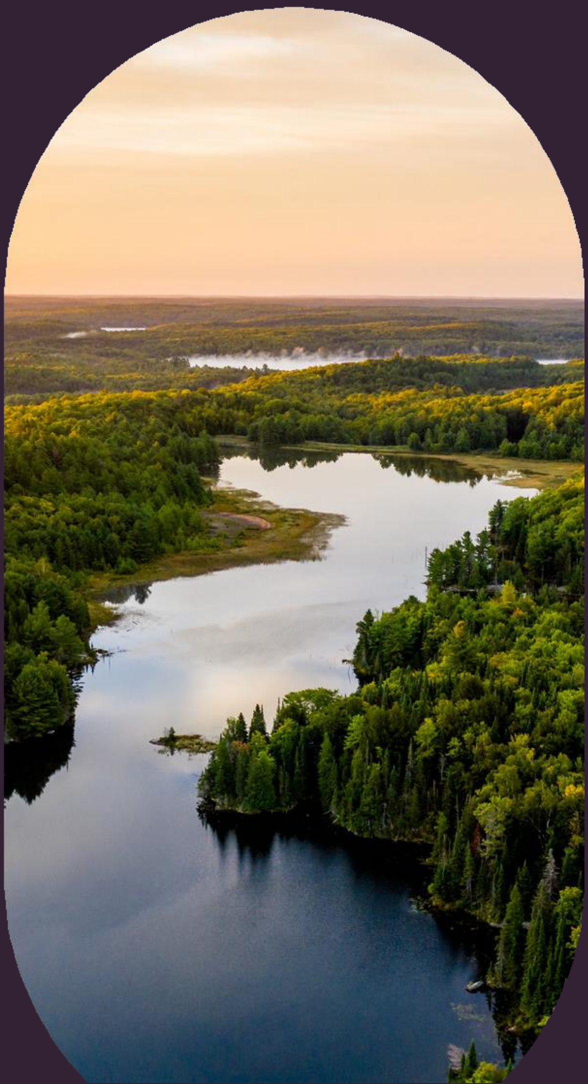
Annual Report

For the Year Ended

30 June 2023



Prepared by

K2fly Limited

ABN 69 125 345 502

CONTENTS

CORPORATE DIRECTORY

ABN 69 125 345 502

DIRECTORS
Pauline Vamos, Chair
Neil Canby
Peter Johnson
Brian Miller

JOINT COMPANY SECRETARY
Melissa Chapman
Catherine Grant-Edwards

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

SOLICITORS
Steinepreis Paganin
Level 4, The Read Building
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Perth WA 6000

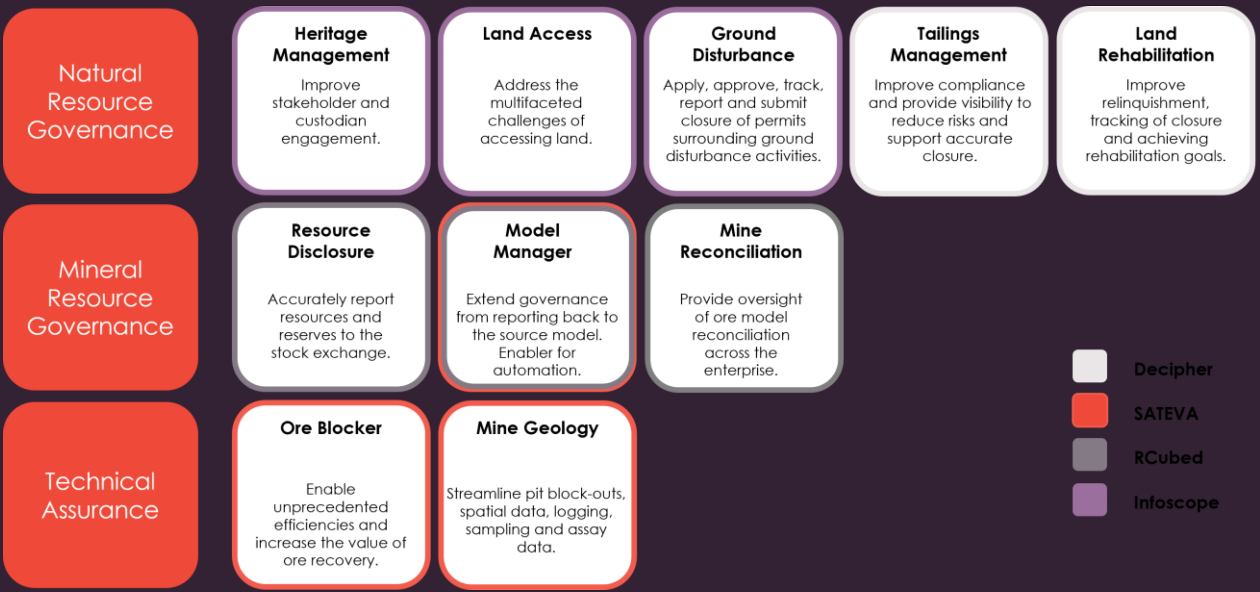
BANKERS
Bendigo Bank
431 Fitzgerald Street
North Perth WA 6006

AUDITORS
HLB Mann Judd (WA Partnership)
Level 4
130 Stirling Street
Perth WA 6000

ABOUT K2FLY

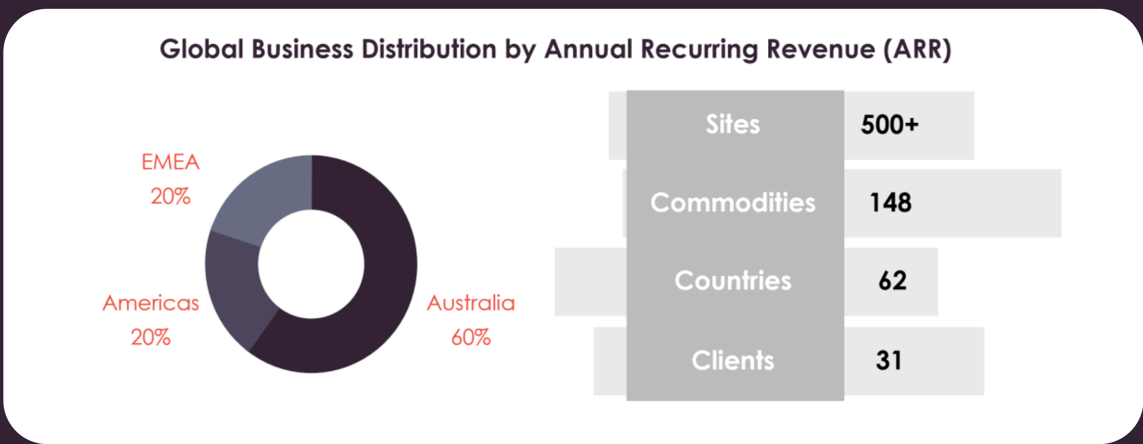
K2fly is an enterprise software as a service business providing solutions in the resource governance space. We predominantly service mining companies, however our solutions are relevant to all asset and land intensive companies in the market. Within Resource Governance, we have solutions that specifically address challenges for both natural and mineral resources.

Our Mineral Resource Governance solutions simplify the resource disclosure process, improve mine reconciliation, provide governance over resource models, and optimise the entire ore blocking process. K2fly's Natural Resource Governance solutions manage cultural heritage sites, land access, ground disturbance permits and approvals, tailings storage facilities and land rehabilitation.



K2fly is a purpose-driven organisation. Our people are passionate about working with our customers, mainly in the mining sector, to build transparency and trust in the industry. We do this by helping our clients improve how they run their operations, strengthening their relationships with communities and other stakeholders, respectfully working with the environment and disclosing information that is credible, verifiable, and auditable to help our customers maintain their social licence to operate.

K2fly has a strong penetration in the global top 50 mining companies with 7 of the 10 top global resource leaders currently using our solutions. Our most prevalent solution, used by 19 of our 31 customers, is the Mineral Resource Governance solution which provides a governed and auditable framework for our customers to report their mineral resources and reserves to the regulators and investors in compliance with the various mineral reporting codes.



Key Financial Metrics

$12.8m

Revenue

Up 28% on FY2022

$0.6m

Net Operating Cash Outflow

Down 25% from $0.8m in FY2022

$7.5m

ARR

Up 25% on end FY2022

ARR – Annual Recurring Revenue

7

New material multi-year client contracts signed in FY23

Imerys (K2fly Land Access solution), Anglo American (K2fly Resource Disclosure solution), Mineral Resources (K2fly Model Manager solution), ArcelorMittal Mining UK (K2fly Resource Disclosure & Model Manager solutions), Rio Tinto (K2fly Mine Reconciliation solution), Eramet (K2fly Resource Disclosure solution), BHP WAIO (K2fly Ground Disturbance solution)

Dear Shareholders

On behalf of K2fly Limited's Board of Directors, I am pleased to present the Company's Annual Report for the 2023 financial year (**FY23**).

In many respects it has been a year of significant progress, but it has also presented challenges. The Board and management as shareholders have had continued disappointment with the share price and the market's valuation of us. However, our main validation is that we continue to sign multi-year contracts with the world's largest mining companies who recognise the value of the market that K2fly is addressing. Thank you for your patience and your continued commitment to K2fly – as a Board we are optimistic about the future and are confident we have the fundamentals in place to continue successfully delivering on our growth strategy.

Our Vision and Purpose

Governance is critical to the effectiveness and sustainability of natural resource use and conservation. We are leading and creating a new sector to support Natural and Mineral Resource Governance.

K2fly is a technology provider of enterprise-level Resource Governance solutions to asset intensive and extractive industries. Our solutions drive towards 'net positive impact' in environmental, social and governance (**ESG**) compliance, disclosure and technical assurance, through platform-based software as a service (**SaaS**) cloud solutions.

Our software and our people contribute to a more sustainable and transparent world, and our mission is to be a trusted partner of choice to enterprise customers in asset-intensive and extractive industries.

We are delighted to work with major global mining groups to help them use our software to standardise and embed within their operational processes the business rules which support their desired ESG and technical assurance outcomes. Given the complexities and changes in the cultural heritage space we are particularly proud to be working with traditional owner groups such as The Keeping Place - an Indigenous owned, not-for-profit, social enterprise which offers a secure online cultural heritage and land management system to Traditional Owner groups, as well as the big miners, particularly in the Pilbara region of Western Australia within a very dynamic regulatory environment particularly regarding the WA Cultural Heritage Act.

Strategy

Growth and Strategy for FY23 and Beyond

K2fly remains focussed on five key strategic pillars:

Product Leadership	Sales Execution	Customer Success	Become Financially Sustainable	Attract and Engage Stars
Define and thought lead the resource governance enterprise software space.	Maintain Strong Top line Growth.	Provide great customer experiences.	Operating Cash Flow Breakeven.	Continue to attract and engage the right people into our business.

During the FY23 we continued to refine our planning and execution in support of these strategies.

Focus on Governance

I joined the Board in October 2022 and stepped into the chair role shortly after the AGM in November. My focus is on fit for purpose governance that reflects the needs of the organisation and our shareholders.

I would like to take this opportunity to thank Jenny Cutri, my predecessor, for her invaluable leadership in shaping the strong position we are in today. I would also like to acknowledge the significant contribution of James Deacon. Both retired at the AGM held in November 2022 and have made a lasting contribution.

We have a small and diverse Board. Our approach to Governance is close oversight by working side by side with Management – we have a focus on good culture and ensuring a constructive board and management relationship. It has been a year where the Board has needed to lean into certain areas to best support management whilst respecting the separation of duties. We have been working closely with our CEO and his team to strengthen reporting and have set sales and operational improvement as the two leading priorities.

Sales have a long lead time in our business and trust is vital. Brian Miller one of our long term directors continues to support the business in evaluating sales initiatives and Brian has the Board's thanks for this.

Operational improvement drives, our ability to scale, process efficiencies and improved customer experience. We have embarked on significant change projects as outlined in the CEO report. I am grateful to Peter Johnson, who agreed to be the lead director overseeing these projects on behalf of the Board.

A deeper understanding of risk has also been a key feature of governance improvement. The more an organisation understands risks – the more it is able to take on risk. This work has been capably led by Neil Canby and our CFO.

I thank my fellow directors for their tireless efforts to support K2fly during its critical growth phase.

Board, Leadership and K2fly Team

It is often said 'our people are our most valuable asset'. My focus as Chair has been to lead this. We must provide an environment where our team can be the best they can be as well as be responsible and accountable. There has been turnover at senior levels as we have focussed on ensuring we have the right team that can take us into the future. We are a people, process and product business – none of these areas can lag behind.

It is my commitment to foster a collaborative environment that embraces diverse perspectives and innovation. We recognise the value that fresh insights bring, and I am confident that this blend of experience and innovation will guide us towards new horizons.

I cannot overstate my admiration and gratitude of our dedicated staff and our CEO, whose efforts have propelled our success. Their resilience, creativity, and tireless work form the backbone of our company and I look forward to continued collaboration as we pursue our shared goals.

I acknowledge again and thank our shareholders for their ongoing support and trust.

We stand at the threshold of exciting opportunities and challenges. Together, we will navigate these with determination and a unified vision. Our robust strategy, talented team, and commitment to innovation position us well for continued growth and leadership in our domain.

Pauline Vamos
Non-Executive Chair

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CHIEF EXECUTIVE OFFICER'S REPORT

Dear Shareholders,

I'm extremely pleased to be able to share with you the CEO Report including the financial and operations review for Financial Year 2023 (FY23).

FY23 was characterised by:

- Continued growth from major contract wins with existing and new global mining majors
- An ongoing focus on the path to operating cash flow breakeven
- An increased focus on our products and customer success groups that have delivered new products to market

This year I am particularly proud of how our Product and Customer success teams have undergone significant operating transformations within K2fly under tight budgetary controls, whilst also delivering on significant new product release milestones and major customer project deliveries in truly transformative, industry first projects for our clients.

We continue to face significant headwinds from the sentiment in the equity market, although there are some green shoots appearing with interest rates steadying. In our view, there remains a significant delta between share price and true value in the microcap space today which is evidenced by some of the significantly higher premiums being paid for listed takeovers as well as evidence of very strong valuation metrics in the private technology deals and particularly the mining technology sector.

At K2fly the quality of our customer list, with 7 of the top 10 global miners represented, is extraordinary and most of that has happened in the last 4 years. We continue to add more solutions to many of those customers and have a strong retention record and multi-year contracts in place. We are leading a space largely uncontested in specialised ESG solutions and continue growing our competitive moat. We remain optimistic that our shareholders will be rewarded as the equity market revives and realises the true value of what K2fly has already achieved and the long-term value of the stock.

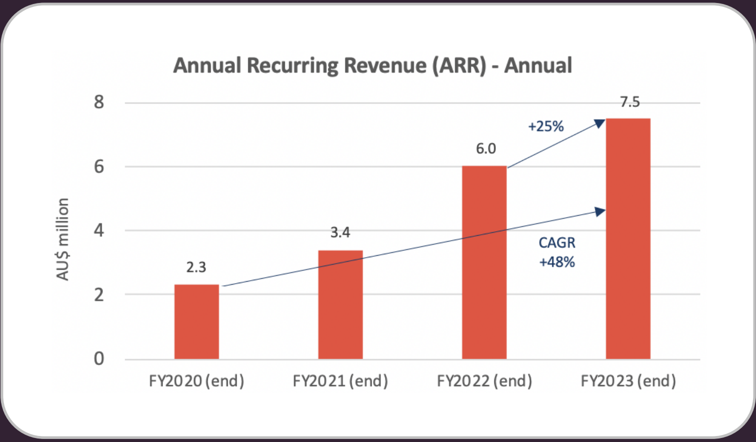
I feel incredibly privileged to lead such a passionate and professional group of people at K2fly and am grateful every day for their commitment to our customers and our solutions.

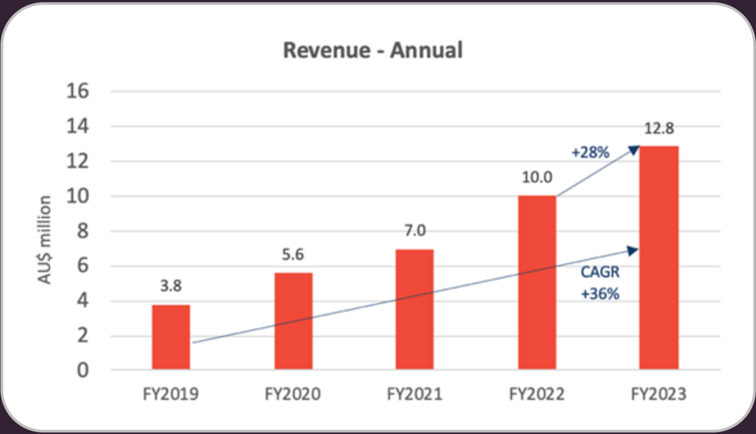
Looking ahead we have the strategy and plans in place to further deliver on our products and sales, and delivery functions to be able to more fully realise the huge potential of this business that is currently focused on the mining sector.

Continuing Growth

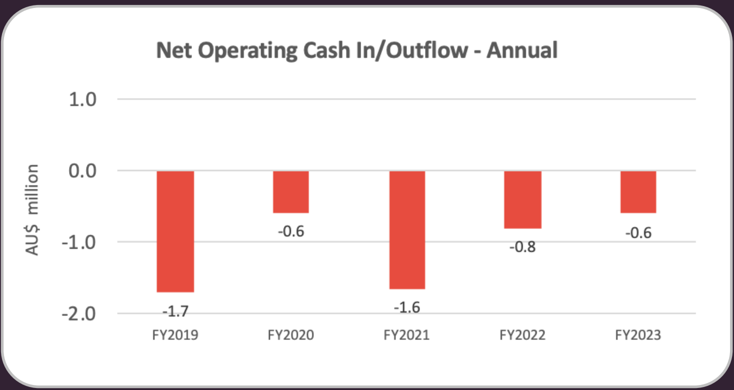
Following stellar growth in FY22, in FY23 we saw top line ARR sales growth of 25% and revenue growth of 28% on the prior year – a function of securing new clients throughout the financial year, growing the range of software and services sold to existing clients and price increases. Growth was achieved while also keeping a strong focus on costs and an increased focus on delivery of major projects.

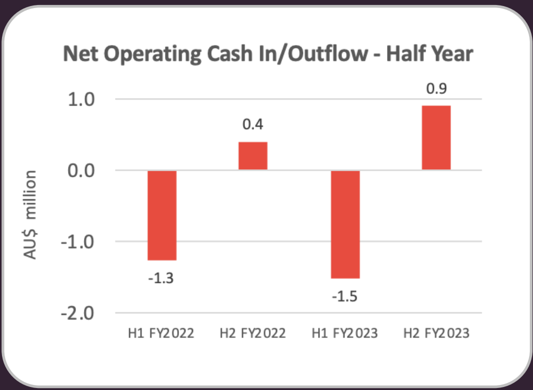
Since recording the ARR metric, our 3-year ARR compound annual growth rate (CAGR) has been a very healthy 48% and 4-year revenue CAGR has been 36%.





Our net operating cash outflow for the full year was $0.6m, a 31% improvement on the prior year. The Company generally bills licence fees annually in advance and billings are weighted towards the second half of the financial year. The net operating cash flow for the 6 months to 30 June 2023 was an inflow of $0.9m, 125% higher than H2 FY2022 (inflow of $0.4m).





The Company has an ongoing focus on prudent cost management which, in conjunction with scale economies delivered through revenue growth, contributed to a 65% improvement in earnings before interest depreciation, amortisation and tax (EBITDA[1]) during FY23 to ($1.7m), from ($5.0m).

[1] Stated before the benefit of the revaluation of provisions for contingent consideration ($1.3m in FY23 and $0.9m in FY22).

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CHIEF EXECUTIVE OFFICER'S REPORT

As the organisation grows its serviced revenue base, cost of sales have grown but at a lower rate than revenue growth (20% vs. 28% revenue growth) due to scale economies and diligent cost management. General expenses[2] have declined by 10% to $8.9m (FY22: $9.9m) due to the benefit of cost management and the inclusion of non-recurring costs in FY22. Amortisation expenses (non-cash) were $1.5m (FY22: $1.1m) due to the capitalisation of internally developed software and its amortisation through the income statement.

Sales

FY23 was further proof of the continuing global demand for our solutions and the K2fly 'Land and Expand' sales strategy. We continued to 'land' new clients particularly in our new Resource Disclosure solution, launched in December. We have already seen take up by Arcelor Mittal (global rollout), Anglo American (global rollout) and Eramet (global rollout).

We continued to 'expand' within our existing client base, particularly within our Natural Resource Governance category of solutions. Imerys contracted for a second K2fly solution with a global rollout of our Land Access solution. Rio Tinto became the inaugural customer of our Mine Reconciliation module (5th solution) and have successfully implemented that across the global business. Mineral Resources Limited contracted our Mine Technical Assurance suite for operations in Western Australia. BHP WAIO contracted for a further 3 years for our Ground Disturbance solution in the Pilbara region of Western Australia and since the close of the quarter, Roy Hill have also contracted a second solution for our Ground Disturbance solution in their Pilbara Western Australia operations.

There is significant white space opportunity across our existing global customers with our 10 solutions and we continue to drive additional land and expand opportunities, in addition to maintaining a pipeline of prospective new customers.

Our offering continues to evolve and strengthen. In FY24 our customers will have the additional benefit of new modules and solutions launched in FY23 such as Mine Reconciliation and Model Manager (integrated with Maptek Vulcan). Model Manager will be fully integrated with Resource Disclosure to create an integrated Resource Governance suite and further increase our competitive moat.

Enterprise software sales with global enterprises remains a lumpy business and FY23 was a very good example of that challenge. In Q2 FY23 we had our biggest ever new ARR quarter of $1.25m added (previous high was $700k) however then Q3 FY23 was relatively flat. This is a constant challenge for companies like K2fly, reporting against every quarter means we need to manage a pipeline that has a combination of 'big rock' deals that come with considerable timing and resources risk along 'run rate' deals that we can tick over more frequently. The release of our new Mineral Resource Governance platform in calendar Q4 FY23 will allow us to address smaller producers with a more fit for purpose solution that we can deliver and support more cost effectively. The combination of that with our Model Manager in a package will increase license values for all client categories. Furthermore, our reputation in Natural Resource governance continues to grow, especially in the Pilbara and more recently globally. The value of these solutions tends to be twice that of the average Resource disclosure deal and the addressable market considerably larger including outside of resources as well.

To support our growth aspirations, K2fly has plans to explore additional channels to market via partnerships and adjacent vertical markets. We believe that there is a strong case for our Natural Resource Governance solutions in adjacent verticals particularly where the customer is a large land user and especially in more highly contested jurisdictions. Therefore, we will be looking for opportunities in alternative energy, onshore oil and gas, linear assets (rail and pipeline), as well as big agriculture.

Similarly, we are exploring other channels to market via "white labelling" certain technologies and building closer partnerships with the consulting community.

By opening these other revenue opportunities, we can gain additional indirect and direct revenue streams and help to smooth and grow our new sales revenues.

[2] Excluding depreciation, amortisation and interest.

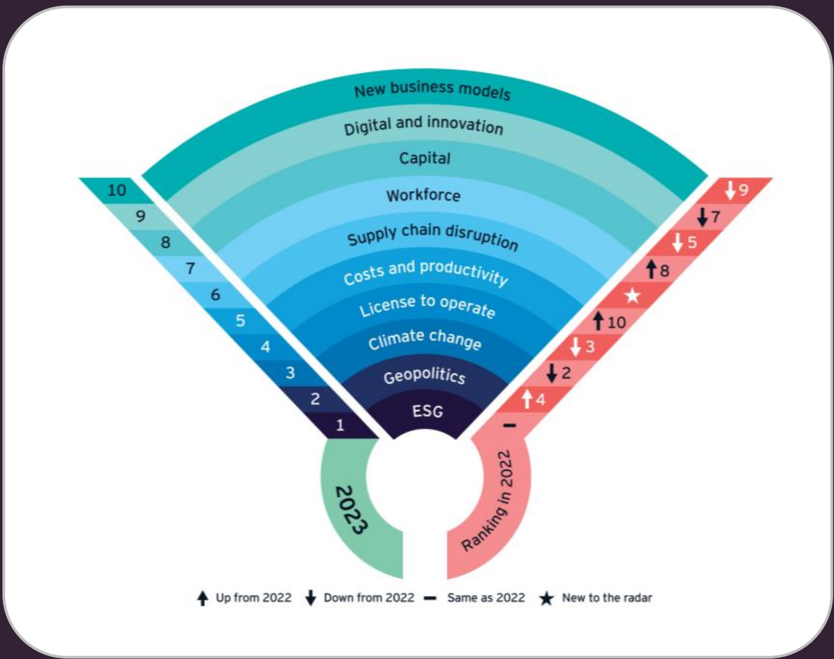
Industry Drivers

Mineral reporting codes. Global public mineral reporting codes have driven strong governance of public disclosures of minerals information. Recently, we have seen an increase in disclosure of information related to Environmental, Social and Governance (ESG) issues, but management of ESG information in mining companies has not reached the same level of governance and diligence afforded to mineral reporting.

There are three industry drivers that are propelling K2fly's underlying growth and huge potential for growth; continued stability and demand for commodities in traditional base and precious metals along with a generational change in demand for battery and critical minerals to support the energy transition.

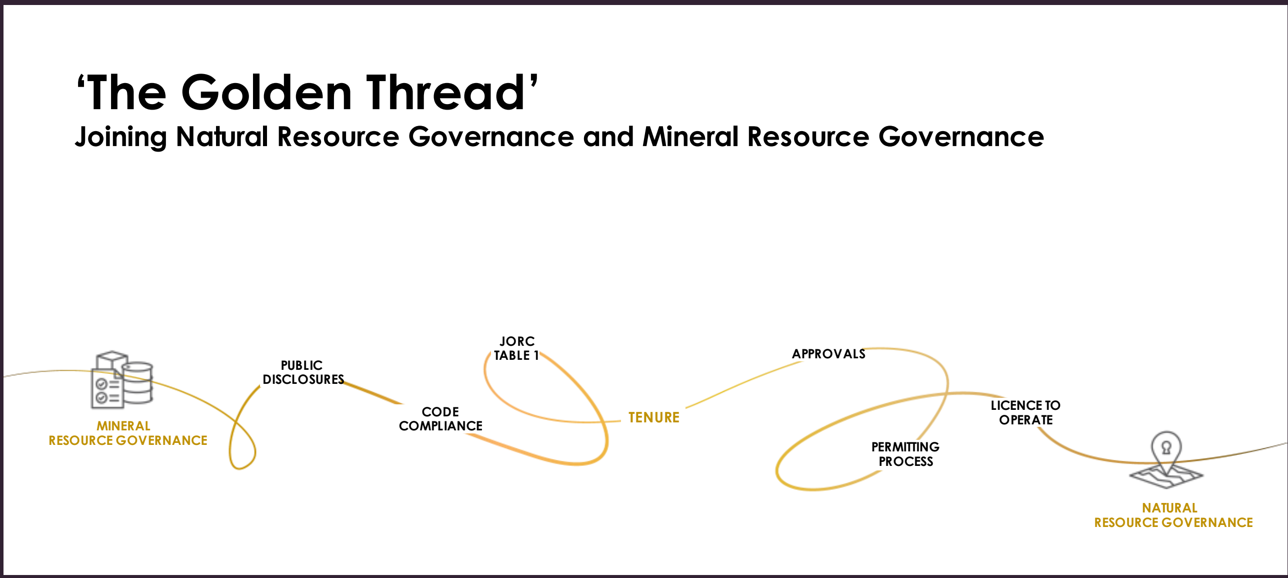
Radical transparency. With more mining and alternative energy projects needed to support the world's energy transition, communities and investors will need to trust that these projects can be conducted in a sustainable and ethical matter with high levels of transparency and disclosure. License to operate and ESG concerns continue to be major factors that Boards and Executive teams need to focus on.

ESG Risk is constantly top 10 across all mining CEO surveys outlined in EY's report on the top 10 business risks and opportunities for mining and metals in 2023:[3]



Linking mineral reporting and ESG: Finally – "the golden thread" which ties the industry challenge together with what makes K2fly and our opportunity so unique and important to the industries and communities that we serve. In May 23 we presented a paper at the AUSIMM Resource Estimation Conference in Perth which highlighted the "golden thread" linking mining resource disclosure codes and ESG data that is undergoing considerable reviews as each code updates its ESG approach. This paper was co-authored by members of the K2fly Mineral Resource Reserve forum including Anglo Gold Ashanti, SRK and representatives of the South African SAMREC mining code.

[3] EY 26 September 2023 - https://www.ey.com/en_au/mining-metals/risks-opportunities



We define Resource Governance as the conjunction of environmental, social and minerals governance. A modern systems approach to Resource Governance, which combines mineral and ESG information, would provide not only reporting and governance capability, but also has the potential to sense/respond, predict, and prevent ESG incidents.

Daily we are confronted in the media by an increasingly complex and changing regulatory and community expectation landscape. This creates increasing uncertainty amongst our customers and therefore increasing demand for K2fly and our Resource Governance solutions. This is very apparent for mining but as we have just witnessed with more changes and uncertainty around issues like the WA Cultural Heritage Act, it is clear the changes will impact all land intensive businesses and as such we believe that we have seen our total addressable market (TAM) increase to over $1b.[4]

New Resource Governance Platform

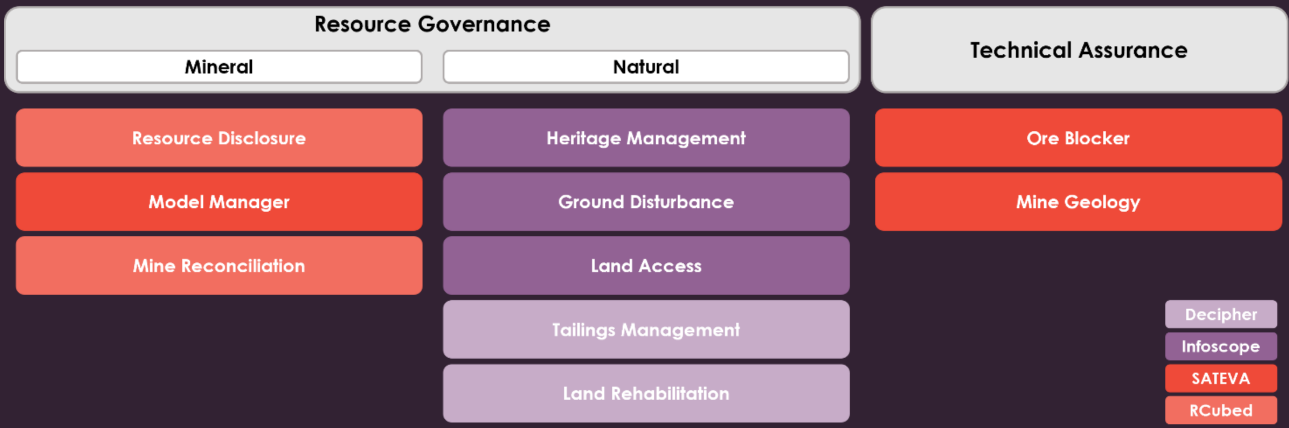
Today we have two flavours of Resource Governance in Natural Resource Governance and Mineral Resource Governance. Clearly the latter is relatively specific for our resource's clients. Our longer-term goal is to increasingly link the two through our platform approach given we realise increasingly the golden thread that is evolving between the two for Resources companies and how important that is becoming.

We also need to be able to take Natural Resource Governance into other vertical markets as a standalone suite.

In FY24 we plan to strengthen the Resource Disclosure solution and platform. A single, integrated, commercial off the shelf (COTS) bundle will be formed with Model Manager. We will also evaluate the integration of the Reconciliation module into the new platform, again to provide a bundled package offering to clients.

Given the continued success and take up of our Natural Resource Governance suite we will increasingly turn our attention to strengthening its position as a COTS offering and improving the user experience. We will be evaluating what enhancements are necessary for alternative verticals although we already have experience in onshore oil and gas as well as linear assets.

[4] K2fly internal estimate.



Research and Development

In FY23 K2fly continued to invest into our technology solutions and platforms. In FY23 we invested $2.7m which was consistent with the prior year (FY22: $2.7m). Key areas of investment included developing the new Resource Governance platform that includes our new Resource Disclosure solution, Model Manager, and the technical assurance solutions (Ore Blocker and Mine Geology), and the cost of enhancing the functionality of the Natural Resource Governance offerings.

During the financial year, a research and development tax incentive of $0.4m was received.

Review of Product Development Group and Customer Success Groups

As part of our K2fly strategy of becoming a product led company in late calendar 2022 we conducted an external review of our Product Development Group (PDG). The review revealed significant opportunities to improve the structure and efficacy of our PDG. The group has made significant progress in the second half of FY23 since the review and implemented an improved Product Release Process or (PRP) across the four platforms and introduced plans to leverage common technologies across all our solutions.

In summary, our product release process offers benefits such as consistency, quality assurance, risk management, efficient resource allocation, collaboration improvement, customer satisfaction, faster time to market, version control, continuous improvement, regulatory compliance, transparency, and scalability. It's a strategic investment that contributes to the overall success of K2fly on our journey to becoming a product led company.

In Q3 FY23 and in line with our strategy to enhance our customer experience, we conducted a similar external review of our Customer Success Group (CSG) and implemented enhanced tracking and monitoring of customer satisfaction and account performance.

Our PDG and Customer Success Team are the engine room of K2fly success, especially as we pivot towards product led growth. These reviews were significant milestones for K2fly to create a platform for future growth and scalability of our business. We are already seeing significant positive results in predictability and quality across our products and services and this in turn is being recognised by our customers.

Industry Team

Our Industry Team sits at the forefront of the K2fly operating model defining the requirements of the industries we intend to serve. Opportunities identified are then assessed and a business case prepared. We have seen this model mature significantly in FY23 and looking forward to FY24 and beyond.

The Resource Reserve Reporting Forum (RRRF) is going strong after three years with 13 members representing the largest global mining and consulting houses. During the last year representatives of the major reporting codes have made guest appearances to provide updates on code changes and hot topics of debate. We recently welcomed a new Chair of the Forum, Mark Noppé, who is a Director of the AusIMM and the Director of the WH Bryan Mining Geology Research Centre at the University of Queensland.

During the year we produced four technical papers, two of which were co-authored by members of the Forum and associates. Two papers (ESG in Mineral Reporting and Reporting Resources Exclusive of Reserves) were presented at the inaugural AusIMM Mineral Resource Estimation Conference in Perth to over 500 delegates, one (A High Performance Approach to Block Model Governance) was presented at the SME Application of Computing in Mining (APCOM) conference in Rapid City South Dakota, and the last (A Guide to Ground Disturbance Permitting and Managing ESG Risk) will be presented at the AusIMM Iron Ore conference in Perth in September.

The paper on ESG in Mineral Reporting is a landmark account of how to consider ESG matters when preparing public disclosures of minerals information. It highlighted the importance of ESG as a "golden thread" weaving through company strategy, planning and public disclosures, a topic that is undergoing considerable reviews as each regional code updates requirements for ESG disclosure. This paper was co-authored by members of the RRRF including K2fly, Anglo Gold Ashanti, global ESG experts from SRK Consulting and representatives of the South African SAMREC reporting code.

K2fly continued its involvement with CRC TiME during the year. The Cooperative Research Centre is focussed on tackling mine closure and post-mine transition challenges. As a Major Participant of the CRC and forming part of the Advisory Group, K2fly actively contributed its expertise in Natural Resource Governance (NRG), into the paper uncovering Opportunities for Growth in Australia's Mine Closure Solutions Industry. The paper, which is currently in draft, intends to build consensus on the strategic direction of the mine closure solutions industry, and within that, where solutions (such as K2fly's NRG suite) can effectively deliver economic, social, and environmental value. Also, within the NRG domain, K2fly led industry workshops to explore the impact of updates to the Aboriginal Cultural Heritage Act in Western Australia and more broadly, the impact of growing awareness in that domain on adjacent industries.

In line with ICMM members recently publishing progress towards conformance with the Global Industry Standard on Tailings Management, K2fly continued its active engagement with industry hosting an online event that attracted over 800 registrants. The panel event explored mechanisms that accelerate the level and availability of tailings expertise to support critical governance roles within the GISTM. With strong representation across the resources, consulting, academic, government and regulatory sectors, K2fly maintains an important role in promoting strong resource governance in this critical sector.

Risk and Mitigation

As K2fly evolves from a start-up to a more mature business our risk management also matures. We have institutionalised an increased focus on risk assessment and mitigation.

Sales and customer retention are key areas of risk to the Company during this stage of growth. As we are heavily exposed to the global commodities market, we monitor commodity prices of our customers and prospects and their sector outlook. Base metals and precious metals appear to be relatively stable now and for the near term. We are also witnessing significant growth in critical and battery minerals projects driven by the energy transition away from fossil fuels. This drives additional demand for us as more new mines require our solutions to gain ESG approvals and license to operate. Market conditions and increased M&A activity and consolidation in the sector, creating new and larger mining companies who operate with greater sophistication requiring ESG solutions such as those K2fly offers, balances our risk given our exposure to big mining. Risk to revenue is somewhat mitigated by the Company's primary business model, which sees the sale of SaaS solutions on a recurring annual fee basis, under multi-year arrangements, and typically with price inflation adjustments. The Company further diversified its customer base in FY23, spreading revenue risk.

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CHIEF EXECUTIVE OFFICER'S REPORT

Increasingly we see our customers demanding hosted cloud-based solutions that passes risk to K2fly as well as additional revenues. K2fly actively manages its cybersecurity risk profile and monitors compliance with emerging standards to ensure that it meets the expectations of our sophisticated, tier-1 clients.

People are at the centre of our business and the war for talent continues across all professions. As such we are strategically focussed on attracting and retaining the best people for our business and focussing on continuing to build a culture that supports that.

Enhanced Executive Team

During the second half of FY23 we appointed some key roles within the K2fly executive in order that we can execute the improvements identified in our revised operations model.

In January we appointed Brian (Boz) Elloy as Chief Product Officer. Boz brings a wealth of knowledge and leadership across product led experience from 12 years in Silicon Valley and the last 15 years in mining and asset intensive businesses with the last five years running the Digital Factories team in a major global mining company.

In March 2023 we appointed Peter Malaxos as Head of Customer Success Group. Peter is a seasoned Professional Services operator with a successful track record at a global technology company.

In November 2022 Sean Helm was appointed General Manager of the K2fly Industries team. Sean has a long career as a geologist and as a senior consultant for Snowden in Corporate and within the Snowden Technology Team. Most recently Sean worked for AMIRA - a global mining research centre and his focus was on Tailings.

People and Culture:

At K2fly, our purpose follows, that all Resources are precious. It is the responsibility of those that have tenure of those resources to manage them with appropriate levels of Resource Governance for all stakeholders. I am repeatedly reminded of how important this purpose is by our K2fly team and how that resonates with new people joining K2fly.

During the last few years on the back of a series of acquisitions and subsequent integration of those business, we have conducted a cultural program called 'One K2fly'. Now that we have bedded that down we look to drive revised programs around staff engagement and satisfaction.

Our staff numbers have also settled in FY23 and as we look forward to FY24 we do not see that changing markedly unless there is an inorganic event.

I would like to end with a huge thank you to everyone in the K2fly team for what has been a milestone year for our business on so many levels and look forward to continuing this journey together.

Sincerely

Nic Pollock
Chief Executive Officer

Your directors submit their report for the year ended 30 June 2023.

DIRECTORS

The names and details of the Company's directors in office during the financial year and until the date of this report are set out below. Directors were in office for this entire period unless otherwise stated. Unless otherwise stated, in the three years immediately before the end of the financial year, no director served on the board of any other ASX-listed company.

Pauline Vamos BALLB, FASFA, GAICD, FGIA
Non-Executive Chair (since 1 October 2022)

Ms Vamos has substantial governance experience in board roles as a director and chair, and is recognised as an expert in governance, risk management and public policy. She has ESG experience at an executive and board level and over 30 years' experience in the financial services industry, including as a senior regulator with ASIC. Ms Vamos has held various directorships on listed, public and fiduciary entities, senior executive and CEO positions.

Ms Vamos is currently the Chair of Governance Institute of Australia and Interaction Disability Services Limited and non-executive director of Chief Executive Women (CEW) and Mercer Superannuation (Australia) Limited.

On 28 November 2022, Ms Vamos was appointed chair of the board. Since 1 December 2022, Ms Vamos serves on the Group's remuneration and audit and risk committees.

Neil Canby BA Hons (Accounting and Financial Management), FCA, MAICD
Non-Executive Director

Mr Canby has an extensive history of senior roles across a variety of industries including energy and utilities with responsibilities ranging from business development, project and operational delivery and commercial and financial management. Mr Canby is currently the Managing Director of Sunrise Energy Group, a privately owned renewable energy project development business working with commercial and industrial companies on decarbonisation of electricity and transport. Mr Canby is chair of the audit and risk committee and, since 1 December 2022, serves on the Group's remuneration committee.

Peter Johnson BEng(Mech)
Non-Executive Director

Mr Johnson has over 20 years' experience delivering improvement to the mining industry using technology. He has been heavily involved in the research and development, commercialisation and sales of hardware and software technology products relating to geological modelling and mine design, planning, survey and monitoring, production management information and operational mining systems.

Mr Johnson has been responsible for the introduction of several successful technology solutions that are now used globally within the mining industry, including leading the commercialisation of the world's first LiDAR instruments designed specifically for mine measurement. He is the Chairman of Maptek and a Commercial Advisor to PETRA Data Science. Since 1 December 2022, Mr Johnson is the chair of the remuneration committee and serves on the Group's audit and risk committee.

Brian Miller B.Ed (Hons), M.A
Non-Executive Director

Mr Miller has in excess of 30 years' experience in the IT sector and was a founding member of the Institute of Asset Management (UK). He influenced the development of the initial BS5750 standard for asset management within the UK energy sector, and worked closely with various UK industry regulators including energy, water and rail. Mr Miller has held directorships with UK and Australian IT companies and holds an extensive network of contacts and experience within the asset intensive sectors.

Mr Miller was chief executive officer of the Group until 31 August 2021 and served as an executive director until 30 June 2022. He serves on the audit and risk committee and, since 1 December 2022, the remuneration committee.

Jenny Cutri BLaws, B Juris, BCom (Accounting), Grad Dip Executive (MBA)
Non-Executive Chair (retired 28 November 2022)

Ms Cutri is a highly experienced corporate lawyer and compliance specialist with more than 25 years' experience, having held executive management roles in both public and private sectors, including Head of Compliance for an ASX listed entity and Assistant State Manager – ASX Perth. Jenny is also an accomplished professional company director with previous positions in profit and not for profit entities. Jenny holds an LLB, BCom and Graduate Diploma in EMBA from the Melbourne School of Business (formerly Mt Eliza business school). Ms Cutri served on the Group's remuneration committee until her retirement on 28 November 2022.

James Deacon BSc MBA (Exec) GAICD
Non-Executive Director (retired 28 November 2022)

Mr Deacon is a veteran of the technology sector with more than 25 years' experience and a proven track record in successful business transformation across a number of industries including utilities, mining, financial services and airlines. He has held senior positions at Information Services Group (ISG), Horizon Power, UnisysWest and US Airways. Mr Deacon is a Certified Professional and Member of the Australian Computer Society and Member of the International Association of Outsourcing Professionals. Mr Deacon served on the Group's audit and risk committee and was chair of the remuneration committee until his retirement on 28 November 2022.

INTERESTS IN THE SHARES AND OPTIONS OF THE COMPANY AND RELATED BODIES CORPORATE

At the date of this report, shares and options held directly or indirectly by Directors are:

	Number of ordinary shares	Number of options over ordinary shares
Neil Canby	1,180,844	275,000
Peter Johnson	22,810,245	55,000
Brian Miller	3,216,870	995,524

JOINT COMPANY SECRETARY

Melissa Chapman and Catherine Grant-Edwards

Ms Melissa Chapman (Certified Practicing Accountant (CPA), AGIA/ACIS, GAICD) and Ms Catherine Grant- Edwards (Chartered Accountant (CA)) are directors of Bellatrix Corporate Pty Ltd (**Bellatrix**), a company that provides company secretarial and accounting services to a number of ASX listed companies. Between them, Ms Chapman and Ms Grant-Edwards have over 30 years' experience in the provision of accounting, finance and company secretarial services to public listed resource and private companies in Australia and the UK, and in the field of public practice external audit.

PRINCIPAL ACTIVITIES

The principal activities of the entities within the Group during the year were the sale of owned software; and the provision of software and integration consulting services and asset management consultancy services.

K2fly delivers a suite of solutions across three key areas, on a single platform:

- Natural Resource Governance – encompassing Heritage Management, Land Access, Ground Disturbance, Tailings Management and Mine Rehabilitation
- Mineral Resource Governance – comprising Resource Reporting and Model Manager
- Technical Assurance – Ore Blocker and Mine Geology

In addition, K2fly provides asset management consultancy services, primarily to the utilities sector.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

On 31 May 2023, the Company established a 24-month working capital facility with Maptek Pty Ltd, an entity associated with director Mr Peter Johnson, and a substantial shareholder. The facility has a limit of $2,000,000 and interest fixed at a rate of 6.77% p.a.. Under the terms of the facility agreement, payment is due on expiry of the term or earlier at the Company's discretion. The Company has the option to pay or capitalise accrued interest.

OPERATIONS REVIEW

Review of Operations

A review of the operations of the Group during the financial year and the results of those operations is contained in the Annual Report. The financial review can be found on pages 6-8 and the risks on 12-13.

DIVIDENDS

No dividends have been paid or declared since the start of the financial year and the Directors do not recommend the payment of a dividend in respect of the financial year.

DIRECTORS' MEETINGS

The number of meetings of directors (including meetings of committees of directors) held during the year and the number of meetings attended by each director were as follows:

		Meetings of committees	
	Directors' meetings	**Audit & risk**	**Remuneration**
Number of meetings held:	17	4	3
Number of meetings attended, (number of meeting eligible to attend):			
Pauline Vamos	13 (13)	3 (3)	2 (2)
Neil Canby	17 (17)	4 (4)	2 (2)
Peter Johnson	15 (17)	1 (3)	3 (3)
Brian Miller	14 (17)	3 (4)	3 (3)
Jenny Cutri	6 (6)	-	-
James Deacon	5 (6)	1 (1)	1 (1)

COMMITTEE MEMBERSHIP

As at the date of this report, the Company had an audit and risk committee and a remuneration committee of the board of directors.

Members acting on the committees of the board during the year were:

Audit and risk	Remuneration
Neil Canby (chair)	James Deacon (chair) (until 28 November 2022)
Brian Miller	Peter Johnson (chair) (from 1 December 2022)
Pauline Vamos (from 1 December 2022)	Pauline Vamos (from 1 December 2022)
Peter Johnson (from 1 December 2022)	Neil Canby (from 1 December 2022)
James Deacon (until 28 November 2022)	Brian Miller

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.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

Disclosure of information regarding likely developments in the operations of the Group in future financial years and the expected results of those operations is uncertain and so not appropriate to disclose. That information has not been presented in this report.

ENVIRONMENTAL LEGISLATION

The Company is not currently subject to any specific environmental regulation. There have not been any known significant breaches of any environmental regulations during the year under review and up until the date of this report.

SHARE OPTIONS

Unissued shares

At the date of this report, there were 10,754,499 unissued ordinary shares under option (10,846,198 at the reporting date). Refer to the remuneration report for further details of the options outstanding for Key Management Personnel (**KMP**).

Option holders do not have any right, by virtue of the option to participate in any share issue of the Company or any related body corporate.

Shares issued as a result of the exercise of options

During the financial year, directors, employees and consultants exercised rights to acquire 1,185,973 fully paid ordinary share in the Company at nil exercise price.

PERFORMANCE SHARES

At the date of this report, there are 3,930,825 performance shares on issue, none of which have vested.

During the year, 939,323 performance shares were converted to fully paid ordinary shares. The issue of shares related to the acquisition of Decipher (tailings management solution) from CSBP Limited and Wesfarmers Chemicals, Energy & Fertilisers Limited in February 2021 and was in accordance with the terms of the acquisition agreement.

PERFORMANCE RIGHTS

At the date of this report, there are 660,000 performance rights on issue with no expiry date. Of this balance, none have vested.

SHARES

At 30 June 2023 there were 175,314,801 fully paid ordinary shares on issue. At the date of this report, there were 175,314,801 shares on issue.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

Under the Company's Constitution and to the extent permitted by law (subject to the restrictions in section 199A and 199B of the *Corporations Act 2001*), the Company indemnifies every person who is or has been an officer of the Company against:

(a) any liability (other than for legal costs) incurred by that person as an officer of the Company where the Company requested the officer to accept appointment as Director; and
(b) reasonable legal costs incurred in defending an action for a liability incurred by that person as an officer of the Company.

The Company has insured its Directors, Company Secretaries and executive officers. Under the Company's Directors' and Officers' Liability Insurance Policy (**D&O Policy**), the Company cannot release to any third party or otherwise publish details of the nature of the liabilities insured by the policy. Accordingly, the Company relies on section 300(9) of the *Corporations Act 2001* to exempt it from the requirement to disclose the nature of the liability insured against.

The Company also has in place a Deed of Indemnity, Access and Insurance with each of the Directors.

This Deed:

(a) indemnifies the Director to the extent permitted by law and the Constitution against certain liabilities and legal costs incurred by the Director as an officer of any Group Company;
(b) requires the Company to maintain, and pay the premium for, a D&O Policy in respect of the Director; and
(c) provides the Director with access to particular papers and documents requested by the Director for a Permitted Purpose; both during the time that the Director holds office and for a seven-year period after the Director ceases to be an officer of any Group Company, on the terms and conditions contained in the Deed.

The total amount of insurance contract premiums paid was $50,226.

NON-AUDIT SERVICES

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in note 5.11 to the financial statements. The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

The Directors are of the opinion that the services do not compromise the auditor's independence as all non-audit services have been reviewed to ensure that they do not impact the impartiality and objectivity of the auditor and none of the services undermine the general principles relating to auditor independence as set out in Code of Conduct APES 110 *Code of Ethics for Professional Accountants* issued by the Accounting Professional & Ethical Standards Board.

AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

Section 307C of the *Corporations Act 2001* requires our auditors, HLB Mann Judd, to provide the Directors of the Company with an Independence Declaration in relation to the audit of the financial report. This Independence Declaration is set out on page 21 and forms part of this Directors' report for the year ended 30 June 2023.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not a party to any such proceedings during the year.

CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of K2fly support and have adhered to principles of sound corporate governance. The Company continued to follow best practice recommendations as set out by the 4th edition of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations. Where the Company has not followed best practice for any recommendation, an explanation is given in the Corporate Governance Statement which is available on the Company website at k2fly.com.

Signed in accordance with a resolution of the Directors.

Pauline Vamos	Neil Canby
Non-Executive Chair	Non-Executive Director
Perth, 29 August 2023	Perth, 29 August 2023

REMUNERATION REPORT

The Directors of K2fly Limited present the Remuneration Report (the Report) for the Company and its controlled entities for the year ended 30 June 2023. This Report forms part of the Directors' Report and has been audited in accordance with section 300A of the Corporations Act 2001.

The Report details the remuneration arrangements for K2fly's key management personnel (KMP) which comprise non-executive directors (NEDs) and executive directors and senior executives (collectively the executives).

KMP are those persons who, directly or indirectly, have authority and responsibility for planning, directing and controlling the major activities of the Company and Group.

The table below sets out the KMP of the Group and their movements during the year.

Name	Position	Term as KMP
Directors		
Pauline Vamos	Non-Executive Chair	Effective 1 October 2022
Neil Canby	Non-Executive Director	Full financial year
Peter Johnson	Non-Executive Director	Full financial year
Brian Miller	Non-Executive Director	Full financial year
Jenny Cutri	Non-Executive Chair	Until 28 November 2022
James Deacon	Non-Executive Director	Until 28 November 2022
Senior executives		
Nicholas (Nic) Pollock	Chief Executive Officer	Full financial year
Sara Amir-Ansari	Chief Financial Officer	Full financial year

Remuneration Governance

Remuneration decision making

The Board is responsible for approving compensation arrangements. The Board considers the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high-quality board and executive.

The Remuneration Committee (**the Committee**), which comprises four non-executive directors, reviews and recommends to the board the overall strategies in relation to executive remuneration plans and compensation arrangements for the chief executive officer, nominated key personnel and non-executive directors. The composition of the Committee is set out on page 17 of this annual report. The Committee's Charter is available from the Company's website at k2fly.com.

Share trading policy

The Company's Securities Trading Policy applies to all directors, officers and staff. The policy prohibits dealing in the Company's securities while in possession of material non-public information relevant to the Group.

Employees, directors and officers must not enter into transactions or arrangements which operate to limit the economic risk of their security holding in the Company without first seeking and obtaining written acknowledgement from the Chair.

Executive Incentive Scheme

The purpose of K2fly's remuneration and reward system is to provide executives with a competitive remuneration comprising fixed and variable pay components. Fixed remuneration is linked to market rates for the role and is remitted in cash. Variable pay comprises incentives, which increase total remuneration as a reward for successful performance, and retention-based pay, which recognises the value of business knowledge and continuity. Variable pay is is remitted through the use of options and cash.

For those eligible to participate in the employee incentive option plan (**EIOP**), total fixed remuneration (**TFR**) determines the potential size of the individual's variable remuneration.

The amount of variable remuneration that may be earned is linked to key performance indicators (**KPI**) which comprise corporate and individual performance metrics. These metrics are agreed with individuals at the commencement of the financial year. For the financial year ended 30 June 2023, the corporate performance metrics were determined by the Remuneration Committee. Corporate performance metrics are linked to operational and sustainability objectives (including targets associated with revenue, annual recurring revenue, and net operating cashflow).

Remuneration structure

In accordance with best practice corporate governance, the remuneration structure of the executive and that of non-executive directors' is separate and distinct.

Executive Employment Agreements

The remuneration and other terms of employment for executive KMPs are formalised in employment agreements. Remuneration consists of fixed remuneration and variable remuneration.

Fixed remuneration

The major provisions of the agreements related to the remuneration of executives are set out below.

Executive	TFR per annum	Term	Notice period
Nic Pollock	$342,399	On-going	6 months
Sara Amir-Ansari	$305,499	On-going	1 month

Variable remuneration

Executives' entitlement to variable remuneration for the financial year ended 30 June 2023, is set out below.

Executive	Number of ZEP Options (unquoted options with nil exercise price)
Nic Pollock	1,463,256
Sara Amir-Ansari	910,176

ZEP Options shall vest and become exercisable when the vesting conditions (including remaining employed by the Company) have been satisfied or waived by the Board. The ultimate number of options that are capable of vesting are based on the extent of achievement against both Company and individual KPIs in respect of the year ended 30 June 2023, as determined by the Board.

For details of share-based payments recognised in respect of options issued to the executives, refer to note 5.3.

Non-Executive Director remuneration

Fixed cash remuneration

Non-executive directors are entitled to receive directors' fees of amounts as determined by the shareholders of the Company in general meeting. Non-executive directors may also be remunerated for additional, recognised services performed at the request of the Board and reimbursed for reasonable expenses incurred on Company business.

Directors receive a fixed fee and are remunerated for any professional services conducted for the Company. There are no retirement schemes for any Directors.

Equity-based remuneration

Following receipt of shareholder approval at the AGM, Non-Executive Directors Ms Jenny Cutri, Mr Neil Canby, and Mr James Deacon (or their nominees) were each issued 275,000 ZEP Options (unlisted options with nil exercise price) expiring on 28 November 2023 in lieu of cash remuneration. Mr Peter Johnson was issued 55,000 ZEP Options (unlisted options with nil exercise price) expiring on 28 November 2024 in lieu of cash remuneration. There were no vesting conditions attached to the options.

For details of share-based payments recognised in respect of options issued to Non-Executive Directors, refer to note 5.3.

Options

Granted as Compensation

The following table discloses remuneration options granted to Key Management Personnel during the year ended 30 June 2023.

Recipient	Series	Number Issued	Value of Options at Grant Date[1]	Status	Expiry Date
ZEP Options granted 28 November 2022, valued at $0.195 per option at the grant date:					
Jenny Cutri	33	275,000	$53,625	Vested	28/11/2024
Neil Canby	33	275,000	$53,625	Vested	28/11/2024
James Deacon	33	275,000	$53,625	Vested	28/11/2024
Peter Johnson	33	55,000	$10,725	Vested	28/11/2024
ZEP Options granted 7 December 2022, valued at $0.165 per option at the grant date:					
Nic Pollock	34	340,292	$56,148	Unvested	31/08/2026
	35-1	224,593	$11,117	Unvested	30/09/2026
	35-2	224,593	$11,117	Unvested	30/06/2027
	35-3	673,778	$33,352	Unvested	30/06/2028
Sara Amir-Ansari	34	303,392	$50,060	Unvested	31/08/2026
	35-1	57,645	$9,511	Unvested	30/09/2026
	35-2	57,645	$9,511	Unvested	30/06/2027
	35-3	172,933	$28,534	Unvested	30/06/2028

[1] Value reflects the number of options estimated to vest based on FY23 KPI performance.

Exercised or Lapsed

The following table discloses the number and value of options granted to Key Management Personnel which were exercised during the year ended 30 June 2023, and the number of options which lapsed during the year. The value of lapsed options was nil.

KMP	Number exercised during the year	Value of options exercised during the year	Number of options lapsed during the year
Brian Miller	81,385	$27,264	920,728
Neil Canby	150,000	$37,500	-
Jenny Cutri	150,000	$37,500	-
James Deacon	150,000	$37,500	-
Nic Pollock	73,986	$24,785	933,140
Sara Amir-Ansari	-	-	209,954

Remuneration of Key Management Personnel

	Short-term employee benefits $			Post-employment benefits – superannuation	Share-based payments – options ($)	Total ($)	% Equity based
30 June 2023	Salary and fees	Cash bonus	Other	($)			
Brian Miller	106,000	-	-	-	29,322	135,322	22%
Neil Canby	48,917	-	-	-	53,625	102,542	52%
Jenny Cutri	21,250	-	-	-	53,625	74,875	72%
James Deacon	21,250	-	-	-	53,625	74,875	72%
Peter Johnson	42,383	-	-	4,450	10,725	57,558	19%
Pauline Vamos	52,083	-	-	-	-	52,083	-
Nic Pollock	315,000	-	7,592	25,292	113,537	461,421	25%
Sara Amir-Ansari	278,100	-	1,583	25,292	77,793	382,768	20%
Total	**884,983**	**-**	**9,175**	**55,034**	**392,252**	**1,341,444**	**29%**

Refer note 5.10 for amounts accrued or payable to KMP.

	Short-term employee benefits $			Post-employment benefits – superannuation	Share-based payments – options ($)	Total ($)	% Equity based
30 June 2022	Salary and fees	Cash bonus	Other	($)			
Brian Miller	248,975	-		19,578	72,892	341,445	21%
Jenny Cutri	56,000	-		-	37,500	93,500	40%
Neil Canby	48,500	-		-	37,500	86,000	44%
James Deacon	49,750	-		-	37,500	87,250	43%
Peter Johnson	6,818	-		682	-	7,500	-
Nic Pollock[1]	250,000	14,932	3,072	22,205	110,689	400,898	28%
Sara Amir-Ansari[2]	178,269	-	17,071	17,827	30,034	243,201	12%
Total	**838,312**	**14,932**	**20,143**	**60,292**	**326,115**	**1,259,794**	**26%**

[1] Mr Pollock became a KMP on 1 September 2021. The cash bonus was remitted after Mr Pollock became a KMP but relates to the financial year ending 30 June 2021, at which time he was not a KMP.

[2] Ms Amir-Ansari became a KMP on 25 October 2021.

Other information

Shares held by Key Management Personnel[1]

30 June 2023	Opening balance of shares	Shares issued on exercise of options	Purchases	Net change – other[2]	Closing balance of shares
Brian Miller	3,067,985	81,385	67,500	-	3,216,870
Jenny Cutri	620,660	150,000	-	(770,660)	-
Neil Canby	1,030,844	150,000	-	-	1,180,844
James Deacon	566,111	150,000	-	(716,111)	-
Peter Johnson	22,810,245	-	-	-	22,810,245
Nic Pollock	227,735	73,986	-	-	301,721
Sara Amir-Ansari	222,222	-	-	-	222,222
Total	**28,545,802**	**605,371**	**67,500**	**(1,486,771)**	**27,731,902**

Options held by Key Management Personnel[1]

30 June 2023	Opening balance of options	Granted#	Exercised#	Lapsed#	Net change other[2]	Closing balance of options
Brian Miller	1,997,637	-	(81,385)	(920,728)		995,524
Jenny Cutri	150,000	275,000	(150,000)	-	(275,000)	-
Neil Canby	150,000	275,000	(150,000)	-	-	275,000
James Deacon	150,000	275,000	(150,000)	-	(275,000)	-
Peter Johnson	-	55,000	-	-	-	55,000
Nic Pollock	2,079,091	1,463,256	(73,986)	(933,140)	-	2,535,221
Sara Amir-Ansari	464,816	910,176	-	(209,954)	-	1,165,038
Total	**4,991,544**	**3,253,432**	**(605,371)**	**(2,063,822)**	**(550,000)**	**5,025,783**

Movements in remuneration-related securities held by KMP.

Loans to Key Management Personnel

No loans were advanced to KMP in the current or prior year.

Other transactions with Key Management Personnel

There are no other transactions with KMP during the year ended 30 June 2023.

Company Performance and Shareholder Wealth

The earnings of the Group for the five years to 30 June 2023 are summarised below:

	2023	2022	2021	2020	2019
Revenue	12,845,444	10,017,475	6,954,942	5,601,481	3,787,826
Loss after income tax	(2,215,418)	(4,621,080)	(2,962,795)	(3,330,987)	(1,938,528)

The share price and earnings per share of the Group for the five years to 30 June 2023 are summarised below:

	2023	2022	2021	2020	2019
Share price at year end ($)	$0.089	$0.150	$0.310	$0.200	$0.155
Basic loss per share (cents)	(1.27)	(3.17)	(2.81)	(4.08)	(2.94)

Voting at Company's 2022 Annual General Meeting

[1] Held directly, indirectly and beneficially.

[2] Holding on the date the individual ceased being a KMP.

The Company's remuneration report for the financial year ended 30 June 2022 was approved at the Annual General Meeting (**AGM**) of Shareholders. The Company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

End of audited remuneration report.

HLB MANN JUDD
ADVISORY AND ACCOUNTING

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the consolidated financial report of K2Fly Limited for the year ended 30 June 2023, 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 audit; and

b) any applicable code of professional conduct in relation to the audit.

Perth, Western Australia	**B G McVeigh**
29th August 2023	**Partner**

hlb.com.au

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2023

	Notes	2023	2022
		$	$
Revenue	2.1	12,845,444	10,017,475
Cost of sales		(6,419,004)	(5,343,312)
Gross profit		**6,426,440**	**4,674,163**
Other income	2.1	709,183	209,925
Administration expense		(970,681)	(762,343)
Amortisation expense	4.3	(1,490,078)	(1,139,831)
Compliance & regulatory expense		(146,907)	(154,227)
Consultancy expense		(848,674)	(1,120,461)
Depreciation plant and equipment	4.1	(151,663)	(55,123)
Depreciation right of use assets	4.2	(197,117)	(163,271)
Directors' fees		(291,880)	(173,068)
Employee benefit expense	2.3	(5,212,385)	(5,438,373)
Public relations & marketing expense		(534,180)	(414,376)
Share-based payments expense	5.3	(505,919)	(650,409)
Finance expense		(108,279)	(100,114)
Revaluation of provisions	2.4	1,289,911	939,434
Foreign exchange		(65,520)	(133,605)
Other expenses	2.5	(289,310)	(1,014,580)
Loss before income tax benefit		(2,387,059)	(5,496,259)
Income tax benefit	2.6	171,641	875,179
Loss for the year		**(2,215,418)**	**(4,621,080)**
Other comprehensive income, net of income tax:			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign subsidiaries		112,919	22,799
Income tax relating to these items		-	-
Other comprehensive income for the year, net of tax		**112,919**	**22,799**
Total comprehensive loss for the year		**(2,102,499)**	**(4,598,281)**
Basic and diluted loss per share (cents per share)	2.7	(1.27)	(3.17)

The accompanying notes form part of the financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2023

	Notes	2023 $	2022 $
Assets			
Current assets			
Cash and cash equivalents	3.1	4,440,403	8,270,720
Trade and other receivables	3.3	1,883,267	1,929,942
Total current assets		**6,323,670**	**10,200,662**
Non-current assets			
Restricted cash	3.2	154,448	153,559
Plant and equipment	4.1	147,890	112,656
Right of use assets	4.2	211,831	491,961
Intangible assets	4.3	8,444,567	7,214,366
Goodwill	4.4	7,342,817	7,342,817
Other financial assets		844	844
Deferred tax assets	2.6	616,468	900,902
Total non-current assets		**16,918,865**	**16,217,105**
Total assets		**23,242,535**	**26,417,767**
Liabilities			
Current liabilities			
Trade and other payables	3.4	2,877,179	1,912,317
Provisions and other liabilities	4.5	1,520,995	2,695,410
Interest-bearing lease liabilities	4.6	149,311	175,378
Contract liabilities	3.5	4,696,569	4,250,828
Current tax liability	2.6	29,105	220,840
Total current liabilities		**9,273,159**	**9,254,773**
Non-current liabilities			
Provisions and other liabilities	4.5	414,208	1,729,630
Interest-bearing lease liabilities	4.6	186,319	335,632
Deferred tax liabilities	2.6	616,468	1,056,277
Total non-current liabilities		**1,216,995**	**3,121,539**
Total liabilities		**10,490,154**	**12,376,312**
Net assets		**12,752,381**	**14,041,455**
Equity			
Issued capital	5.1	37,171,801	36,864,295
Reserves	5.2	3,161,045	2,651,465
Accumulated losses		(27,580,465)	(25,474,305)
Total equity		**12,752,381**	**14,041,455**

The accompanying notes form part of the financial statements

	Issued capital	Performance rights reserve	Option reserve	FCTR reserve	Asset revaluation reserve	Accumulated losses	Total equity
	$	$	$	$	$	$	$
Balance at 1 July 2022	**36,864,295**	**199,100**	**2,409,227**	**43,018**	**120**	**(25,474,305)**	**14,041,455**
Loss for the year	-	-	-	-	-	(2,215,418)	(2,215,418)
Exchange differences on translation of foreign subsidiaries	-	-	-	112,919	-	-	112,919
Total comprehensive loss for the year	-	-	-	112,919	-	(2,215,418)	(2,102,499)
Conversion of performance shares	307,506	-	-	-	-	-	307,506
Forfeited options	-	-	(109,258)	-	-	109,258	-
Share-based payments – options	-	-	505,919	-	-	-	505,919
Balance as at 30 June 2023	**37,171,801**	**199,100**	**2,805,888**	**155,937**	**120**	**(27,580,465)**	**12,752,381**

The accompanying notes form part of the financial statements

	Issued capital	Performance rights reserve	Option reserve	FCTR reserve	Asset revaluation reserve	Accumulated losses	Total equity
	$	$	$	$	$	$	$
Balance at 1 July 2021	**30,865,720**	**199,100**	**1,758,818**	**20,219**	**120**	**(20,853,225)**	**11,990,752**
Loss for the year	-	-	-	-	-	(4,621,080)	(4,621,080)
Exchange differences on translation of foreign subsidiaries	-	-	-	22,799	-	-	22,799
Total comprehensive loss for the year	-	-	-	22,799	-	(4,621,080)	(4,598,281)
Issue of shares – placement	6,205,705	-	-	-	-	-	6,205,705
Conversion of performance shares	155,660	-	-	-	-	-	155,660
Share issue costs	(362,790)	-	-	-	-	-	(362,790)
Share-based payments – options	-	-	650,409	-	-	-	650,409
Balance as at 30 June 2022	**36,864,295**	**199,100**	**2,409,227**	**43,018**	**120**	**(25,474,305)**	**14,041,455**

The accompanying notes form part of the financial statements

	Notes	2023 $ Inflows / (Outflows)	2022 $ Inflows / (Outflows)
Cash flows from operating activities			
Receipts from customers		13,511,491	12,561,420
Payments to suppliers and employees		(14,346,719)	(13,581,890)
Government grants & incentives received		393,392	199,485
Interest received		37,032	2,878
Income tax paid		(175,468)	-
Movement of cash from non-restricted to restricted		(889)	(28,384)
Net cash (used in) operating activities	3.1	**(581,161)**	**(846,491)**
Cash flows from investing activities			
Proceeds from sale of plant and equipment		-	(1,568)
Payments for plant and equipment		(46,032)	(110,011)
Intangible asset (internally generated)	4.3	(2,720,279)	(2,699,053)
Investment in subsidiaries (Sateva)		(253,521)	(171,988)
Payments for vendor incentive remuneration		(19,580)	(350,000)
Net cash (used in) investing activities		**(3,039,412)**	**(3,332,620)**
Cash flows from financing activities			
Proceeds from the issue of shares		-	6,205,705
Payments for share issue costs		-	(362,790)
Repayment of lease liabilities	3.1	(197,951)	(188,970)
Net cash provided by/(used in) financing activities		**(197,951)**	**5,653,945**
Net increase (decrease) in cash held		(3,818,524)	1,474,834
Cash at beginning of the year		8,270,720	6,906,331
Effects of exchange rate fluctuations on cash held		(11,793)	(110,445)
Cash and cash equivalents at the end of the year	3.1	**4,440,403**	**8,270,720**

The accompanying notes form part of the financial statements

SECTION - 1 ABOUT THIS REPORT

Corporate information

The consolidated financial statements of K2fly Limited and its subsidiaries (collectively, the Group) for the year ended 30 June 2023 were authorised for issue in accordance with a resolution of the directors on 29 August 2023. K2fly Limited (the Company or K2fly) is a limited company incorporated and domiciled in Australia and whose shares are publicly traded.

The Group is principally engaged in the provision of enterprise-level resource governance solutions in environmental, social and governance (ESG) compliance, disclosure and technical assurance to mining and asset intensive industries.

Information on the Group's structure is provided in note 5.5. Information on other related party relationships of the Group is provided in note 5.10.

Basis of preparation

These general purpose financial statements have been prepared in accordance with the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. Compliance with the Australian Accounting Standards results in compliance with the International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Group is a for-profit entity for financial reporting purposes under the Australian Accounting Standards.

The financial statements have been prepared on an historical cost basis. Historical cost is based on the fair values of the consideration given in exchange for goods and services.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation. Refer note 5.5 for details of the group structure.

The consolidated financial statements are presented in Australian dollars, which is the Company's functional and presentation currency.

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 year ended 30 June 2023, the Group incurred a net loss of $2,215,418 (30 June 2022: $4,621,080) and experienced net cash outflows from operating activities of $581,161 (30 June 2022: $846,491).

At 30 June 2023, the Group had cash and cash equivalents of $4,440,403 (30 June 2022: $8,270,720), had a net working capital deficit of $2,949,489 (30 June 2022: surplus of $945,889), which includes $4,696,569 of deferred revenue (30 June 2022: $4,250,828) and non-cash performance shares liability of $308,227 (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 or drawing down on the working capital facility established on 31 May 2023 which has a facility limit of $2,000,000, a fixed rate of interest (6.77% p.a.) and a 24-month term. Under the terms of the facility agreement, payment is due on expiry of the term or earlier at the Company's discretion; the Company has the option to pay or capitalise accrued interest.

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 terms of the working capital facility; and
- the demonstrated ability to raise capital through the equity market.

New and amended accounting standards and interpretations

The Group has adopted all new and amended Australian Accounting Standards and Interpretations which were required to be applied from 1 July 2022. Amendments to existing standards effective and adopted from 1 July 2022 but not relevant or significant to the Group:

- AASB 2020-3 Amendments to Australian Accounting Standards - Annual Improvements 2018–2020 and Other Amendments
- AASB 2021-7 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections

New standards and amendments to standards that have been issued but not yet effective or early adopted by the Group:

Standard/amendment	Effective for annual reporting periods beginning on or after
AASB 17 Insurance Contracts, AASB 2020-5 Amendments to Australian Accounting Standards – Insurance Contracts, AASB 2022-1 Amendments to Australian Accounting Standards – Initial Application of AASB 17 and AASB 9 – Comparative Information and AASB 2022-8 Amendments to Australian Accounting Standards – Insurance Contracts: Consequential Amendments	1 January 2023
AASB 2014-10 Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture, AASB 2015-10 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128, AASB 2017-5 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections and AASB 2021-7 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections	1 January 2025 (Editorial corrections in AASB 2017-5 applied from 1 January 2018)
AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-Current, AASB 2020-6 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current – Deferral of Effective Date and AASB 2022-6 Amendments to Australian Accounting Standards – Non-current Liabilities with Covenants	1 January 2024
AASB 2021-2 Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates	1 January 2023
AASB 2021-5 Amendments to Australian Accounting Standards – Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
AASB 2022-5 Amendments to Australian Accounting Standards – Lease Liability in a Sale and Leaseback	1 January 2024
AASB 2022-7 Editorial Corrections to Australian Accounting Standards and Repeal of Superseded and Redundant Standards	1 January 2023

New and amending, and not yet effective, standards and interpretations are not expected to have a material effect on the Group's accounting policies.

Key judgements and estimates

In the application of the Group's accounting policies, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other relevant factors. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

Revisions are recognised in the period in which the estimate is revised if it affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Revenue
For contracts which include software and services to be delivered, determining whether those promised services are considered distinct performance obligations that should be accounted for separately rather than together requires significant judgement. In determining the treatment, consideration is given to the nature of the services and terms of the contract.

For services which are provided on a fixed price basis, determination of which performance obligations have been achieved, and where relevant, the proportion of the total project which has been delivered requires significant judgement. Estimates are applied having regard for current information including knowledge of the project plan, estimated progress against that plan and estimated remaining scope of work.

Useful lives of depreciable assets
Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technical obsolescence that may change the utility of certain software and IT equipment.

Impairment
In assessing impairment, management estimates the recoverable amount of each asset or cash-generating unit based on expected future cash flows and uses an interest rate to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate.

Capitalisation of internally developed software
Distinguishing the research and development phases of a new software project and determining whether the recognition requirements for the capitalisation of development costs are met requires judgement. After capitalisation, management monitors whether the recognition requirements continue to be met and whether there are any indicators that capitalised costs may be impaired.

Impairment of intangibles in development and goodwill
The Group determines whether intangibles in development and goodwill are impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash generating units to which the goodwill and intangibles in development are allocated. The assumptions used in this estimation of recoverable amount and the carrying amount of goodwill and intangibles in development are discussed in note 4.4.

Share-based payment transactions
The Group measures the cost of equity-settled transactions with employees, directors, and consultants by reference to the fair value of the equity instruments at the date at which they are granted. The fair value of options with an exercise price of nil is calculated using a probability-based valuation methodology and with reference to the share price at grant date. The fair value of other unlisted options is determined in reference to the prevailing share price on date of grant or by using a Black-Scholes model (refer to note 5.3).

Performance rights
The Company measures performance rights based upon the grant date being the date of a shared understanding of the terms and conditions being achieved or the date of shareholder approval if required. Where the grant date is after the period in which services have begun to be rendered, the grant date fair value is estimated by reference to the period end share price.

Recovery of deferred tax assets
Deferred tax assets are recognised for deductible temporary differences as management considers that it is probable that sufficient future tax profits will be available to utilise those temporary differences. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits.

Business combinations
Management uses valuation techniques in determining the fair values of the various elements of a business combination. Particularly, the fair value of contingent consideration is dependent on the outcome of many variables that affect future profitability.

Provisions for deferred consideration
Management estimates the value of provisions for deferred consideration by making assumptions about the achievement of performance metrics. Management bases its assumptions on historical performance, current information, and plans. The estimated value of the provision may vary from the actual amount payable.

Fair value of financial instruments
Management uses valuation techniques to determine the fair value of financial instruments (where active market quotes are not available) and non-financial assets. This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management bases its assumptions on observable data as far as possible, but this is not always available. In that case management uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm’s length transaction at the reporting date.

Significant judgement in determining the lease term of contracts with renewal options
The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Group has options under its leases to extend the term of the lease. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

Goods and services tax (GST)
Amounts shown in the financial statements are net of consumption taxes such as GST and value added tax, with the exception of trade receivables and payables.

The net amount of GST recoverable from, or payable to, the taxation authority is included in receivables or payables in the statement of financial position, and the GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as part of operating cash flows.

Non-recoverable GST is either recognised as part of the cost of an asset or expensed as incurred.

Comparatives
Comparative information is for the financial year ended 30 June 2022.

Certain prior year amounts have been reclassified in the statement of profit or loss, the statement of financial position and the statement of cash flows for consistency with current year presentation. This change in classification does not affect the previously reported result for the year.

SECTION - 2 Operating Performance

2.1 Revenue and other income

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 in one business and geographical segment being the technology sector in Australia. The revenue information disclosed below is consistent with reporting by segment under *AASB 8: Operating Segments* (Refer note 2.2).

	2023	2022
(a) Revenue	**$**	**$**
At a point in time		
Consulting and implementation revenue (provided on a fixed price basis)	3,017,014	1,913,966
Sales of third-party software (provided via a perpetual license)	30,600	32,301
	3,047,614	1,946,267
Over time		
Consulting and implementation revenue (provided on a time and material basis)	3,523,322	3,536,391
Hosting services revenue	25,975	95,595
Sales of own software (provided as a service)	6,248,533	4,439,222
	9,797,830	8,071,208
Total revenue	**12,845,444**	**10,017,475**
(b) Other income		
R&D tax incentive	362,292	-
Insurance proceeds	240,000	-
Interest income	37,032	2,878
Government grants received	31,100	199,485
Other	38,759	7,562
Other income	**709,183**	**209,925**

Recognition and measurement

Revenue is recognised when or as each performance obligation is satisfied at the amount of the transaction price allocated to that performance obligation. A performance obligation may be satisfied at a point in time or over time.

K2fly has utilised the practical expedient available under paragraph 121(a) of AASB 15 Revenue from Contracts with Customers relating to transactions with an expected duration of 12 months or less, which, for accounting purposes, applies to all of the Company's transactions with customers.

During the period, the Group received settlement proceeds from an insurance claim for losses incurred due to the misappropriation of funds in its South African registered subsidiary, identified and disclosed in the prior financial year.

The Group did not recognise any impairment loss on receivables and contract assets from contracts with customers in the statement of comprehensive income for the year ended 30 June 2023 (2022: $ nil).

Licenses

The Group predominantly sells the right to access its own software to customers as a service, which can be hosted either on the customer's infrastructure or cloud hosted infrastructure sourced by the Group. Licence fees are generally charged annually in advance and revenue is recognised over time.

Consulting and implementation services provided on a time and materials basis
The Group provides a range of services to customers on a 'time and materials' basis where the customer pays for the actual time spent delivering the service. Revenue for services provided on a time and materials basis is recognised on a monthly basis upon the provision of services.

Consulting and implementation services provided on a fixed price basis
The Group provides some services on a fixed price for a fixed scope of work basis. Each contract is broken down into a set of performance obligations; revenues are recognised as performance obligations are achieved. For these contracts where a material upfront fee is charged, judgement is applied to determine the proportion of the total project which has been delivered and revenue is recognised accordingly.

Government grants
Government grants are recognised at their fair value where there is a reasonable assurance that the grant will be received, and the Group will comply with all attached conditions.

Research and Development
The Group undertakes expenditure on activities that are categorised as "eligible expenditure" under the Research and Development Tax Incentive which, dependent upon certain criteria, may be subject to a tax offset. Where a tax offset has been received or is receivable in cash, the value of the tax offset is recognised as income.

Interest income
Interest revenue is recognised using the effective interest rate method.

2.2 Segment reporting

In accordance with *AASB 8: Operating Segments,* the Group is required to present segment information. For management purposes, the Group is organised into a single segment. The chief decision makers, the board of directors and the executive management team, review consolidated financial statements when assessing performance and taking strategic decisions.

During the year, the Group operated predominantly in one business and geographical segment being the technology sector in Australia, but identifies their revenue streams from consulting, sale of own software and sale of third-party software. The Group's revenues included revenues from three key clients which contributed:

- $2,032,667 or 15.8% (2022: $2,052,359 or 20.5%)
- $1,906,687 or 14.8% (2022: $2,045,279 or 20.4%)
- $1,727,808 or 13.5% (2022: $167,692 or 1.7%)

2.3 Employee benefits expense

	2023	**2022**
	$	**$**
Wages and salaries	4,021,032	3,965,131
Superannuation	341,650	307,836
Payroll tax	502,528	565,128
Fringe benefits tax	12,413	23,149
Training	55,845	43,643
Provisions – leave entitlements	72,765	(14,144)
Recruitment and relocation costs	206,152	536,445
Other	-	11,185
Employee benefits expense	**5,212,385**	**5,438,373**

2.4 Revaluation of provisions

	2023 $	2022 $
Sateva deferred consideration	885,981	939,434
Decipher performance shares	403,930	-
Revaluation of provisions	**1,289,911**	**939,434**

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

2.5 Other expenses

	2023 $	2022 $
Cost of loss – South Africa	-	755,592
Occupancy	151,360	144,086
Travel expenses	171,676	96,902
Research	-	18,000
Stamp duty - reversal	(33,726)	-
Other expenses	**289,310**	**1,014,580**

2.6 Income tax benefit

	2023 $	2022 $
Income tax benefit		
The major components of tax expense are:		
Current tax expense / (income)	26,924	225,921
Deferred tax benefit	(155,375)	(1,101,100)
Adjustments recognised in the current year in relation to the current tax of prior years	(43,190)	-
	(171,641)	(875,179)

	2023 $	2022 $
Reconciliation The prima facie income tax expense on pre-tax accounting result from operations reconciles to the income tax expense in the financial statements as follows:		
Accounting loss before tax	(2,387,059)	(5,496,259)
Income tax benefit calculated at 25.0% (2022: 25.0%)	(596,765)	(1,374,065)
Non-deductible expenses	451,693	519,330
Non-assessable income	(90,573)	(220,910)
Recognition of tax losses not previously recognised	(155,375)	-
Unused tax losses and tax utilised as deferred tax assets	473,353	235,394
Other deferred tax assets and tax liabilities not recognised	(223,584)	(213,300)
Effect of tax rates of subsidiaries in different jurisdictions	12,800	(34,359)
Income tax in different jurisdictions not recognised	-	212,731
Adjustments recognised in the current year in relation to the current tax of prior years	(43,190)	
Income tax benefit	(171,641)	(875,179)
Deferred tax assets comprise:		
Losses available for offset against future taxable income	3,381,830	3,666,103
Depreciating assets	1,299,472	1,127,526
Blackhole expenditure	-	6,268
Accrued expenses	10,625	11,250
Employee entitlements	208,740	197,886
Deferred gains and losses on foreign exchange contracts	6,833	6,910
Investments	1,166	1,166
Lease liabilities	83,908	128,804
Unearned income	11,709	-
Other	-	4,893
Deferred tax assets not recognised	(4,387,815)	(4,249,904)
	616,468	900,902
Deferred tax liabilities comprise:		
Right of use assets	(52,958)	(123,803)
Business combinations	(616,468)	(1,056,277)
Deferred tax liabilities not recognised	52,958	123,803
	(616,468)	(1,056,277)

	2023	2022
	$	$
Other deferred tax assets not recognised		
Income tax not recognised directly in equity:		
Share issue costs	54,855	(116,217)
Deferred tax assets not recognised	(54,855)	116,217
	-	-
Net deferred tax asset/(liability)	-	(155,375)
Current tax asset/(liability)		
Income tax in jurisdictions outside Australia	(29,105)	(220,840)

The Group has tax losses arising in Australia of $13,519,382 (2022: $13,547,356) that are available indefinitely for offset against future taxable profits of the companies in which the losses arose.

The deductible temporary differences and tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits thereof.

Deferred tax assets and liabilities have been recognised in relation to the acquisitions business combinations.

Recognition and measurement

The Company and its wholly owned Australian resident subsidiaries have formed a tax-consolidated group. As a consequence, these entities are taxed as a single entity and the deferred tax assets and liability of these entities are set off in the consolidated financial statements.

The income tax expense or benefit comprises current and deferred tax and is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in other comprehensive income.

Income tax expense includes tax adjustments for permanent and timing differences. Permanent differences represent the differences for transactions which will never be included in taxable income or loss, although they are recognised in the accounting profit or loss. Timing differences represent the differences between the time transactions are recognised for accounting purposes and when they are recognised for tax purposes.

Income tax expense is calculated based on amounts of income which are assessable for tax and amounts of expenditure which are deductible for tax, irrespective of when that assessment or deduction arises. Income tax payable reflects amounts which are assessable or deductible in the current year, which does not always align with the timing of recognition in the statement of comprehensive income.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance date.

Deferred income tax is provided on all temporary differences at the balance date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only capitalised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be recognised.

The carrying amount of deferred income tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance date.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

The Company and its wholly owned Australian resident subsidiaries have formed a tax-consolidated group. As a consequence, these entities are taxed as a single entity and the deferred tax assets and liability of these entities are set off in the consolidated financial statements.

2.7 Loss per share

	2023	2022
Basic loss per share (cents per shares)	(1.27)	(3.17)
Loss		
Loss used in the calculation of basic loss per share ($)	(2,215,418)	(4,621,080)
Weighted average number of shares		
Weighted average number of ordinary shares (number of shares)	174,469,150	145,567,113

Basic loss per share is calculated as the loss for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted loss per share has not been calculated as the result does not increase loss per share.

SECTION - 3 Operating Capital

3.1 Cash and cash equivalents

	2023 $	2022 $
Cash at bank and on hand	4,440,403	8,270,720
	4,440,403	**8,270,720**

Cash comprises cash at bank and in hand. Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

Reconciliation to the Statement of Cash Flows:

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash on hand and at bank, net of corporate credit cards.

Cash and cash equivalents as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

	2023 $	2022 $
Cash and cash equivalents	4,440,403	8,270,720
Reconciliation of profit for the year to net cash flows from operating activities		
Net loss for the year	(2,215,418)	(4,621,080)
Non-cash items and other adjustments:		
Amortisation	1,490,078	1,139,831
Depreciation plant and equipment	151,663	55,123
Depreciation leased assets	197,117	163,271
Share-based payments	505,919	650,409
Employment provisions	72,765	(14,144)
Loss on disposal	-	6,201
Interest expense	83,708	70,487
Foreign exchange	65,520	133,605
Movements in working capital:		
Changes in trade and other receivables	46,675	234,732
Changes in restricted cash	(889)	(28,384)
Changes in provisions	(1,217,146)	(194,191)
Changes in contract liabilities	445,741	2,190,938
Changes in tax assets/liabilities	757,968	(875,179)
Changes in trade and other payables	(964,862)	241,890
Net cash used in operating activities	(581,161)	(846,491)

Non-cash investing and financing activities

	2023 $	2022 $
Acquisition of right of use assets	-	586,503

Changes in liabilities arising from financing activities

	2023 $	2022 $
Opening balance	511,010	85,839
Acquisition of right of use assets	-	586,503
Interest expense	24,683	30,318
Repayments of principal	(197,951)	(188,970)
Foreign exchange	(2,112)	(2,680)
Closing balance	335,630	511,010

3.2 Restricted cash

	2023 $	2022 $
Bank guarantees	154,448	153,559

3.3 Trade and other receivables

	2023 $	2022 $
Trade receivables	1,788,308	1,761,202
Prepayments	84,992	158,679
Deposits	8,993	9,527
Other	974	534
Trade and other receivables	**1,883,267**	**1,929,942**

All receivables are expected to be recoverable.
Trade receivables are non-interest bearing and normally settled on 30 to 60-day terms. Due to the short nature of trade and other receivables, their carrying value is assumed to be approximate to their fair value.

Recognition and measurement
Initial recognition
Receivables are initially recognised and measured at fair value. Receivables that are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest are classified and subsequently measured at amortised cost. Receivables that do not meet the criteria for amortised cost are measured at fair value through comprehensive income.

Subsequent measurement
Financial assets at amortised cost are subsequently measured using the effective interest (**EIR**) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

Impairment
The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. The expected credit losses on financial assets are estimated based on the Group's historic credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as forecast conditions at the reporting date.

In relation to all other receivables measured at amortised cost, the Group applies the credit loss model. The expected credit loss model requires the Group to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial asset. In particular, the Group measures the loss allowance at an amount equal to lifetime expected credit loss (**ECL**) if the credit risk on the instrument has increased significantly since initial recognition. On the other hand, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to the ECL within the next 12 months.

The Group considers an event of default has occurred when external sources indicate that the debtor is unlikely to pay its creditors, including the Group. A financial asset is credit impaired when there is evidence that the counterparty is in significant financial difficulty or a breach of contract, such as a default or past due event has occurred. The Group writes off a financial asset when there is information indicating the counterparty is in severe financial difficulty and there is no realistic prospect of recovering the contractual cash flow.

The ECL at 30 June 2023 is nil (2022: nil).

Receivables ageing

	2023	**2022**
	$	**$**
Current	1,635,511	1,152,806
30 – 60 Days	65,174	152,555
60 – 90 Days	-	82,416
90+ Days	87,623	373,425
Total	**1,788,308**	**1,761,202**

3.4 Trade and other payables

	2023	2022
	$	$
Current		
Accounts payable	518,952	381,134
Accrued expenses	504,366	601,592
Sateva deferred consideration payable	176,345	101,525
Other payable	338,247	307,182
Employee liabilities	1,339,269	520,884
Trade and other payables	**2,877,179**	**1,912,317**

Trade payables are non-interest bearing and normally settled on 30-day terms. Due to the short nature of trade and other payables, their carrying value is assumed to be approximate to their fair value.

Recognition and measurement
Trade and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. Trade and other payables are presented as current liabilities unless payment is not due within 12 months.

3.5 Contract liabilities

	2023	2022
	$	$
Deferred revenue	4,696,569	4,250,828

	2023	2022
Movements:	$	$
Opening balance	4,250,828	2,059,890
Deferred during the year	7,279,962	6,771,898
Released to profit or loss	(6,834,221)	(4,580,960)
Closing balance	4,696,569	4,250,828

Deferred revenue is the aggregate transaction prices relating to the performance obligations from existing contracts that have been billed and received but are unsatisfied or partially satisfied. A break-down of the revenue line items (as reported at note 2.1) to which these contracts liabilities will be recognised in the next financial year is as follows:

	2023	2022
	$	$
Hosting services revenue	-	-
Sales of own software (software as a service)	4,425,574	3,658,799
Consulting and implementation revenue (provided on a fixed price basis)	270,995	592,029
Deferred revenue	**4,696,569**	**4,250,828**

SECTION - 4 Invested Capital

4.1 Plant and equipment

	Electronic Equipment $	Leasehold improvements $	Office equipment $	Total $
		2023		
Cost at 30 June 2023	252,515	2,939	163,087	418,541
Accumulated depreciation	(160,533)	(2,939)	(107,179)	(270,651)
Plant and equipment	**91,982**	**-**	**55,908**	**147,890**
Reconciliation				
Opening balance	102,302	-	10,354	112,656
Additions	52,711	-	136,381	189,092
Depreciation	(60,763)	-	(90,900)	(151,663)
Foreign exchange	(2,268)	-	73	(2,195)
Closing balance at 30 June 2023	91,982	-	55,908	147,890

	Electronic Equipment $	Leasehold improvements $	Office equipment $	Total $
		2022		
Cost at 30 June 2022	205,927	2,939	27,263	236,129
Accumulated depreciation	(103,625)	(2,939)	(16,909)	(123,473)
Plant and equipment	**102,302**	**-**	**10,354**	**112,656**
Reconciliation				
Opening balance	57,032	-	3,672	60,704
Additions	99,733	-	14,031	113,764
Depreciation	(48,067)	-	(7,056)	(55,123)
Disposals	(325)	-	222	(103)
Foreign exchange	(6,071)	-	(515)	(6,586)
Closing balance at 30 June 2022	102,302	-	10,354	112,656

Recognition and measurement

Plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing or enhancing components that are eligible for capitalisation when the cost of replacement or enhancement is incurred.

Depreciation is calculated on a straight-line basis over the estimated useful life of the assets as follows:

Electronic equipment	3 years
Leasehold improvements	3 years
Office equipment	3 years

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

Impairment
The carrying values of plant and equipment are reviewed for impairment at each balance date, with recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired. The recoverable amount of plant and equipment is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate largely independent cash inflows, recoverable amount is determined for the cash-generating unit to which the asset belongs, unless the asset's value in use can be estimated to approximate fair value.

An impairment exists when the carrying value of an asset or cash-generating unit exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount. For plant and equipment, impairment losses are recognised in the statement of comprehensive income in the cost of sales line item.

4.2 Right of use assets

	2023	2022
	$	$
Cost	641,997	739,035
Accumulated depreciation	(430,166)	(247,074)
Right of use assets	**211,831**	**491,961**
Reconciliation		
Balance as at beginning of year	491,961	70,899
Assets acquired and adjustments	(81,384)	586,503
Depreciation	(197,117)	(163,271)
Foreign exchange	(1,629)	(2,170)
Balance at end of year	211,831	491,961

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right of use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

The right-of-use assets are subject to impairment testing.

4.3 Intangible assets

	2023			2022		
	Acquired Software	**Internally generated software**	**Total**	**Acquired Software**	**Internally generated software**	**Total**
	$	**$**		**$**	**$**	
Cost at 30 June	5,012,385	6,529,475	**11,541,860**	5,012,385	3,809,196	**8,821,581**
Accumulated depreciation	(2,467,419)	(629,874)	**(3,097,293)**	(1,467,380)	(139,835)	**(1,607,215)**
Intangible assets	2,544,966	5,899,601	**8,444,567**	3,545,005	3,669,361	**7,214,366**
Reconciliation						
Opening balance	3,545,005	3,669,361	**7,214,366**	4,545,001	1,110,143	**5,655,144**
Additions (a)	-	2,720,279	**2,720,279**	-	2,699,053	**2,699,053**
Amortisation	(1,000,039)	(490,039)	**(1,490,078)**	(999,996)	(139,835)	**(1,139,831)**
Closing balance at 30 June	2,544,966	5,899,601	**8,444,567**	3,545,005	3,669,361	**7,214,366**

(a) Expenditure in relation to development of the Group's own intellectual property to enhance its current Software as a Service (**SaaS**) product suite includes:
- new product development and enhancement within the technical assurance solutions, Model Manager and Ore Blocker;
- the Tailings Governance Solution;
- upgrading the Resource Reporting solution to improve ease of use and reduce support complexity; and
- enhancement of the Ground Disturbance, Heritage Management and Land Access solutions.

Recognition and measurement
Intangible assets acquired separately
Intangible assets acquired separately are recorded at cost less accumulated amortisation and impairment. Amortisation is charged on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method is reviewed at the end of each annual reporting period, with any changes in these accounting estimates being accounted for on a prospective basis.

An intangible asset arising from the development of a new software or new functionality for an existing software (or from the development phase of an internal project) is recognised if all of the following have been demonstrated:
- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above.

Subsequent to initial recognition, internally generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

The following useful lives are used in the calculation of amortisation:

Software	3-5 years

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset, and their fair values can be measured reliably. Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

Impairment

The Group assesses at each balance date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

During the year ended 30 June 2023, the Company determined that as the market interest rates have increased, and those increases are likely to affect the discount rate used in calculating an asset's value in use, an impairment test was required for intangible assets. Refer to note 4.4 for details of the impairment assessment undertaken during the year ended 30 June 2023.

4.4 Goodwill

	2023 $	2022 $
Goodwill	7,342,817	7,342,817

The Group has recognised goodwill on the acquisitions of Infoscope, Sateva and Decipher.

Recognition and measurement
Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Impairment
Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment losses recognised for goodwill are not subsequently reversed.

During the year ended 30 June 2023, the Group conducted an impairment assessment in relation to goodwill and other intangible assets. The recoverable amount was determined at the cash generating unit level, which is the Group's software and services operations, and was based on a value-in-use calculation. This cash generating unit encompasses goodwill of $7,342,817 and other intangible assets of $8,444,567 (refer note 4.3). The pre-tax discount rate adopted was 21.8% based on the assumptions considered reasonable by the external advisors engaged in August 2021 to conduct an impairment assessment in relation to goodwill, adjusted for changes in interest rates (2022: 19.2%). The value-in-use was based upon forecast cash flows over a five-year period with a final year terminal value. The five-year forecast used as the basis for the value-in-use model was based on the 12-month budget (extrapolated over a four-year period at a 34% cumulative annual growth rate in revenue to provide a total five-year forecast model). The assumptions are considered reasonable and supportable and were derived with due consideration to planned activity, actual performance indicators, recent growth rates, actual revenue achieved in the year immediately before the budgeted year, existing revenue streams, and potential new client revenue streams.

The Company has considered the impact of possible changes in key assumptions. Based on a sensitivity analysis undertaken, the following possible changes (taken in isolation) would not result in a reduction of the carrying value of goodwill:

- reduction of forecast revenue and cost of sales of up to 38% against management's estimates at 30 June 2023;
- adjustment of terminal value amount to nil;
- increase in the pre-tax discount rate to 80%; and
- increase of 76% in overhead costs.

Based upon the value in use calculation, no impairment has been recognised.

4.5 Provisions and other liabilities

	2023 $	2022 $
Current		
Employee leave provisions	619,346	542,902
RCubed Milestone Incentives	-	19,571
Sateva deferred consideration (a)	593,422	597,650
Decipher performance shares (b)	308,227	827,792
Provision for South African payroll tax (fraud loss)	-	707,495
Current provisions and other liabilities	**1,520,995**	**2,695,410**
Non-Current		
Employee leave provisions	26,973	37,857
Sateva deferred consideration (a)	-	1,210,099
Decipher performance shares (b)	332,235	481,674
Provision for make good	55,000	-
Non-current provisions and other liabilities	**414,208**	**1,729,630**
Total Current and Non-Current	**1,935,203**	**4,425,040**

(a) In accordance with the terms of the Sateva acquisition, the Company will pay additional performance-based consideration to the seller. Deferred consideration is calculated at 18% of the invoiced amounts relating to product and product consulting sales from the Sateva Software Products, ongoing or additional development of those products and any other documented or concept products that are being developed by Sateva. The consideration is payable until 30 June 2024.

At 30 June 2023, the Company revalued the deferred consideration to reflect current expectations and reduced the carrying value of the provision by $885,981. During the year, deferred consideration of $328,346 was earned by the seller.

(b) In accordance with the terms of the Decipher acquisition, the Company issued performance shares which are converted on an annual basis into a number of fully paid ordinary shares to a value equal to 22% of the annual revenues attributable to the Decipher business, over a four-year period following completion. Each tranche of shares issued on conversion of the performance shares will also be subject to voluntary escrow for 12 months. A maximum of 5,345,633 fully paid ordinary shares in the Company can be issued to CSBP Limited as a result of the conversion of the performance shares. During the year, 939,323 shares valued at $307,506 were converted.

Recognition and measurement
Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

Provisions are measured at the present value or management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as an interest expense.

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the balance date. Consideration is given to expected future wage and salary levels, experience of employee departures, and period of service. Expected future payments are discounted using market yields on corporate bonds as published by the Group of 100 with terms to maturity that match, as closely as possible, the estimated future cash outflows.

4.6 Interest bearing lease liabilities

	2023 $	2022 $
Current		
Lease liability	149,311	175,378
Non-Current		
Lease liability	186,319	335,632
Total Current and Non-Current	**335,630**	**511,010**

The Group has a premises lease for its head office in Perth which has a four-year initial term and a five-year option to renew, and a commercial lease to rent office space at its South African branch. The South African lease has a twelve month term.

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

The Group has elected not to recognise right of use assets and lease liabilities for short term leases and low value assets. For these leases, the Group recognised the lease payments as an expense on a straight-line basis over the lease term.

SECTION - 5 Other items

5.1 Issues of Equity Securities

	2023 $	2022 $
Issued capital	41,030,590	40,723,084
Share issue costs	(3,858,789)	(3,858,789)
Total issued capital	**37,171,801**	**36,864,295**

	2023		2022	
Movements:	**Number**	**$**	**Number**	**$**
Opening balance	173,189,505	36,864,295	137,977,777	30,865,720
Shares issued – placement	-	-	34,476,137	6,205,705
Shares issued – exercise of options (a)	1,185,973	-	260,106	-
Shares issued – conversion of performance rights (b)	939,323	307,506	475,485	155,660
Share issue costs	-	-	-	(362,790)
Closing balance	175,314,801	37,171,801	173,189,505	36,864,295

(a) During the year ended 30 June 2023:
- on various dates, 571,255 shares were issued upon the exercise of 571,255 unlisted options with a nil exercise price by employees of the Company (issued under the Company's EIOP); and
- on 5 July 2022 531,385 shares were issued upon the exercise of 531,385 unlisted options with a nil exercise price by directors or their related parties and 83,333 shares were issued upon the exercise of 83,333 unlisted options with a nil exercise price by a consultant of the Company.

(b) On 24 February 2023 939,323 shares were issued on conversion of 939,323 Decipher Performance Shares, which were issued in accordance with the terms of the Decipher acquisition transaction.

Ordinary shares which entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held as classified as equity.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Ordinary shares have no par value, and the Company does not have a limited amount of authorised capital.

Recognition and measurement
Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a new business are not included in the cost of acquisition as part of the purchase consideration.

Issues of options

During the 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.

Recipient	Series	Number issued	Value per option	Percent expected to vest	Condition	Status	Expiry	Total Value $
Non-executive directors	33	880,000	$0.195	100%	Non-market	Vested	28-Nov-24	171,600
Employees[1]	34	1,517,773	$0.165	82%	Non-market[2]	Unvested	31-Aug-26	205,009
Employees[1]	35-1	742,042	$0.165	34%	Non-market[2]	Unvested	30-Sep-26	41,623
Employees[1]	35-2	742,042	$0.165	34%	Non-market[2]	Unvested	30-Jun-27	41,623
Employees[1]	35-3	2,226,120	$0.165	34%	Non-market[2]	Unvested	30-Jun-28	124,869
		6,107,977						**584,724**

[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.

5.2 Reserves

Nature and purpose of reserves

Asset revaluation reserve
The asset revaluation reserve is used to record changes in the fair value of investments.

Foreign currency translation reserve
The foreign currency translation reserve is used to record differences arising on the translation of accounts when the Australian dollar is not the functional currency of the subsidiary.

Performance rights and option reserves
These reserves are used to record the value of equity benefits provided to employees and Directors as part of their remuneration or to consultants arising from services performed. Refer to note 5.4 for further details of these plans.

	2023 $	2022 $
Performance rights reserve	199,100	199,100
Option reserve (a)	2,805,888	2,409,227
Foreign currency translation reserve	155,937	43,018
Asset revaluation reserve	120	120
	3,161,045	2,651,465

	2023	2022
(a) Movements in option reserve		
Carrying amount at the beginning of the period	2,409,227	1,758,818
Share-based payments expense – options (recorded through profit or loss)	505,919	650,409
Forfeited options	(109,258)	-
Carrying amount at the end of the period	2,805,888	2,409,227

5.3 Share-based payment expense

Total costs arising from share-based payment transactions recognised as an expense during the year were as follows:

	2023	2022
	$	$
Unlisted options issued to directors, employees and consultants	505,919	650,409

Recognition and measurement
The Group provides benefits to employees (including Directors) of the Group and those performing employee like services in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using a Black-Scholes model or, for options with a nil exercise price, the share price on grant date.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of The Company (market conditions) if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting period).

The cumulative expense recognised for equity-settled transactions at each balance date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the Group's best estimate of the number of equity instruments that will ultimately vest. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The statement of comprehensive income charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition.

If the terms of an equity-settled award with market vesting conditions are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share, refer note 2.7.

5.4 Unlisted options (share-based payments)

The following refers to unlisted options issued as share-based payments. Other options issued by the Company which do not constitute a share-based payment are not included in this disclosure note.

The following share-based payment arrangements were in place during the period. The fair value of options with nil exercise price is determined with reference to the share price at grant date. The fair value of other options is determined using a Black-Scholes option pricing model considering the terms and conditions upon which the options were granted.

	Grant date	Expiry date	Exercise price	Fair value at grant date per option	Vesting date
Series 10	26/11/2018	26/11/2022	$0.243	$0.105	26/11/2021
Series 11*	26/11/2018	26/11/2022	$0.243	$0.105	26/11/2021
Series 12	8/10/2019	11/10/2022	$0.350	$0.068	8/10/2019
Series 15	25/11/2019	25/11/2023	$0.291	$0.127	25/11/2022
Series 17*	25/11/2019	25/11/2023	$0.291	$0.127	25/11/2022
Series 18	18/05/2020	12/06/2023	$0.30	$0.107	12/06/2020
Series 21	26/10/2020	26/10/2022	$0.70	$0.082	26/10/2020
Series 23	27/11/2020	27/11/2022	nil	$0.335	27/05/2022
Series 24	27/11/2020	27/11/2024	$0.497	$0.148	27/11/2023
Series 25	27/04/2021	10/03/2024	$0.435	$0.095	27/04/2021
Series 26*	27/11/2020	27/11/2022	nil	$0.335	27/05/2022
Series 27*	27/11/2020	27/11/2024	$0.497	$0.148	27/11/2023
Series 28	1/11/2021	31/10/2023	nil	$0.130	1/11/2021
Series 29	29/11/2021	29/11/2023	nil	$0.250	29/11/2021
Series 30-1	29/11/2021	30/06/2025	nil	$0.250	30/06/2022
Series 30-2	29/11/2021	30/06/2026	nil	$0.250	30/06/2023
Series 30-3	29/11/2021	30/06/2027	nil	$0.250	30/06/2023
Series 31*	29/11/2021	31/08/2025	nil	$0.250	31/08/2022
Series 32-1*	29/11/2021	30/09/2025	nil	$0.250	30/09/2022
Series 32-2*	29/11/2021	30/06/2026	nil	$0.250	30/06/2023
Series 32-3*	29/11/2021	30/06/2027	nil	$0.250	30/06/2024
Series 33	28/11/2022	28/11/2024	nil	$0.195	28/11/2022
Series 34*	7/12/2022	31/08/2026	nil	$0.165	31/08/2023
Series 35-1*	7/12/2022	30/09/2026	nil	$0.165	30/09/2023
Series 35-2*	7/12/2022	30/06/2027	nil	$0.165	30/06/2024
Series 35-3*	7/12/2022	30/06/2028	nil	$0.165	30/06/2025

*Issued under the Company's EIOP.

There has been no material alteration of the terms and conditions of the above share-based payment arrangements since grant date.

Movements in the various classes of unlisted options during the year ended 30 June 2023 is detailed as follows:

	Opening balance 1 July 2022	Granted	Exercised	Lapsed / Expired	Closing balance 30 June 2023	Vested / Unvested
Series 10	639,019	-	-	(639,019)	-	Vested
Series 11*	1,278,179	-	-	(1,278,179)	-	Vested
Series 12	750,000	-	-	(750,000)	-	Vested
Series 15	683,280	-	-	-	683,280	Unvested
Series 17*	1,103,760	-	-	(332,880)	770,880	Unvested
Series 18	1,912,500	-	-	(1,912,500)	-	Vested
Series 21	200,000	-	-	(200,000)	-	Vested
Series 23	81,385	-	(81,385)	-	-	Vested
Series 24	258,953	-	-	-	258,953	Unvested
Series 25	2,265,625	-	-	-	2,265,625	Vested
Series 26*	245,050	-	(245,050)	-	-	Unvested
Series 27*	310,891	-	-	(86,564)	224,327	Unvested
Series 28	83,333	-	(83,333)	-	-	Vested
Series 29	450,000	-	(450,000)	-	-	Vested
Series 30-1	67,000	-	-	(56,342)	10,658	Unvested
Series 30-2	67,000	-	-	(56,342)	10,658	Unvested
Series 30-3	201,000	-	-	(169,025)	31,975	Unvested
Series 31*	893,370	-	(264,000)		629,370	Unvested
Series 32-1*	483,921	-	(62,205)	(277,729)	143,987	Unvested
Series 32-2*	483,921	-	-	(350,326)	133,595	Unvested
Series 32-3*	1,451,764	-	-	(1,050,975)	400,789	Unvested
Series 33	-	880,000	-	-	880,000	Vested
Series 34*	-	1,517,773	-	(275,292)	1,242,481	Unvested
Series 35-1*	-	742,042	-	(110,117)	631,925	Unvested
Series 35-2*	-	742,042	-	(110,117)	631,925	Unvested
Series 35-3*	-	2,226,120	-	(330,350)	1,895,770	Unvested
	13,909,951	6,107,977	(1,185,973)	(7,985,757)	10,846,198	

*Issued under the Company's EIOP.

The following table sets out the number and weighted average price and movements in share options issued during the year in summary form.

	2023		2022	
	Number	Weighted average exercise price $	Number	Weighted average exercise price $
Opening balance	13,909,951	$0.22	11,398,302	$0.28
Granted	6,107,977	Nil	4,181,309	nil
Exercised	(1,185,973)	Nil	(260,106)	nil
Lapsed / expired	(7,985,757)	$0.20	(1,409,554)	$0.66
Outstanding at the end of the year	10,846,198	$0.15	13,909,951	$0.22
Exercisable at the end of year	5,528,053	$0.25	7,660,041	$0.32

A total of 1,185,973 unlisted options were exercised during the year for nil consideration (2022: 260,106 for nil consideration).

Unlisted options outstanding at 30 June 2023 had a weighted average exercise price of $0.15 (2022: $0.22) and a weighted average remaining contractual life of 875 days (2022: 697 days).

The weighted average fair value of options granted during the year was $0.17 (2022: $0.25).

5.5 Investment in controlled entities

Transactions with subsidiaries

The consolidated financial statements include the financial statements of K2fly Limited and the subsidiaries listed in the following table.

	Country of Incorporation	2023 Percentage owned	2022 Percentage owned
Controlled entities			
Power Minerals Pty Ltd	Australia	100%	100%
Infoscope Pty Ltd	Australia	100%	100%
K2fly RCubed Pty Ltd	Australia	100%	100%
K2fly South Africa Pty Ltd	South Africa	100%	100%
Sateva Pty Ltd	Australia	100%	100%
Sateva Development Pty Ltd	Australia	100%	100%
K2fly (UK) Limited	United Kingdom	100%	100%

K2fly Limited is the ultimate Australian parent entity and ultimate parent of the Group.

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation.

5.6 Parent entity disclosures

	2023 $	2022 $
Statement of financial position		
Assets		
Current assets	5,539,175	8,496,202
Non-current assets	11,048,559	13,579,968
Total assets	16,587,734	22,076,170
Liabilities		
Current liabilities	3,722,424	4,375,481
Non-current liabilities	4,556,560	5,227,647
Total liabilities	8,278,984	9,603,128
Equity		
Issued capital	37,171,819	36,708,653
Share-based payment reserve	3,004,989	2,608,326
Accumulated losses	(31,868,058)	(26,843,937)
Total equity	8,308,750	12,473,042
Statement of comprehensive income		
Loss for the year	(4,511,295)	(5,493,959)
Other comprehensive income	-	-
Total comprehensive loss	(4,511,295)	(5,493,959)

The financial information for the parent entity, K2fly Limited, has been prepared on the same basis as the consolidated financial statements, except that investments in subsidiaries, associates and joint venture entities are accounted for at cost in the parent entity's financial statements. Dividends received from associates are recognised in the parent entity's profit or loss, rather than being deducted from the carrying amount of these investments.

Guarantees

No guarantees have been entered into by the parent entity in relation to the debts of its subsidiaries.

Commitments

Commitments of the parent entity are the same as those of the Group at 30 June 2023, as detailed at note 5.7.

Contingent liabilities of the parent entity

Contingent liabilities of the parent entity are the same as those of the Group at 30 June 2023, as detailed at note 5.8

5.7 Commitments

The Company had no commitments at 30 June 2023 (30 June 2022: nil).

5.8 Contingent assets and liabilities

Contingent assets

In the last annual reporting period, the Group disclosed a contingent asset of $240,000 in relation to insurance proceeds receivable. That claim has been settled and insurance proceeds of $240,000 received.

There have been no other changes in contingent liabilities or contingent assets since the last annual reporting period (30 June 2022: contingent assets of $240,000).

5.9 Financial instruments

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The Group's overall strategy remains unchanged from the prior year. The Group is involved in the sale of software licenses under a Software-as-a-Service business model. The Group is actively engaged in the direct sale of its own intellectual property rights as well as the sale of third party intellectual property rights through its partnership arrangements.

The capital structure of the Group consists of cash and cash equivalents, borrowings and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings. None of the Group's entities are subject to externally imposed capital requirements.

Operating cash flows are used to maintain and expand operations, as well as to make routine expenditures and general administrative outgoings.

Gearing levels are reviewed by the Board on a regular basis in line with its target gearing ratio, the cost of capital and the risks associated with each class of capital.

Financial assets and liabilities

	2023	**2022**
	$	**$**
Cash	4,440,403	8,270,720
Trade and other receivables	1,883,269	1,929,942
Investments at fair value through other comprehensive income	844	844
Trade and other payables	2,815,844	1,912,317
Interest-bearing liabilities	335,630	511,010
Other liabilities – deferred consideration	1,233,884	3,136,787

Financial risk management objectives

The Group has exposure to the following risks from their use of financial instruments:

- Market risk
- Credit risk
- Liquidity risk
- Foreign exchange risk
- Equity price risk

This note presents information about the Group's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital.

The Group is exposed to market risk, credit risk, liquidity risk and foreign exchange risk.

The board of directors oversees the management of these risks, supported by an audit and risk committee. Management monitors and manages the financial risks relating to the operations of the Group through regular reviews of the risks.

Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk from the previous period.

Interest rate risk

Interest rate risk is the risk that the Group's financial position will fluctuate due to changes in market interest rates. The Group's exposure to the risk of changes in market interest rates, which is not material, relates primarily to financial instruments with floating interest rates including cash and short-term deposits.

Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's trade debtors. For the Company, it also arises from receivables due from subsidiaries. The Group has adopted the practice of only dealing with credit worthy counterparties, generally Tier-1 mining companies, as a means of mitigating the risk of financial loss from defaults.

Foreign Exchange Risk

Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities denominated in a currency that is not the entity's functional currency and net investments in foreign operations. The Group has not formalised a foreign currency risk management policy however it monitors its foreign currency expenditure in light of exchange rate movements.

Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group manages liquidity risk by maintaining adequate reserves by routinely monitoring forecast and actual cash flows. Typically, the Group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The following tables detail the Groups expected contractual maturity for its non-derivative financial liabilities as at 30 June 2023:

	Current	Non-Current	
	0-1 years	1-5 years	5+ years
	$	$	$
Trade and other payables	2,877,179	-	-
Interest-bearing liabilities (at a rate of 6.18% p.a.)	149,311	186,319	-

The following tables detail the Groups expected contractual maturity for its non-derivative financial liabilities as at 30 June 2022:

	Current	Non-Current	
	0-1 years	1-5 years	5+ years
	$	$	$
Trade and other payables	1,912,317	-	-
Interest-bearing liabilities (at rates between 6.18% and 8% p.a.)	200,120	357,910	-

Fair value measurement – 30 June 2023

Set out below is an overview of financial instruments, other than cash and short-term deposits, held by the Group as at 30 June 2023:

	At amortised cost $	Fair value through profit or loss $	Fair value through other comprehensive income $
Financial Assets			
Trade and other receivables	1,883,269	-	-
Other financial assets	-	-	844
Total Assets	1,883,269	-	844
Financial Liabilities			
Trade and other payables	2,815,844	-	-
Interest-bearing liabilities	335,630	-	-
Other liabilities – deferred consideration	-	1,233,884	-
Total Liabilities	3,151,474	1,233,884	-

Set out below is a comparison of the carrying amount and fair values of financial instruments as at 30 June 2023:

	Carrying Value $	Fair Value $
Financial Assets		
Trade and other receivables	1,883,269	1,883,269
Other financial assets	844	844
Total Assets	1,884,113	1,884,113
Financial Liabilities		
Trade and other payables	2,815,844	2,815,844
Interest-bearing liabilities	335,630	335,630
Other liabilities – deferred consideration	1,233,884	1,233,884
Total Liabilities	4,385,358	4,385,358

On 31 May 2023, the Company established a working capital facility. The facility has a limit of $2,000,000, a rate of interest fixed at 6.77% p.a. and a 24-month term. Under the terms of the facility agreement, payment is due on expiry of the term or earlier at the Company's discretion; the Company has the option to pay or capitalise accrued interest. At 30 June 2023, the undrawn balance of the facility is $2,000,000.

Fair value measurement – 30 June 2022

Set out below is an overview of financial instruments, other than cash and short-term deposits, held by the Group as at 30 June 2022:

	At amortised cost $	Fair value through profit or loss $	Fair value through other comprehensive income $
Financial Assets			
Trade and other receivables	1,929,942	-	-
Other financial assets	-	-	844
Total Assets	1,929,942	-	844
Financial Liabilities			
Trade and other payables	1,912,317	-	-
Interest-bearing liabilities	511,010	-	-
Other liabilities – deferred consideration	-	3,136,787	-
Total Liabilities	2,423,327	3,136,787	-

Set out below is a comparison of the carrying amount and fair values of financial instruments as at 30 June 2022:

	Carrying Value $	Fair Value $
Financial Assets		
Trade and other receivables	1,929,942	1,929,942
Other financial assets	844	844
Total Assets	1,930,786	1,930,786
Financial Liabilities		
Trade and other payables	1,912,317	1,912,317
Interest-bearing liabilities	511,010	511,010
Other liabilities – deferred consideration	3,136,787	3,136,787
Total Liabilities	5,560,114	5,560,114

5.10 Related party disclosures

Remuneration of KMP

	2023 $	2022 $
Short-term employee benefits	894,158	873,387
Post-employment employee benefits	55,034	60,292
Share-based payments	392,252	326,115
	1,341,444	1,259,794

	2023 $	2022 $
Payables and accruals:		
Neil Canby	10,725	7,425
James Deacon	-	12,750
Pauline Vamos	6,875	-

There are no other transactions with KMP during the year ended 30 June 2023.

5.11 Auditor's remuneration

	2023 $	2022 $
Audit or review of financial statements	83,055	73,943
Taxation compliance	34,200	18,250
	117,255	92,193

5.12 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.

In the opinion of the Directors of K2fly Limited (the 'Company'):

(a) the accompanying financial statements and notes are in accordance with the *Corporations Act 2001* including:

   i. giving a true and fair view of the Group's financial position as at 30 June 2023 and of its performance for the year then ended; and

   ii. complying with Australian Accounting Standards, the *Corporations Regulations 2001*, professional reporting requirements and other mandatory requirements.

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.

This declaration has been made after receiving the declarations required to be made to the Directors in accordance with Section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2023.

This declaration is signed in accordance with a resolution of the board of Directors.

Pauline Vamos	Neil Canby
Non-Executive Chair	Non-Executive Director
Perth, 29 August 2023	Perth, 29 August 2023

INDEPENDENT AUDITOR'S REPORT

To the Members of K2Fly Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of K2Fly Limited ("the Company") and its controlled entities ("the Group"), which comprises the consolidated statement of financial position as at 30 June 2023, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 30 June 2023 and of its financial performance for the year then ended; and

(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group 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 financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matters described below to be the key audit matters to be communicated in our report.

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Key Audit Matter	How our audit addressed the key audit matter
Recoverable amount of goodwill and intangible assets Notes 4.3 and 4.4 of the financial report	
At balance date, the carrying amount of goodwill is $7,342,817 and the carrying amount of other intangible assets is $8,444,567. Included within intangible assets are costs arising from the development of a new software or new functionality for an existing software, which are recognised as assets in development at balance date. Goodwill and intangible assets in development are required to be tested for impairment annually in accordance with AASB 138 Intangible Assets and AASB 136 Impairment of Assets, regardless of whether impairment indicators are noted. Management has determined that impairment testing should carried at the cash generating unit level, which is the Group's software and services operations and encompasses the total carrying amounts of goodwill and other intangible assets noted above. It is due to the size of the carrying amounts above, complexity and judgement involved that this is considered a key audit matter.	Our audit procedures included but were not limited to the following: • We considered the capitalisation of costs which comprise internally generated intangible assets; • We assessed the transfer of costs from assets in development to assets in use; • We calculated an expected amortisation amount on assets in use which we compared to the trial balance for reasonableness; • We assessed the appropriateness of the allocated cash generating unit; • We considered whether the assets comprising the cash generating unit had been correctly allocated; • We assessed the appropriateness of the methodology in the value in use model and the basis for key assumptions; • We assessed the value in use model for consistency with the requirements of Australian Accounting Standards; • We assessed the reasonableness of forecast cash flows and the appropriateness of the discount rate used, and performed sensitivity analyses around the key inputs used in the model; • We reviewed the mathematical accuracy of the model; • We compared the discounted cash flow value to the carrying amount of assets comprising the cash-generating unit; and • We assessed the adequacy of the disclosures made in the financial report.

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2023, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report, or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON THE REMUNERATION REPORT

Opinion on the Remuneration Report

We have audited the Remuneration Report included within the directors' report for the year ended 30 June 2023.

In our opinion, the Remuneration Report of K2Fly Limited for the year ended 30 June 2023 complies with Section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

B G McVeigh
Partner

Perth, Western Australia
29th August 2023

HOLDINGS AS AT 24 AUGUST 2023

ORDINARY SHARES

Number of securities held	Fully paid ordinary shares	Number of holders	% of total issued capital
1 to 1,000	6,525	104	0.00%
1,001 to 5,000	732,831	329	0.42%
5,001 to 10,000	923,103	118	0.53%
10,001 to 100,000	13,864,557	361	7.91%
100,001 and over	159,787,785	148	91.14%
Total	**175,314,801**	**1,060**	**100.00%**
Shares subject to voluntary escrow conditions until 31 March 2024		**939,323**	
Number of holders of less than a marketable parcel based on the share price of $0.091		**448**	**0.47%**

TOP 20 SHAREHOLDERS

Rank	Name	Units	% of Units
1	MAPTEK PTY LTD	22,810,245	13.01
2	CITICORP NOMINEES PTY LIMITED	20,135,616	11.49
3	UBS NOMINEES PTY LTD	14,954,080	8.53
4	CSBP LIMITED	12,781,499	7.29
5	**GROUP # 1524287**	**6,556,035**	**3.74**
.	MARK FORSTER + LEONIE FORSTER <THE M FORSTER FAMILY A/C>	1,491,894	0.85
.	MARK FORSTER	2,247,239	1.28
.	MARK FORSTER + LEONIE FORSTER <THE FORSTER SUPER FUND A/C>	2,816,902	1.61
6	MR NICHOLAS JOHN AXAM	6,361,416	3.63
7	**GROUP # 1166440**	**5,827,724**	**3.32**
.	MRS NARELLE FAY	896,000	0.51
.	MR ANDREW FAY	916,667	0.52
.	MRS NARELLE FAY	4,015,057	2.29
8	**GROUP # 36516**	**4,665,921**	**2.66**
.	BNP PARIBAS NOMS PTY LTD <DRP>	95,250	0.05
.	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	4,570,671	2.61
9	**GROUP # 64359**	**4,208,006**	**2.4**
.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	4,208,006	2.4
10	MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	4,070,498	2.32
11	KALGOORLIE MINE MANAGEMENT PTY LTD	3,800,000	2.17
12	**GROUP # 11856**	**3,216,870**	**1.83**
.	MR BRIAN PETER MILLER	23,000	0.01
.	DR ROSLYN JANE CARBON	371,229	0.21

Rank	Name	Units	% of Units
.	MR BRIAN PETER MILLER	753,154	0.43
.	MR BRIAN PETER MILLER	2,069,487	1.18
13	**GROUP # 1747378**	**3,102,490**	**1.77**
.	JETOSEA PTY LTD	50,000	0.03
.	JETOSEA PTY LTD	100,000	0.06
.	JETOSEA PTY LTD	638,601	0.36
.	JETOSEA PTY LTD	2,313,889	1.32
14	OCEANVIEW ROAD PTY LTD	2,000,000	1.14
15	JAYLEAF HOLDINGS PTY LTD <THE POLLOCK INVESTMENT A/C>	1,750,000	1.00
16	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	1,496,551	0.85
17	KISMAR PTY LTD <THE M KISIRWANI FAM A/C>	1,459,678	0.83
18	MR PAUL JAMES MADDEN	1,284,200	0.73
19	DIXSON TRUST PTY LIMITED	1,206,801	0.69
20	**GROUP # 1321162**	**1,180,844**	**0.67**
.	MR NEIL WILLIAM CANBY <NEIL CANBY FAMILY A/C>	89,219	0.05
.	MR NEIL WILLIAM CANBY <NEIL CANBY FAMILY A/C>	1,091,625	0.62
	Totals: Top 20 holders of K2F ORDINARY FULLY PAID	**122,868,474**	**70.07**

Substantial Shareholders

The Group has been notified of the following substantial shareholdings:	**Number**	**%**
Maptek Pty Ltd	22,810,245	13.01%
Tribeca Investment Partners Pty Ltd	17,667,380	10.08%
Regal Funds Management Pty Ltd	16,808,916	9.59%
CSBP Limited	12,781,499	7.29%
Mitsubishi UFJ Financial Group, Inc	10,300,000	5.88%
Colonial First State Investments Limited	10,300,000	5.88%
First Sentier Investors (Australia) IM Ltd	10,300,000	5.88%
Comet Asia Holdings II Pte. Ltd., Comet Asia Holdings I Pte. Ltd., KKR Asia III Fund Investments Pte. Ltd. And KKR Asian Fund III L.P	10,300,000	5.88%

Voting Rights

The Constitution of the Group makes the following provision for voting at general meetings:

On a show of hands, every ordinary shareholder present in person, or by proxy, attorney or representative has one vote. On a poll, every shareholder present in person, or by proxy, attorney or representative has one vote for any share held by the shareholder.

Buyback

There is currently no on-market buyback program for any of the Company's listed securities.

Unlisted Securities

At 24 August 2023 the Company has on issue 10,754,499 unlisted options over ordinary shares, 3,930,825 performance shares and 660,000 performance rights.

With the exception of securities issued or acquired under an employee incentive scheme, the names of security holders holding more than 20% of an unlisted class of security are listed below.

Holder	Performance Rights (Class 2)	Performance Rights (Class 3)	Performance Rights (Class 4)	Performance Rights (Class 7)	Performance Rights (Class 8)	Performance Rights (Class 9)
Rachael D'Anna	66,250	66,250	66,250	66,250	66,250	**66,250**
Talos Mining Pty Ltd <Talos Mining A/C>	43,750	43,750	43,750	43,750	43,750	**43,750**
Holders individually less than 20%	-	-	-	-	-	**-**
Total	**110,000**	**110,000**	**110,000**	**110,000**	**110,000**	**110,000**

Holder	Performance Shares
CSBP Limited	3,930,825
Total	**3,930,825**

Holder	Unlisted Options Series 15	Unlisted Options Series 24	Unlisted Options Series 25	Unlisted Options Series 30-1	Unlisted Options Series 30-2	Unlisted Options Series 30-3	Unlisted Options Series 33
Dr Roslyn Jane Carbon	683,280	258,953	-	10,658	10,658	31,975	-
Argonaut Investments Pty Ltd	-	-	2,265,625	-	-	-	-
Mr James Deacon	-	-	-	-	-	-	275,000
MARTYN CAVANAGH + THOMAS CAVANAGH <ECMC FAMILY A/C>	-	-	-	-	-	-	275,000
MR NEIL WILLIAM CANBY <NEIL CANBY FAMILY A/C>	-	-	-	-	-	-	275,000
Peter Johnson	-	-	-	-	-	-	55,000
Total	**683,280**	**258,953**	**2,265,625**	**10,658**	**10,658**	**31,975**	**880,000**