,200,662
Non-Current Assets			
Restricted cash		153,778	153,559
Property, plant and equipment		172,030	112,656
Right of use assets		297,667	491,961
Intangible assets	6	8,009,097	7,214,366
Goodwill	7	7,342,817	7,342,817
Other financial assets		844	844
Deferred tax asset		729,869	900,902
Total Non-Current Assets		16,706,102	16,217,105
Total Assets		23,924,061	26,417,767
LIABILITIES			
Current Liabilities			
Trade and other payables	8	2,394,440	1,912,317
Provisions and other liabilities	9	1,671,868	2,695,410
Interest-bearing lease liabilities		153,432	175,378
Contract liabilities	10	4,258,492	4,250,828
Tax payable		213,378	220,840
Total Current Liabilities		8,691,610	9,254,773
Non-Current Liabilities			
Trade and other payables	8	547,830	-
Provisions and other liabilities	9	1,295,157	1,729,630
Interest-bearing lease liabilities		262,155	335,632
Deferred tax liabilities		729,870	1,056,277
Total Non-Current Liabilities		2,835,012	3,121,539
Total Liabilities		11,526,622	12,376,312
Net Assets		12,397,439	14,041,455
EQUITY			
Issued capital	11	36,864,295	36,864,295
Reserves		2,891,991	2,651,465
Accumulated losses		(27,358,847)	(25,474,305)
Total Equity		12,397,439	14,041,455

The accompanying notes form part of the financial statements.

CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

Consolidated	Issued capital	Performance rights reserve	Option reserve	FCTR reserve	Asset revaluation reserve	Accumulated losses	Total equity
	\$	\$	\$	\$	\$	\$	\$
Balance as at 1 July 2022	36,864,295	199,100	2,409,227	43,018	120	(25,474,305)	14,041,455
Loss for the period	-	-	-	-	-	(1,993,798)	(1,993,798)
Exchange differences on translation of foreign subsidiaries	-	-	-	58,396	-	-	58,396
Total comprehensive loss for the period	-	-	-	58,396	-	(1,993,798)	(1,935,402)
Forfeited options			(109,256)			109,256	-
Share-based payments – options	-	-	291,386	-	-	-	291,386
Balance as at 31 December 2022	36,864,295	199,100	2,591,357	101,414	120	(27,358,847)	12,397,439
Balance as at 1 July 2021	30,865,720	199,100	1,758,818	20,219	120	(20,853,225)	11,990,752
Loss for the period	-	-	-	-	-	(1,717,584)	(1,717,584)
Exchange differences on translation of foreign subsidiaries	-	-	-	(15,747)	-	-	(15,747)
Total comprehensive loss for the period	-	-	-	(15,747)	-	(1,717,584)	(1,733,331)
Share-based payments – options	-	-	315,511	-	-	-	315,511
Balance as at 31 December 2021	30,865,720	199,100	2,074,329	4,472	120	(22,570,809)	10,572,932

The accompanying notes form part of the financial statements.

CONDENSED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

	Consolidated 31 December 2022 \$	Consolidated 31 December 2021 \$
Cash flows from operating activities		
Receipts from customers	5,075,025	5,387,888
Payments to suppliers and employees	(6,629,020)	(6,743,107)
Government grants received	31,100	124,635
Interest received	16,148	1,631
Movement in cash from restricted to non-restricted	(218)	(28,121)
Net cash (used in) operating activities	(1,506,965)	(1,257,074)
Cash flows from investing activities		
Payments for plant and equipment	(19,519)	(71,722)
Proceeds from sale of plant and equipment	-	334
Capitalised costs relating to intangible assets	(1,514,808)	(1,309,316)
Investment in subsidiaries (K2fly Rcubed)	(19,580)	(350,000)
Payment of Sateva commission	(101,525)	(146,914)
Net cash (used in) investing activities	(1,655,432)	(1,877,618)
Cash flows from financing activities		
Repayment of lease liabilities	(108,117)	(80,184)
Net cash (used in) financing activities	(108,117)	(80,184)
Net (decrease) in cash held	(3,270,514)	(3,214,875)
Cash at beginning of the period	8,270,720	6,906,331
Effects of exchange rate fluctuations on cash held	(5,448)	(89,531)
Cash and cash equivalents at the end of the period	4,994,758	3,601,925

The accompanying notes form part of the financial statements

1 General information

Statement of compliance

This condensed consolidated interim financial report for the half-year reporting period ended 31 December 2022 has been prepared in accordance with Accounting Standard *AASB 134 Interim Financial Reporting* and the *Corporations Act 2001*.

The interim report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2022 and any public announcements made by K2fly during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Basis of preparation

The condensed consolidated financial statements have been prepared on the basis of historical cost, except for the revaluation of certain financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Company's 2022 annual financial report for the financial year ended 30 June 2022. The accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

Going concern

The financial statements have been prepared on a going concern basis which contemplates the continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

For the half year ended 31 December 2022, the Group incurred a net loss of \$1,993,798 (31 December 2021: \$1,717,584) and experienced net cash outflows from operating activities of \$1,506,965 (31 December 2021: \$1,257,074).

At 31 December 2022, the Group had cash and cash equivalents of \$4,994,758 (30 June 2022 \$8,270,720), had a net working capital deficit of \$1,473,651 (30 June 2022: surplus \$945,889), which includes \$4,258,492 of deferred revenue (30 June 2022: 4,250,828) and a non-cash provision for performance shares of \$768,933 (30 June 2022 \$827,792).

The Group's ability to continue as a going concern, and to continue to fund its planned activities and operations is dependent on generating additional revenues from its operations or reducing costs, and if necessary, raising further capital.

The Directors have prepared the financial statements on a going concern basis as they are satisfied that the Group will be able to fund its planned activities and operations. In forming this view, consideration was given to:

- performance tracking and monitoring disciplines, including regular review of management accounts and cash flow forecasts;
- cost management and control processes;
- recent sales growth and the sales pipeline;
- the portfolio of existing contracts which deliver annual recurring revenues;
- the timing of the billing of annual recurring license revenues, which are concentrated in the second half of the financial year;
- the discretionary nature of some capital investment, and the ability to reduce expenditure in response to changing market conditions; and
- the demonstrated ability to raise capital through the equity market.

New and amended accounting standards and interpretations

New and revised Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to the Group and effective for the half-year reporting period beginning on or after 1 July 2022 have been reviewed and applied. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these amended Standards.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

New and revised Accounting Standards and Interpretations on issue but not yet effective are not expected to have material impact on the reported financial performance or position of the Group.

2 Revenue

The Group derives its revenue from the sale of goods and the provision of services at a point in time and over time in the categories detailed below. The Group operates predominately in one business and geographical segment, the global technology sector. The revenue information disclosed below is consistent with reporting by segment under AASB 8 *Operating Segments*.

	31 December 2022	31 December 2021
	\$	\$
At a point in time		
Consulting and implementation services revenue	863,103	744,564
Sales of third-party software (provided via a perpetual license)	15,300	17,000
	878,403	761,564
Over time		
Consulting and implementation services revenue (provided on a time and material basis)	1,686,351	1,850,825
Hosting services revenue	1,200	74,250
Sales of own software (provided as a service)	2,879,610	1,889,995
	4,567,161	3,815,070
	5,445,564	4,576,634

3 Other income

	31 December 2022	31 December 2021
	\$	\$
Interest income	16,150	1,631
Grant	31,100	124,635
Other	9,824	1,062
	57,074	127,328

4 Employee benefits expense

	31 December 2022	31 December 2021
	\$	\$
Wages & salaries	1,883,798	1,941,344
Superannuation	170,340	163,593
Payroll tax	242,748	288,465
Fringe benefits tax	(21,852)	1,149
Training	31,841	20,689
Provision for employee entitlements	(36,588)	3,540
Recruitment	121,197	307,377
Other	-	11,171
	2,391,484	2,737,328

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

5 Revaluation of provisions

	31 December 2022 \$	31 December 2021 \$
Sateva deferred consideration	642,855	-
	642,855	-

Provisions for deferred consideration were revalued during the period to reflect management's current estimate of amounts to be remitted under those agreements.

6 Intangible assets

	31 December 2022 \$	30 June 2022 \$
Software at cost	10,336,389	8,821,581
Software - accumulated amortisation	(2,327,292)	(1,607,215)
Total Intangible Assets	8,009,097	7,214,366
Movements:		
Carrying amount at the beginning of the period	7,214,366	5,655,144
Capitalised costs relating to intangible assets	1,514,808	2,699,053
Amortisation	(720,108)	(1,139,831)
Foreign exchange	31	-
Carrying amount at the end of the period	8,009,097	7,214,366

Capitalised costs relating to intangible assets

Expenditure in relation to development of the Company's own intellectual property to enhance its current software as a service (SaaS) product suite, including investment in:

- new product development within the Sateva suite of technical assurance solutions, Model Manager and Ore Blocker, including integration with Maptek Vulcan.
- the Tailings Governance Solution.
- development of the recently launched Resource Governance Platform, which includes an upgrade to replace the existing RCubed Mineral Inventory Governance and Reporting solution.
- the ground disturbance, heritage and land management solutions.

7 Goodwill

	31 December 2022 \$	30 June 2022 \$
Infoscope	731,543	731,543
Sateva	4,430,642	4,430,642
Decipher	2,180,632	2,180,632
	7,342,817	7,342,817

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

8 Trade and other payables

	31 December 2022 \$	30 June 2022 \$
Current		
Accounts payable	802,207	381,134
Accrued expenses	451,552	601,592
Sateva deferred consideration payable	101,700	101,525
Other payables	193,343	307,182
Employee liabilities	845,638	520,884
	<u>2,394,440</u>	<u>1,912,317</u>
Non-Current		
Employee liabilities	547,830	-
	<u>547,830</u>	<u>-</u>
Total Current and Non-Current	<u>2,942,270</u>	<u>1,912,317</u>

9 Provisions

	31 December 2022 \$	30 June 2022 \$
Current		
Employee leave provisions	527,165	542,901
RCubed milestone incentives	-	19,572
Sateva deferred consideration	375,770	597,650
Decipher performance shares	768,933	827,792
Provision for South African payroll tax	-	707,495
	<u>1,671,868</u>	<u>2,695,410</u>
Non-Current		
Employee leave provisions	13,083	37,857
Sateva deferred consideration	687,424	1,210,099
Decipher performance shares	539,650	481,674
Provision for make good	55,000	-
	<u>1,295,157</u>	<u>1,729,630</u>
Total Current and Non-Current	<u>2,967,025</u>	<u>4,425,040</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

10 Contract liabilities

	31 December 2022 \$	30 June 2022 \$
Deferred revenue	4,258,492	4,250,828
<i>Movements:</i>		
Opening balance	4,250,828	2,059,890
Deferred during the year	2,977,976	6,771,898
Released to the statement of profit or loss	(2,970,312)	(4,580,960)
Closing balance	4,258,492	4,250,828

Deferred revenue relates to the performance obligations from existing contracts that have been invoiced but are unsatisfied or partially satisfied. A break-down of the revenue line items (as reported at note 2) to which these contracts liabilities will be recognised in future periods is as follows:

	6 months to 31 December 2022 \$	Year to 30 June 2022 \$
Sales of own software (software as a service)	3,616,476	3,658,799
Consulting and implementation services revenue	642,016	592,029
	4,258,492	4,250,828

11 Issues of equity securities

	6 months to 31 December 2022		Year to 30 June 2022	
Issues of ordinary shares	Number	\$	Number	\$
Opening balance	173,189,505	36,864,295	137,977,777	30,865,720
Placement	-	-	34,476,137	6,205,705
Exercise of options issued under K2fly's employee incentive option plan	345,424	-	119,261	-
Exercise of options issued to directors and consultants	614,718	-	-	-
Exercise of options issued to employees	-	-	140,845	-
Conversion of performance rights	-	-	475,485	155,660
Share issue costs	-	-	-	(362,790)
Closing balance	174,149,647	36,864,295	173,189,505	36,864,295

Issues of options

During the half-year, the Company issued 6,107,977 share options over ordinary shares to employees under its employee incentive option plan (EIOP) and to directors.

The fair value of options issued was calculated using a probability-based valuation methodology with reference to the share price at grant date.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

Recipient	Number issued	Value per option	Percent expected to vest	Condition	Status	Expiry	Total Value \$
Non-executive directors	880,000	\$0.195	100%	Non-market	Vested	28-Nov-24	171,600
Employees ¹	1,517,773	\$0.165	100%	Non-market ²	Unvested	31-Aug-26	250,433
Employees ¹	742,042	\$0.165	39%	Non-market ²	Unvested	30-Sep-26	47,610
Employees ¹	742,042	\$0.165	39%	Non-market ²	Unvested	30-Jun-27	47,610
Employees ¹	2,226,120	\$0.165	39%	Non-market ²	Unvested	30-Jun-28	142,828
	6,107,977						660,081

¹ Options were issued to employees participating in the EIOP.

² Options shall vest and become exercisable when any vesting conditions (including remaining employed by the Company for a period of 18 months from date of issue of the options) have been satisfied or waived by the board. The number of options that are capable of vesting is based on the achievement of Company and individual performance targets in respect of the year ending 30 June 2023, as determined by the board.

12 Key management personnel

Remuneration arrangements of key management personnel are disclosed in the annual financial report.

Following receipt of shareholder approval at the annual general meeting held on 28 November 2022, the following unlisted options with nil exercise price expiring on 28 November 2022 were issued to directors or their related parties:

- 275,000 options issued to Mr Neil William Canby <Neil Canby Family A/C>.
- 275,000 options issued to M Cavanagh and T Cavanagh <ECMC Family Trust>, a family trust associated with Ms Jenny Cutri;
- 275,000 options issued to Mr James Andrew Deacon; and
- 55,000 options issued to Mr Peter Johnson.

13 Contingent liabilities and contingent assets

There have been no changes in contingent liabilities or contingent assets since the last annual reporting period.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

14 Financial instruments

Set out below is an overview of financial instrument, other than cash and short-term deposits, held by the Group as at 31 December 2022:

	At amortised cost	Fair value through profit or loss	Fair value through other comprehensive income
	\$	\$	\$
Financial Assets			
Trade and other receivables	2,223,202	-	-
Other Financial assets	-	-	844
Total Assets	2,223,202	-	844
Financial Liabilities			
Trade and other payables	2,942,270	-	-
Interest bearing liabilities	415,587	-	-
	3,357,857	-	-

Set out below is a comparison of the carrying amounts and fair values of financial instruments as at 31 December 2022:

	Carrying Amount	Fair Value
	\$	\$
Financial Assets		
Trade and other receivables	2,223,201	2,223,201
Other Financial assets	844	844
Total Assets	2,224,045	2,224,045
Financial Liabilities		
Trade and other payables	2,942,270	2,942,270
Interest-bearing liabilities	415,587	415,587
Total Liabilities	3,357,857	3,357,857

15 Significant events after balance date

There has been no matter or circumstance that has arisen after balance date that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial periods.

DIRECTORS' DECLARATION

The directors declare that:

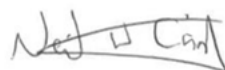
- (a) in the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- (b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the Group.

Signed in accordance with a resolution of the directors made pursuant to s303(5) of the *Corporations Act 2001*.

On behalf of the Directors



Pauline Vamos
Non-Executive Chair
Sydney, 21 February 2023



Neil Canby
Non-Executive Director
Perth, 21 February 2023

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of K2Fly Limited

Report on the Condensed Half-Year Financial Report*Conclusion*

We have reviewed the accompanying half-year financial report of K2Fly Limited ("the company") which comprises the condensed statement of financial position as at 31 December 2022, the condensed statement of comprehensive income, the condensed statement of changes in equity and the condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration, for the Group comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of K2Fly Limited does not comply with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the Group's financial position as at 31 December 2022 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's responsibilities for the review of the financial report* section of our report. We are independent of the company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Responsibility of the directors for the financial report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2022 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.



HLB Mann Judd
Chartered Accountants

Perth, Western Australia
21 February 2023



B G McVeigh
Partner