

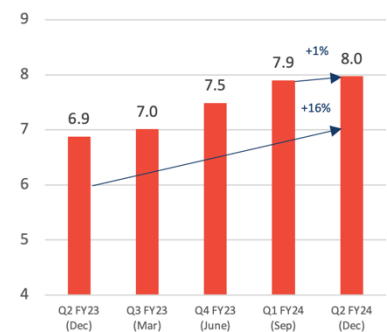
## December Q2 FY2024 Quarterly Activities Report

### Flat Quarter and Strong YoY ARR and Revenue Growth

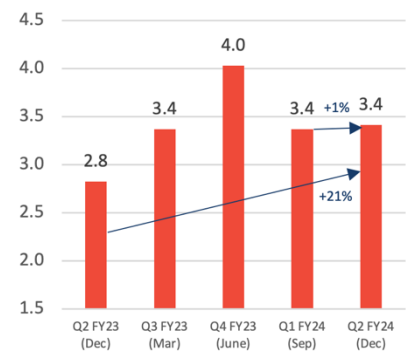
#### Highlights

- Annual Recurring Revenue (ARR)<sup>1</sup> of \$8.0m in Q2 FY2024, 16% higher than in Q2 FY2023 driven by material contract wins in recent quarters
- Revenue<sup>2</sup> of \$3.4m in Q2 FY2024, up 21% from Q2 FY2023; driven by a growing contract portfolio and associated implementation revenue
- Net Operating Cash Outflow in H1 FY2024 was \$1.7m, 8% higher than H1 FY2023 due to diligent cost control during a period of growth and in the face of inflationary pressures
- Completion of a cost review and implementation of savings initiatives during Q2 FY2024
- Migrations of customers to new Resource Disclosure platform commences creating ongoing client expansion opportunities in 16 clients; Newmont migration contracted
- Share Placement to existing investor Maptek raising \$1.0m at a premium to VWAP, to strengthen the Company's balance sheet; for working capital requirements to support continued growth
- Strategic review initiated to evaluate options to realise full business potential and shareholder value
- Cash balance on 31 December 2023 was \$2.5m (\$2.0m working capital facility remains undrawn)

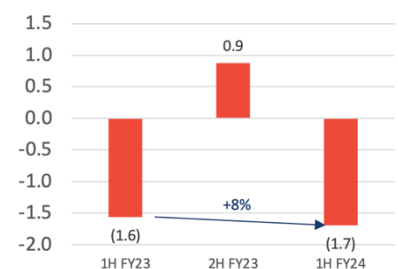
Annual Recurring Revenue (ARR), \$m



Revenue, \$m



Net Operating Cash Flow - YTD, \$m



**K2fly Limited (K2F, K2fly or the Company) (ASX: K2F)**, is a leading provider of Resource Governance solutions for 'net positive impact' in Environmental, Social and Governance (ESG) compliance, disclosure, and technical assurance. We focus on the operations of mining and asset intensive industries through our platform-based SaaS cloud solutions. K2fly is pleased to provide commentary regarding its activities for the December quarter, Q2 FY2024.

#### Nic Pollock CEO of K2fly said

"K2fly maintained our very strong record of 14 continuous quarters of ARR growth despite a relatively flat sales quarter in Q2 FY24. The flat quarter is a result of disruptions to our sales function in calendar

2023 and is not representative of a decline in demand. In October 2023 we appointed a new global sales leader and our pipeline and forecast for the second half of FY24 has strengthened considerably.

The completion of our new Resource Disclosure solution, flagged in previous quarters, and currently being implemented at three client sites, has numerous benefits for K2fly. Firstly, it has now triggered the commencement of the programme of migration of the 16 RCubed installed base clients to the new platform starting with Newmont Mining. Secondly our Mineral Resource Governance suite has expanded significantly, and we can now offer our migrating and new clients additional functionality with the new platform alongside additional modules (Model Manager and Reconciliation) to further expand our footprint within those clients. Finally, the timing of the launch coincides with the imminent release in 2024 of the revised JORC code which will prompt many companies to adopt what is now the industry standard in mineral resource governance, the K2fly Resource Disclosure solution.

In calendar 2023 we have placed considerable focus on stabilising our products and delivery processes through restructuring our Product Development and Customer Success Groups. The benefits of this are twofold. By creating more streamlined and predictable product cycles we dramatically improve upon our strength in customer retention; and we create a platform for us to be able to scale our ability to implement many more customers in parallel, thus further reducing a constraint on sales growth.

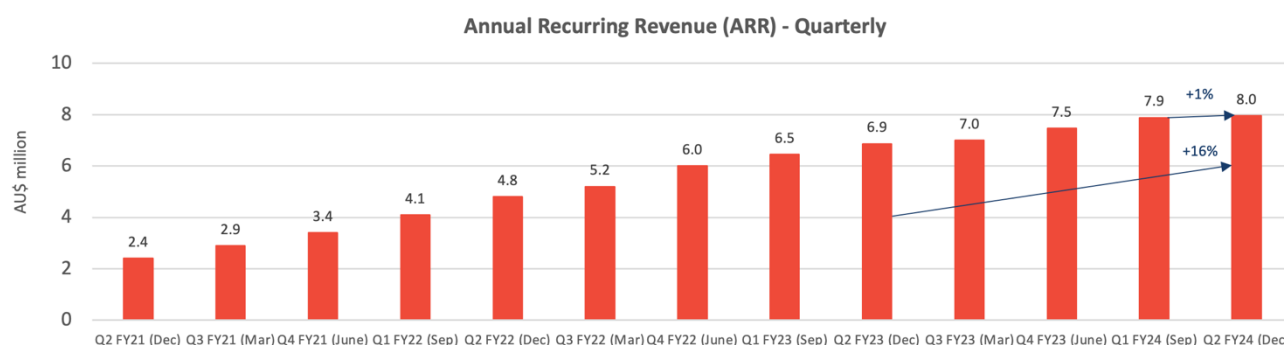
To scale sales growth further we introduced a new role to accelerate our entry into adjacent markets (linear assets, energy and infrastructure) alongside partnerships. We are very encouraged by the response to both areas particularly in our Natural Resource Governance suite which translates seamlessly into the other industry verticals and without obvious competition.

Although our Net Cash Outflow from Operations in Q2 FY2024 was higher than the prior year, cost control remains a key focus, and on a half year comparison, 1H this year increased only modestly compared to 1H in the prior year. Capital investment in software development has reduced since the completion of the Resource Disclosure development project and a deliberate cost reduction plan has largely been executed. The timing of Cash Receipts is influenced by the anniversary dates of existing licence contracts (which are billed annually) and the timing of implementation projects. Historically, the second half of the financial year sees a positive Net Operating Cash result."

## CONTRACTS AND FINANCIAL RESULTS<sup>2</sup>

**ARR was flat 1%** to \$8.0m compared to the prior quarter (end of period) **up 16% compared to Q2 FY2023**. Total Contract Value (TCV) at the end of the quarter was \$16.0m.

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



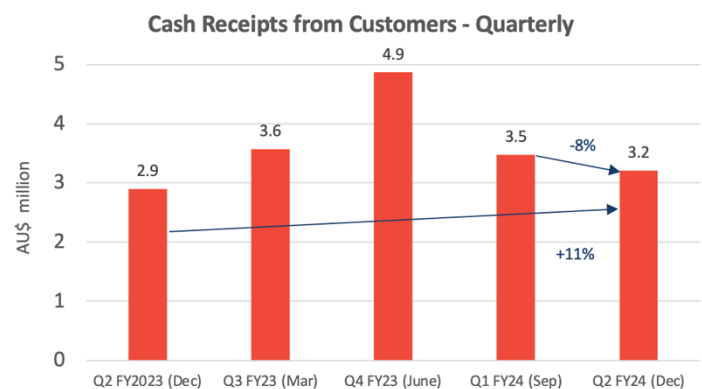
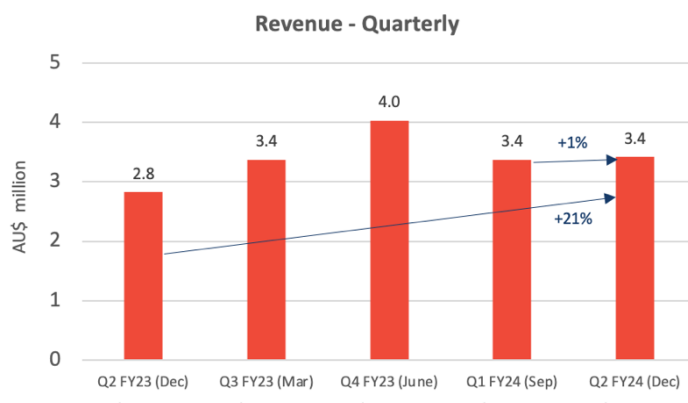
## Revenue and Cash Receipts

**Revenue** during the quarter was up 1% over Q1 FY2024 at \$3.4m and up 21% over Q2 FY2023.

Year-on-year growth in revenue is a function of the growing portfolio of contracts and associated implementation fees.

**Cash Receipts from Customers** are down 8% over Q1 FY2024 at \$3.2m and up 11% over Q2 FY2023.

Note: the timing and collection of Cash Receipts throughout the year vary by month and quarter and are historically concentrated in the June quarter due to anniversary dates of annual contracts. Cash receipts are also influenced by timing of implementation progress against project milestones, and payment terms.



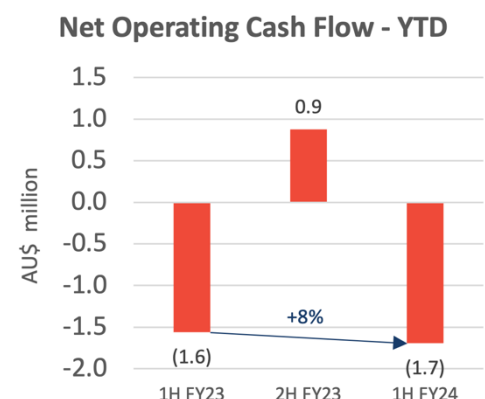
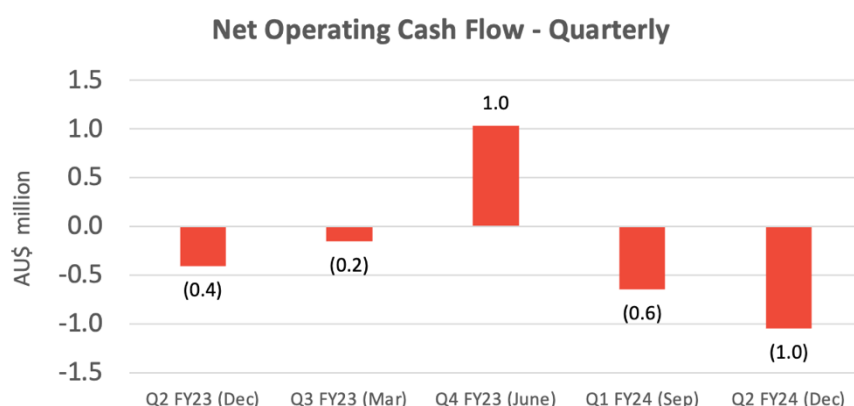
## Net Operating Cashflow

The December quarter generated a Net Operating Cash Outflow of \$1.05m, a 159% increase from Q2 FY2023 due to the cost of improvements in product development, inflation and general cost growth to support material revenue growth. On a year-to-date basis, 1H FY2024, compared to 1H FY2023, Net Operating Cash Outflow increased only modestly at 8%.

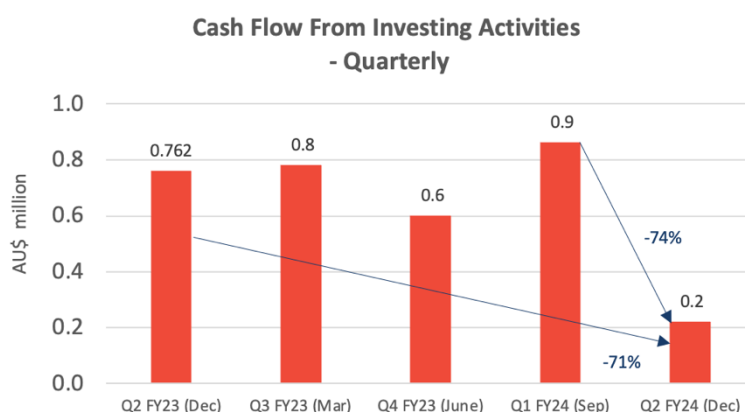
Like the variability in the timing of annual fees, the Company incurs some annual costs which have a similarly variable profile. These contribute to overall variability on a quarter-on-quarter basis.

Due to the profile of contract anniversary dates, recent historical performance has shown a positive Net Operating Cashflow in the second half of the financial year.

Gross Operating Expenditure (Section 1.2, Appendix 4C) in the December quarter of \$4.2m consistent with the prior quarter of \$4.2m. Cost management remains a strong focus of the Company as the business scales.



Investing cash flows have reduced significantly in the December quarter to \$0.2m from \$0.9m because of the successful conclusion of the Resource Disclosure development project as previously announced, and the payment of \$0.5m of acquisition payments in the prior quarter.



### Cost saving initiatives launched.

As part of its ongoing focus on cost management and emphasis on achieving operating cash breakeven, the Company has been implementing a program of cost savings. Initiatives include staff redundancies and restructuring to improve operating effectiveness.

### OPERATIONAL UPDATE

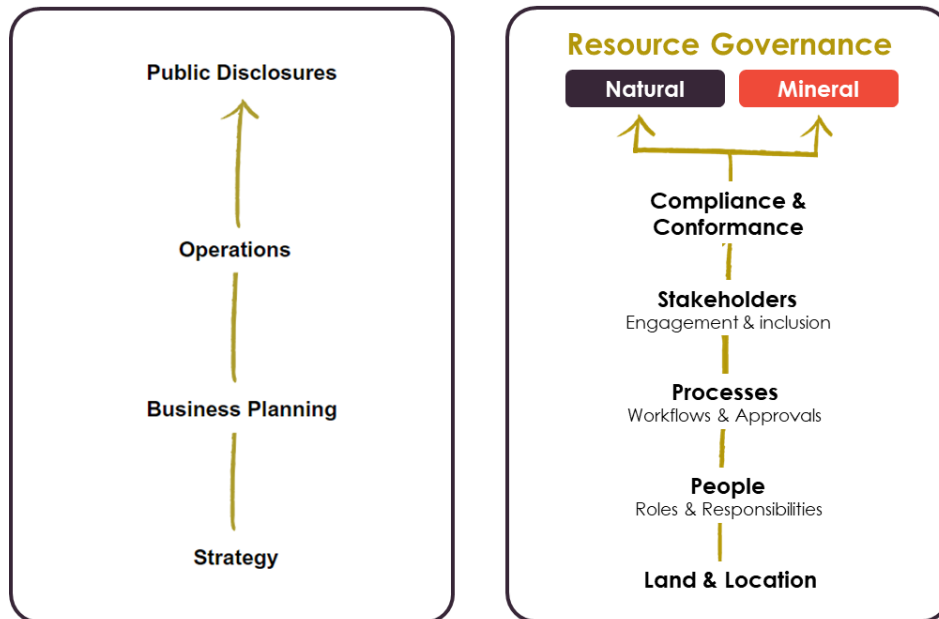
During Q2 K2fly completed key milestones in our Land Access contract for Imerys (see ASX announcement [30 September 2022](#)) which triggered an extension of the sites licensed under the agreement from 15 to 120 and additional ARR of EUR68k which increases the ARR for the contract by 83% to AUD\$247k p.a.

In Q2 K2fly concluded an upgraded contract agreement with Newmont Mining to migrate Newmont from their legacy RCubed implementation to K2fly's new Resource Disclosure platform released in Q2. The project commenced in January and is expected to last 4 months.

The adjacent market and partnerships program that K2fly has been undertaking over recent months has uncovered many opportunities for new market segments particularly in linear assets across infrastructure, rail and energy. We continue to uncover new opportunities within this space that do not require significant changes to our solutions and are uncontested with other industry specific COTS solutions.

As part of this strategy, we are also engaging increasingly with partners in the energy transition and infrastructure space alongside partners in mining and tailings governance. In December K2fly signed an agreement with Asset Assurance Monitoring in the United States as a market development partner for our Dams and Tailings solution.

In December Q2 K2fly launched a new marketing campaign; [The Golden Thread](#) to further enhance our customers' and prospects' understanding of the value of Resource Governance.



## CORPORATE

### Share Placement

A share placement was completed during the quarter to existing investor Maptek raising \$1.0m at \$0.10 per share. The Placement pricing represents a 63% premium to the 15-day VWAP. See ASX announcement [2 November 2023](#).

Funds raised will be used to strengthen the Company's balance sheet; for working capital requirements to support continued growth.

### Strategic review

A strategic review was initiated to evaluate options to realise the full business potential of K2fly and shareholder value. See ASX announcement [2 November 2023](#).

In a further update during the quarter, the Company announced it had appointed joint financial advisors, Argonaut PCF and Atrico. See ASX announcement [23 November 2023](#).

The Board anticipates that it will be able to update the market in the current quarter, Q3 FY2024.

### Market engagement

- **Annual General Meeting presentation (13 December 2023)** – K2fly Chair Pauline Vamos addressed shareholders (view Chair's address [here](#)) and CEO Nic Pollock presented to shareholders (view presentation [here](#)).
- **Australian Microcap Investment Conference** – K2fly CEO Nic Pollock presented to investors in Melbourne on 25 October 2023.

**Cash position:** The Company held a cash balance on 31 December 2023 of \$2.5m (and \$2.0m in undrawn working capital facility available).

**Operating expenditure:** Cash outflows related to ongoing operating expenditures to run business operations and deliver K2fly's platform of 10 solutions to clients which include the key items of: R&D, product manufacturing and operating costs, advertising and marketing, staff costs and

administration and corporate costs. Net Cash from Operating Activities was an outflow of \$1.047m (Section 1.9, Appendix 4C). Gross Operating Expenditure in the December quarter amounted to cash outflows of \$4.248m (Section 1.2, Appendix 4C). See commentary section Revenue and Cash Receipts for further insight in to K2fly's billing cycle.

**Net cash outflow from investing activities:** Outflows relate to investment in software development to enhance the current platform of solutions (\$186k) and payments for the purchase of businesses (\$34k consisting of a consideration relating to the purchase of Sateva).

**Payments to related parties and their associates:** In accordance with ASX Listing Rule 4.7C.3, payments to related parties of the Company and their associates during the quarter totalled \$94k relating to Non-Executive Director fees and payments to director-related entities for consulting services. This amount is included at Item 6.1 of the Appendix 4C. Refer to the Remuneration Report in the 2023 Annual Report for further details on director remuneration.

#### Footnotes

<sup>1</sup> Exchange rate fluctuations impact ARR and TCV.

<sup>2</sup> Unaudited.

Announcement released with authority of K2fly Board.

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#### For further information, please contact:

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**More on K2fly:** [Website](#) | [Investor centre](#) | [Subscribe to investor updates](#)

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## About K2fly

**K2fly Limited (ASX: K2F)** is an ASX listed technology provider of enterprise-level Resource Governance solutions for '**net positive impact**' in Environmental, Social and Governance (ESG) compliance, disclosure and technical assurance, to operations of mining and asset intensive industries through its platform-based SaaS cloud solutions.

Our solutions address many industry challenges and help manage risk around clients' social license to operate concerning reporting & governance, reputation and disclosure demands.

**Product & service offering:** We deliver a suite of solutions across three key areas on a single platform:

- Natural Resource Governance
- Mineral Resource Governance
- Technical Assurance

**Customers:** Spanning all continents, our customer base includes multinational Tier-1 and Tier-2 mining clients operating in 54 countries.

**Strategy:** Through acquisition, development, and partnerships, K2fly have assembled a unique platform that generates high margin SaaS recurring revenues, being rolled out globally. Our strategy is to 'land and expand' our offering with clients over time whereby additional solutions are rolled out to support central operational management and efficiency gains.

K2fly works closely with peak industry bodies, regulators, and our own industry advisory groups on ESG topics that are driven by rapidly changing regulations, community and investor expectations to build fit for purpose industry solutions that adhere to recognised codes and standards.



**Strategic alliances:** K2fly has strategic alliances with global technology companies such as Esri (USA), SAP (Germany), Hitachi-ABB (Japan) and Descartes Labs (USA).

Platform [overview](#)

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

## Appendix 4C

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

**Name of entity**

K2fly Limited

**ABN**

69 125 345 502

**Quarter ended ("current quarter")**

31 December 2023

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (6 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	3,202	6,676
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(1,670)	(3,464)
(c) advertising and marketing	(60)	(138)
(d) leased assets	-	-
(e) staff costs	(1,373)	(2,836)
(f) administration and corporate costs	(1,145)	(1,970)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	5	14
1.5 Interest and other costs of finance paid	(4)	(9)
1.6 Income taxes paid	(1)	(3)
1.7 Government grants and tax incentives	-	37
1.8 Other (cash restricted to non-restricted)	(1)	(1)
1.8 Other (R&D refund)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(1,047)</b>	<b>(1,694)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire or for:		
(g) entities	-	-
(h) businesses	(34)	(453)
(i) property, plant and equipment	(2)	(18)
(j) investments	-	-
(k) intellectual property	(186)	(614)



Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
	(l) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other	-	-
2.6	<b>Net cash from / (used in) investing activities</b>	<b>(222)</b>	<b>(1,085)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	1,000	1,000
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(20)	(20)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (repayment of lease liabilities)	(35)	(74)
3.10	<b>Net cash from / (used in) financing activities</b>	<b>945</b>	<b>906</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	2,911	4,440
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,047)	(1,694)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(222)	(1,085)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	945	906
4.5	Effect of movement in exchange rates on cash held	(64)	(44)
4.6	<b>Cash and cash equivalents at end of period</b>	<b>2,523</b>	<b>2,523</b>

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	2,523	2,911
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>2,523</b>	<b>2,911</b>

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	94
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i>		

Payments included in item 6.1 relates to payment of director fees and non-executive director consulting fees (total: \$93k).

<b>7.</b>	<b>Financing facilities</b> <i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i> <i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
7.1	Loan facilities	2,000	nil
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	<b>Total financing facilities</b>	2,000	nil
7.5	<b>Unused financing facilities available at quarter end</b>		2,000
7.6	<p>Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.</p> <p>\$2 million working capital facility provided by Maptek Pty Ltd. The facility is unsecured, has a 24-month term expiring on 31 May 2025 and attracts interest at a fixed rate of 6.77%. (Refer ASX announcement dated 1 June 2023.)</p>		

<b>8.</b>	<b>Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1	Net cash from / (used in) operating activities (item 1.9)	(1,047)
8.2	Other (software development) (item 2.1e)	(186)*
	Other (repayment of lease liabilities) (item 3.9)	(35)
8.3	Total relevant outgoings (item 8.1 + item 8.2)	(1,268)
8.4	Cash and cash equivalents at quarter end (item 4.6)	2,523
8.5	Unused finance facilities available at quarter end (item 7.5)	2,000
8.6	Total available funding (item 8.4 + item 8.5)	4,523
	<p>* The Company considers it appropriate to include cash outflows related to the development of IP activities. Whilst this is not a permanent component of the Company's cost structure, the Company is currently incurring costs in relation to its product development (refer ASX announcement dated 19 April 2021)</p>	
8.7	<b>Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	4
	<p><i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i></p> <p><i>The cash runway calculation does not take into account the timing of cash inflows throughout the annual billing cycle from licence and SaaS fees which are billed annually in advance (aligned with contract anniversary dates).</i></p>	
8.8	If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.8.1	Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
	.	
8.8.2	Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
	.	

8.8.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

*Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.*

## Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 30 January 2024.....

Authorised by: . By the Board.....  
(Name of body or officer authorising release – see note 4)

## Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.