

Annual Report

For the Year Ended
30 June 2024



Prepared by

K2fly Limited

ABN 69 125 345 502

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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

REGISTERED OFFICE & PRINCIPAL PLACE OF BUSINESS

Level 4

502 Hay Street

Subiaco WA 6008

Telephone: +61 8 6333 1833

Website: www.k2fly.com

SHARE REGISTRY

Automic Group

Level 5, 126 Phillip Street

Sydney NSW 2000

GPO Box 5193

Sydney NSW 2001

EXCHANGE

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

SOLICITORS

Steinepreis Paganin

Level 4, The Read Building

16 Milligan Street

Perth WA 6000

BANKERS

Bendigo Bank

431 Fitzgerald Street

North Perth WA 6006

AUDITORS

HLB Mann Judd

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.

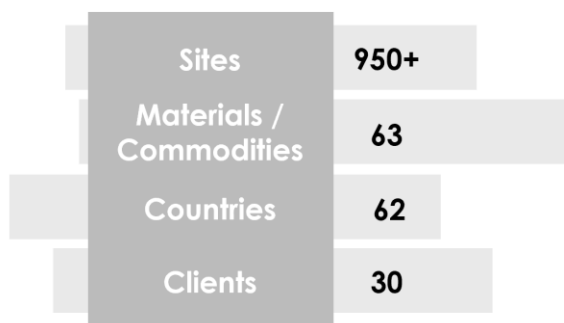
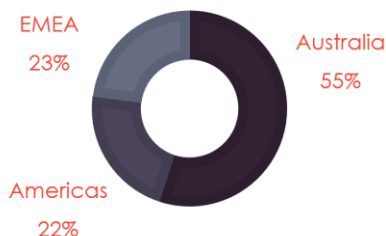
Our Mineral Resource Governance solutions simplify the resource disclosure process, improve mine reconciliation, provide governance over resource models, and optimise the entire ore blocking process. K2fly's Natural Resource Governance solutions manage cultural heritage sites, land access, ground disturbance 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 6 of the 15 top global resource leaders currently using our solutions. Our most prevalent solution, used by 21 of our 32 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.

Global Business Distribution by ARR





Key Financial Metrics

\$12.5m

Revenue

Down 3% on FY2023

\$1.1m

**Net Operating Cash
Outflow**

Up 90% from \$0.6m in FY2023

\$9.0m

ARR

Up 20% on end FY2023

ARR – Annual Recurring Revenue

Global Resource Leaders Contracted 6 from Top 15

RioTinto

Newmont

BHP

 **AngloAmerican**

 **Fortescue**

 **VALE**

Clients by Commodity

Diversified/Iron Ore

 **AngloAmerican**  **VALE**
  **Fortescue**
  

Gold

 
  **WESTGOLD
RESOURCES LIMITED**
 **COEUR MINING**  **ANGLOGOLD
ASHANTI**

Copper, Zinc and Industrial Minerals

CHAIR'S ADDRESS



Dear Shareholders

On behalf of K2fly Limited's Board of Directors, I am pleased to present the Company's Annual Report for the financial year ended 30 June 2024 (**FY24**).

This year has been one of significant progress, though not without its challenges. With equity capital market conditions constraining access to the funding required to realise the Company's growth potential, the business undertook a strategic review to evaluate alternatives to realise the full potential of K2fly and maximise shareholder value. As a result of that review, K2fly entered into a Scheme Implementation Deed with Argyle Bidco Pty Ltd (**BidCo**), which is ultimately controlled by Accel-KKR Capital Partners VII, LP, under which Bidco will acquire 100% of the shares in K2fly by way of a Scheme of Arrangement (**Scheme**) for \$0.19 cash per K2fly share held at the Record Date. The Scheme has been approved by shareholders and the Supreme Court of Western Australia has granted the necessary orders to proceed. The implementation of the Scheme will result in K2fly delisting from the Australian Securities Exchange (ASX)

While implementation of the Scheme will mark a significant change in K2fly's corporate structure, it is also a testament to the value we have built together. The offer from BidCo represents a compelling opportunity for shareholders, reflecting a 90% premium to the undisturbed trading price prior to announcement of the offer, and offering certainty of value.

Our Vision and Purpose

Governance remains critical to the sustainable and effective use of natural resources. K2fly has been at the forefront of developing a new sector focused on Natural and Mineral Resource Governance. K2fly provides enterprise-level Resource Governance solutions to asset-intensive and extractive industries through our platform-based Software as a Service (SaaS) cloud solutions. Our offerings focus on achieving a 'net positive impact' in environmental, social, and governance (ESG) compliance, disclosure, and technical assurance.

Our software and our team are committed to fostering a more sustainable and transparent world. Our mission is to be the trusted partner of choice for enterprise customers in asset-intensive and extractive industries and we are proud to collaborate with leading global mining companies, helping them integrate our software into their operational processes to achieve their desired ESG and technical assurance outcomes.

Final Thoughts

As we prepare for this next chapter, I want to acknowledge the contributions of everyone who has been a part of K2fly's journey. This includes our Board members, past and present, particularly my colleagues Neil Canby, Peter Johnson and Brian Miller, our dedicated staff, and, importantly, you—our shareholders. Your support has been invaluable in guiding K2fly to this point.

As we move forward, our focus will be on ensuring a smooth transition for all stakeholders. We are committed to maintaining the strong relationships we have built with our customers and partners and continuing to deliver on our strategic goals.

I want to thank our management team, led by our CEO, Nic Pollock, for their tireless efforts over the past year navigating the strategic review and overseeing the growing business. Their dedication and hard work and that of the boarder K2fly team have been crucial in achieving this exciting and significant outcome for the Company.

To our shareholders, thank you once again for your trust and support throughout this journey. Together, we have built a strong foundation, and I am confident that K2fly is well-positioned for continued success under its new ownership.

A handwritten signature in black ink, appearing to read 'Pauline Vamos'.

Pauline Vamos
Non-Executive Chair

CHIEF EXECUTIVE OFFICER'S REPORT



Dear Shareholders,

I'm extremely pleased to submit the CEO Report including the financial and operations review for FY24 to our shareholders.

Consistent with our strategic focus to grow annual recurring revenue and lead the resource governance enterprise software space, FY24 saw the launch of our next generation Resource Disclosure solution, replacing our legacy disclosure solution with a modern cloud first re-architected platform, and the expansion of our offerings to build out from the Resource Disclosure solution to a broader Mineral Resource Governance Suite. At the same time, we continued the execution of the operational transformation program we commenced in the previous financial year, undertook a cost reduction and completed a strategic review of the business to realise K2fly's full potential and maximise

shareholder value.

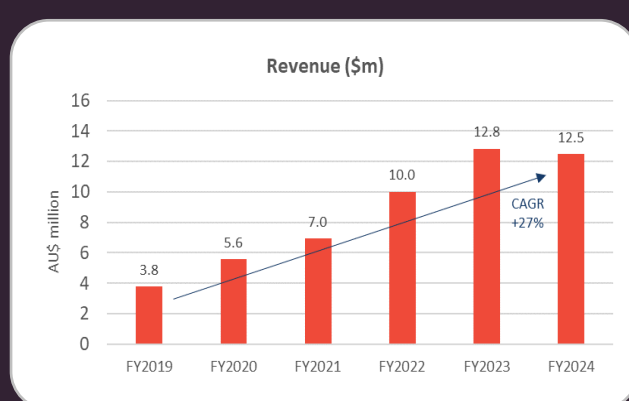
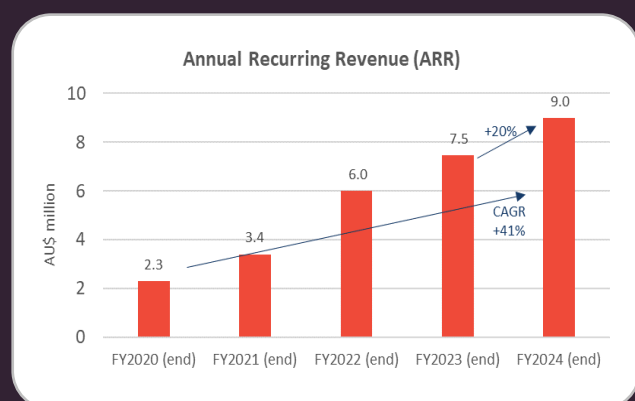
The strategic review commenced in November 2023 and has taken 10 months to complete. Whilst this is not unusual for a public company it is a credit to the team at K2fly to maintain focus during the process. In recognition of our business' core fundamentals including ESG and License to Operate tailwinds, continued strong growth in ARR over multiple years, our tier 1 global client base, high customer retention rates over multi-year and multi-site corporate contracts and a first-class team, we received a very strong offer from Bidco that was very attractive to our board and major shareholders.

Personally, I am excited at the prospect of our partnership with our incoming shareholders and the belief they have shown in our business and our strategy for continued investment in growth. I believe it will serve our great team and our customers very well.

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.

Focus on recurring revenue

In FY24, K2fly continued to focus on growing its licence revenues, achieving 20% growth in ARR since 30 June 2023 and a four-year compound growth rate (CAGR) of 41%. Overall revenue was \$12.5m, 3% lower than the prior year (FY23: \$12.8m) due to the reduction in consulting and implementation revenue following the completion of material implementation projects in the prior year. Along with the reduction in revenue, cost of sales declined by 4% to \$6.1m (FY23: \$6.4m).



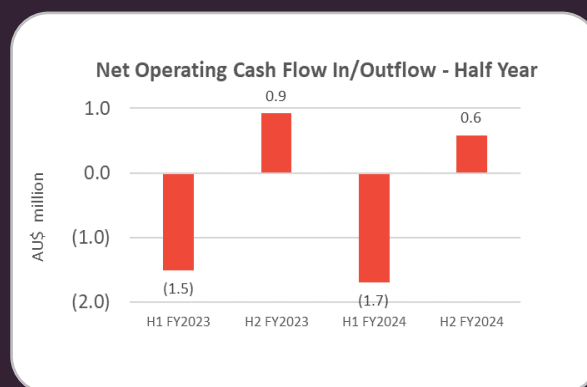
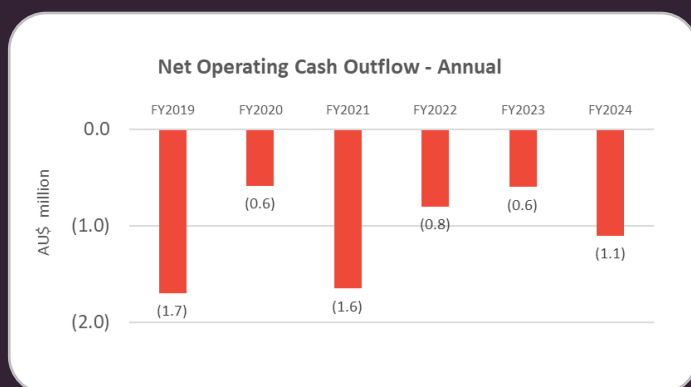
CHIEF EXECUTIVE OFFICER'S REPORT

With the completion of significant projects, and to realise the benefit of operational improvements available as a result of its transformation in the product development function, the Company undertook a restructure and cost reduction program during FY24 to reduce its ongoing cost base, incurring \$0.2m of restructure costs. In addition, costs of \$0.4m were incurred in relation to the strategic review process and the Scheme.

Overall, earnings before interest, depreciation, amortisation and tax (EBITDA¹) during FY24 were (\$3.4m) (FY23: (\$1.7m)), including restructure costs and the cost of the strategic review and the Scheme. General expenses² increased by 15% to \$10.2m (FY23: \$8.9m) due to restructure and strategic review costs, increased investment in the product development function, inflationary pressures, and the cost of supporting a growing recurring revenue base.

Amortisation expenses (non-cash) were \$2.2m (FY23: \$1.5m) due to the capitalisation of internally developed software and its amortisation through the income statement.

Net operating cash outflow for the full year was \$1.1m, a 90% increase from the prior year (FY23: outflow of \$0.6m), including costs of the restructure and strategic review. 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 for the 6 months to 30 June 2024 was an inflow of \$0.6m, despite the inclusion of costs in relation to the strategic review and the Scheme.



Research and Development

With the launch of the Resource Disclosure solution during the year, FY24 saw a reduction in the investment in our solutions with expenditure declining to \$1.1m, from \$2.7m in the prior year. Although at a lower rate, investment continues in the Resource Governance platform that includes our new Resource Disclosure solution, Model Manager, and the technical assurance solutions (Ore Blocker and Mine Geology), and enhancement of the functionality of the Natural Resource Governance offerings.

During the year, a research and development tax incentive of \$0.3m was received.

¹ Stated before the benefit of the revaluation of provisions for contingent consideration (\$0.6m in FY24 and \$1.3m in FY23).

² Excluding depreciation, amortisation and interest.

CHIEF EXECUTIVE OFFICER'S REPORT

Sales

FY24 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 and we are pleased to see more new contracts land from the Americas with Vale in Brazil and Lundin in Canada. Vale is a top 5 global mining behemoth and the world's biggest producer of iron ore.

We continued to 'expand' within our existing client base, particularly within our Natural Resource Governance category of solutions. Rio Tinto have recontracted two of our solutions (Heritage and Mine Geology) for a further three years each. Since 30 June 2024, we have agreed terms on the third solution (RCubed to Resource Disclosure new contract and migration), also on a three year term. Fortescue (**FMG**) who have been a foundational customer for the Infoscope Land Management solution also rolled into a new multi-year contract. FMG have been using Infoscope for 10 years which speaks to the value of our solution.

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.

During FY24 we have solidified plans to transition our very successful Resource Disclosure solution to form a cornerstone part of a more extensible suite we are currently calling the Mineral Resource Governance suite. We are advancing the integration of the Model Manager solution with the new Resource Disclosure platform. This will bring our clients more than just an annual reporting and governance solution but a suite that provides orebody knowledge and beyond. This means that elements of the solution will be used more frequently (weekly/monthly/quarterly) and provides more comprehensive annual disclosures for the annual reporting cycle. This provides K2fly further opportunities to cross sell and upsell its suite of solutions.

In FY24 we have launched the Environmental Monitoring solution as a subset of the Decipher platform we acquired from Wesfarmers in March 2021. This solution has been contracted by two clients, Heathgate and Arafura Resources and presents a compelling and cost-effective environmental monitoring solution to mid-caps and junior miners who are experiencing rapidly increasing environmental monitoring and reporting requirements.

In FY24 we invested in initiatives to grow our market outside of our traditional direct selling mining focus. We have been working across a number of initiatives to grow our market globally through partnerships, adjacent markets and white labelling opportunities. This additional focus has led to new partnerships being signed, new opportunities opening in different geographical locations via partnerships and new opportunities being opened in adjacent markets such as linear assets.

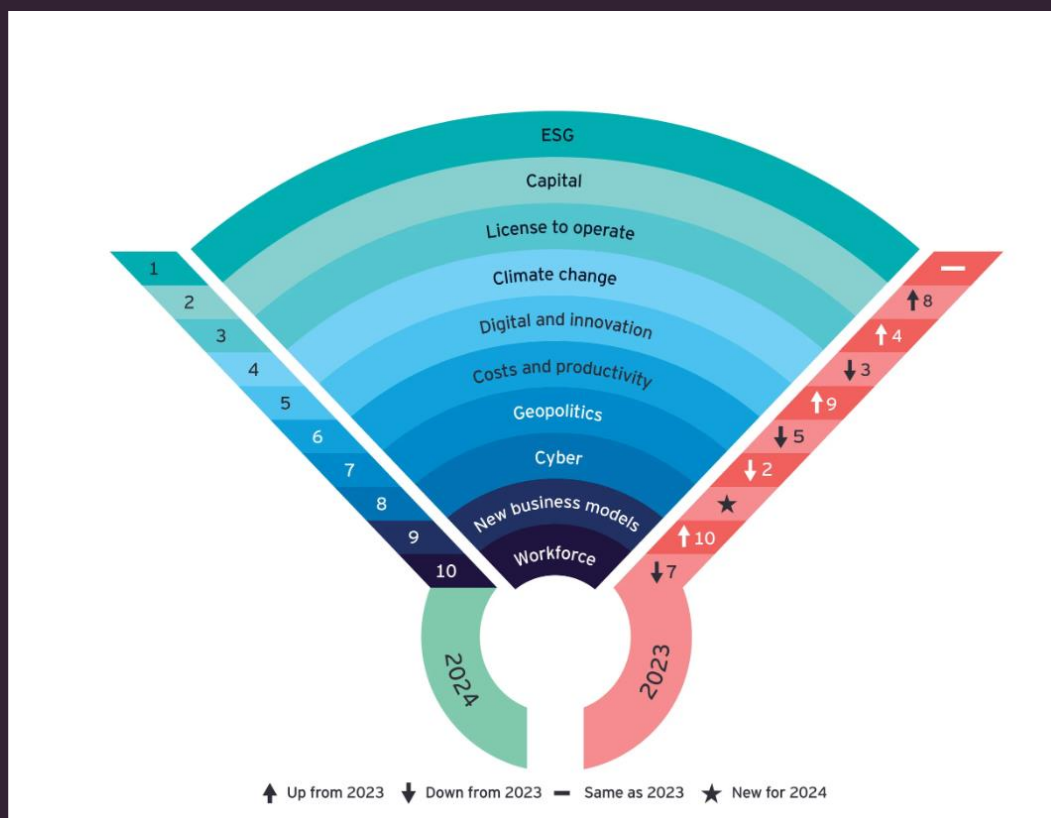
By opening these other revenue opportunities, we can gain additional indirect and direct revenue streams and help to smooth and grow our new sales revenues.

Industry Drivers

ESG remains the number 1 risk according to surveyed mining company CEOs in EY's report on the top 10 business risks and opportunities for mining and metals in 2024³ which we consider a good thing as it brings with it an acceptance of ESG as a standard part of doing business today, rather than a fad.

³ Available at: <https://www.ey.com/content/dam/ey-unified-site/ey-com/en-gl/insights/energy-resources/documents/ey-top-10-business-risks-and-opportunities-for-mining-and-metals-in-2024-final.pdf>

CHIEF EXECUTIVE OFFICER'S REPORT



Although ESG still has a long way to go in its embedding, it is increasingly woven into business practices, particularly risk considerations as well as regulatory requirements. As an organisation whose purpose it is to deliver solutions to our customers that help support transparency and governance, our role is made simpler once the reporting and disclosure requirements are clear for our customers and easier for us to support via our software solutions.

Interestingly License to Operate (LTO) has come back to risk number three, up four places. K2fly's solutions play a fundamental role in LTO in mitigating numerous risks and therefore protection of LTO including in Heritage, Environment, Tailings and robust well governed reporting disclosure systems.

A very current example of the changes we are seeing across the market is the newly released draft Joint Ore Reserves Committee (JORC) code. The draft has recently been released and is currently in the public feedback review process. It will likely come into effect in 2025. Although mining companies were reasonably expected to disclose ESG risks as part of this disclosure in the past, it is now explicitly required under the draft code. This provides insight into the rapid integration of explicit ESG principles into regulation and public reporting. K2fly via our industry team and particularly our Chief Geoscientist maintain close links with key industry bodies, thought leaders and policy makers such that our solutions are ready to support changing reporting and disclosure requirements.

Risk and Mitigation

As K2fly grows, risk management has also evolved, reflecting a more sophisticated and comprehensive strategy. We have institutionalised an increased focus on risk assessment and mitigation, ensuring that our business operations remain resilient in the face of various challenges.

Market and Sales Risks

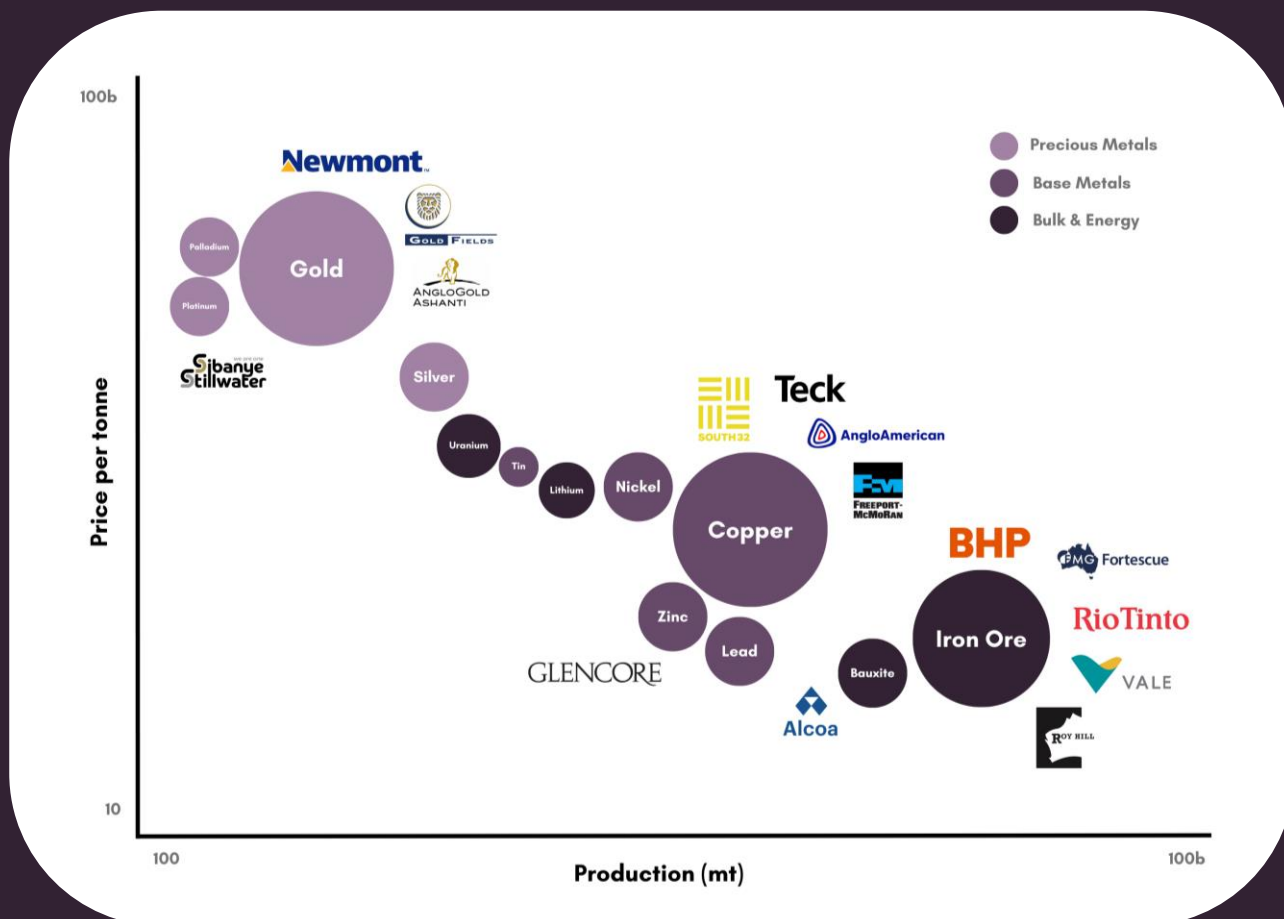
Sales and customer retention are critical areas of risk as K2fly navigates its current growth phase. Given our significant exposure to the global commodities market, we continuously monitor commodity prices and sector outlooks for our customers and potential clients. A slowdown in the Chinese economy and a pivot away from building and infrastructure

⁴ Source: EY Top 10 business risks and opportunities for mining and metals in 2024

CHIEF EXECUTIVE OFFICER'S REPORT

investment impacts the iron ore price. At US\$100 per tonne, the price makes low-cost bulk iron ore producers profitable. Higher cost and lower grade producers will be more vulnerable. At the same time there is increased focus on electric vehicles and continued energy transition investment which drives demand for copper and battery minerals. Copper remains high price and high demand however there has been a significant drop in lithium carbonate, which is at three-year lows⁵. Conversely with increasing global uncertainty Gold remains at historical highs.

The graphic below shows the various commodity groups by size of market and maps a sample of K2fly customers against them. As shown, K2fly is relatively well protected from the volatility in the battery and critical minerals spaces due to the diversity of its mostly tier-1 multi-commodity client base.



Industry and Macro-Economic Risks

As a company primarily serving the mining sector, K2fly is inherently exposed to industry-specific and macro-economic risks. Fluctuations in global commodity prices, geopolitical tensions, and changes in regulatory environments can significantly impact mining operations and, by extension, demand for our solutions. Additionally, economic downturns or slowdowns in key markets could lead to reduced capital expenditure in the mining sector, affecting new project developments and upgrades where our solutions are typically deployed. Furthermore, the global shift towards sustainability and ESG compliance presents both opportunities and risks; while it drives demand for our services, it also requires continuous adaptation to evolving regulatory standards and stakeholder expectations. To mitigate these risks, we actively monitor global economic indicators, maintain flexibility in our service offerings, and engage closely with clients to anticipate and respond to changing market conditions.

⁵ Source: Resource Capital Funds, "RCF Mining Market Commentary: Q423" and K2fly internal analysis.

CHIEF EXECUTIVE OFFICER'S REPORT

Revenue Diversification and Mitigation Strategies

Revenue risk is partially mitigated through K2fly's primary business model, which focuses on selling Software as a Service (SaaS) solutions on a recurring annual fee basis under multi-year contracts, often with built-in price inflation adjustments. Additionally, the company continues to diversify its customer base, thereby spreading revenue risk across a wider range of clients and reducing dependency on any single customer or sector.

Cybersecurity and Technological Risks

As more customers demand hosted cloud-based solutions, K2fly assumes additional risks associated with data security and system integrity. In response, we actively manage our cybersecurity risk profile to meet the expectations of our sophisticated, tier-1 clients. This proactive stance on cybersecurity not only mitigates risk but also strengthens client trust and loyalty.

Human Capital Risks

People are at the heart of K2fly's business operations, and the ongoing global competition for talent remains a significant challenge. We are strategically focused on attracting and retaining top talent across all professions, recognising that our employees are key to our success. To support this, we are committed to cultivating a workplace culture that fosters engagement, innovation, and long-term career growth, helping us to build and maintain a strong and motivated workforce.

By addressing these risks proactively and strategically, K2fly is well-positioned to navigate its evolving business landscape, ensuring sustainable growth and long-term success.

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. Ultimately K2fly is a people business and people are our most critical resource. So taking care of the people remains at the core of what we do, and our success. That aspiration is often challenged by tight economic conditions and indeed, even the strategic review we have undertaken over the last 10 months. We have done our very best to navigate these challenges and look after our people throughout so that we can take them to the next phase of our exciting journey with our new owners.

I would like to end with a huge thank you to everyone in the K2fly team for what has been another milestone year for our business with a great deal of change as a constant with more exciting changes to come. As well as our staff and team members whom I'm incredibly proud to work with, I would also like to thank our very hard-working Chair and Non-executive Directors Pauline Vamos, Peter Johnson, Neil Canby and Brian Miller who have been tireless in their support of me and the K2fly business.

Sincerely



Nic Pollock
Chief Executive Officer

DIRECTORS' REPORT

Your directors submit their report for the year ended 30 June 2024.

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 and is currently the Chair of Governance Institute of Australia, Zurich Assure Australia Pty Ltd and Interaction Disability Services Ltd and non-executive director of Chief Executive Women (CEW) and Mercer Superannuation (Australia) Ltd.

Ms Vamos is chair of the board and 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 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. 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 serves on the Groups' audit and risk and remuneration committees.

DIRECTORS' REPORT

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	1,593,344	-
Peter Johnson	33,002,745	-
Brian Miller	3,375,686	290,928

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 Australia and New Zealand (CA ANZ)) 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 21 June 2024, K2fly entered into a scheme implementation deed with Argyle Bidco Pty Ltd, a wholly owned subsidiary of Accel-KKR Capital Partners VII, LP. The Scheme has been approved by shareholders and the Supreme Court of Western Australia has granted the necessary orders to proceed. The implementation of the Scheme will result in K2fly delisting from the Australian Securities Exchange (ASX). As set out in the Scheme Booklet dated 6 August 2024, Bidco's current intention is to undertake a strategic review of the business, assets and operations of the Group after implementation of the Scheme. Subject to the outcome of the post-implementation review, Bidco's current intention is to continue the current strategic direction and operations of the Group, including actively pursuing growth opportunities available to the Group.

DIRECTORS' REPORT

OPERATIONS REVIEW

Review of Operations

A review of the operations of the Group during the year and the results of those operations is contained in the Annual Report. The financial review can be found on pages 5-6 and the risks on 8-10.

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:

	Directors' meetings	Meetings of committees	
		Audit & risk	Remuneration
Number of meetings held:	24	3	5
Number of meetings attended, (number of meetings eligible to attend):			
Pauline Vamos	24 (24)	3 (3)	5 (5)
Neil Canby	24 (24)	3 (3)	5 (5)
Peter Johnson	22 (24)	3 (3)	5 (5)
Brian Miller	21 (24)	2 (3)	5 (4)

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 committee	Remuneration committee
Neil Canby (chair)	Peter Johnson (chair)
Peter Johnson	Neil Canby
Brian Miller	Brian Miller
Pauline Vamos	Pauline Vamos

SIGNIFICANT EVENTS AFTER BALANCE DATE

On 16 September 2024, the Supreme Court of Western Australia granted the necessary orders to proceed with the Scheme. The implementation of the Scheme, which is anticipated to occur on 27 September 2024, will result in K2fly delisting from the ASX. Bidco's current intention is to undertake a strategic review of the business, assets and operations of the Group after implementation of the Scheme.

There has been no other 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.

DIRECTORS' 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 9,200,595 unissued ordinary shares under option (9,943,095 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 year, directors, employees and consultants exercised rights to acquire 744,703 fully paid ordinary shares in the Company at nil exercise price.

PERFORMANCE SHARES

At the date of this report, there are 3,063,140 performance shares on issue, none of which have vested.

During the year, 867,685 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. As a result of the approval of the Scheme by the Supreme Court of Western Australia, all of the performance rights have vested.

SHARES

At 30 June 2024 there were 186,927,189 fully paid ordinary shares on issue. At the date of this report, there were 187,669,689 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.

DIRECTORS' REPORT

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 \$61,146.

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 22 and forms part of this directors' report for the year ended 30 June 2024.

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
Non-Executive Chair
Perth, 16 September 2024



Neil Canby
Non-Executive Director
Perth, 16 September 2024

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 2024. 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	Full financial year
Neil Canby	Non-Executive Director	Full financial year
Peter Johnson	Non-Executive Director	Full financial year
Brian Miller	Non-Executive Director	Full financial year
Senior executives		
Nicholas (Nic) Pollock	Chief Executive Officer	Full financial year
Sara Amir-Ansari	Chief Financial Officer	Full financial year
Brian Elloy	Chief Product 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 13 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 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 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 2024, 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	\$359,381	On-going	6 months
Sara Amir-Ansari	\$328,631	On-going	1 month
Brian Elloy	\$317,381	On-going	3 months

Variable remuneration

Executives' entitlement to variable remuneration for the financial year ended 30 June 2024, is set out below.

Executive	Number of ZEP Options (unquoted options with nil exercise price)
Nic Pollock	2,121,137
Sara Amir-Ansari	1,322,309
Brian Elloy	1,276,452

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 2024, 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.

REMUNERATION REPORT (AUDITED)

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 Annual General Meeting (**AGM**), Non-Executive Directors Mr Peter Johnson, Mr Neil Canby, and Mr Brian Miller (or their nominees) were each issued 137,500 ZEP Options (unlisted options with nil exercise price) expiring on 13 December 2025 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 2024.

Recipient	Series	Number Issued	Value of Options at Grant Date ¹	Status	Expiry Date
ZEP Options granted 13 December 2023, valued at \$0.11 per option at the grant date:					
Neil Canby	36	137,500	\$15,125	Vested	13/12/2025
Brian Miller	36	137,500	\$15,125	Vested	13/12/2025
Peter Johnson	36	137,500	\$15,125	Vested	13/12/2025
ZEP Options granted 13 December 2023, valued at \$0.11 per option at the grant date:					
Nic Pollock	37	537,223	\$59,095	Unvested	31/08/2027
	38-1	316,783	\$34,846	Unvested	30/09/2027
	38-2	316,783	\$34,846	Unvested	30/06/2028
	38-3	950,348	\$104,538	Unvested	30/06/2029
Sara Amir-Ansari	37	491,260	\$54,039	Unvested	31/08/2027
	38-1	166,210	\$18,283	Unvested	30/09/2027
	38-2	166,210	\$18,283	Unvested	30/06/2028
	38-3	498,629	\$54,849	Unvested	30/06/2029
Brian Elloy	37	474,223	\$52,165	Unvested	31/08/2027
	38-1	160,446	\$17,649	Unvested	30/09/2027
	38-2	160,446	\$17,649	Unvested	30/06/2028
	38-3	481,337	\$52,947	Unvested	30/06/2029

¹ Value reflects the number of options estimated to vest based on FY24 KPI performance.

REMUNERATION REPORT (AUDITED)

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 2024, and the number of options which lapsed during the year. The value of lapsed options was nil.

KMP	Number of options exercised during the year	Value of options exercised during the year	Number of options lapsed during the year
Neil Canby	-	-	-
Brian Miller	21,316	\$5,329	683,280
Peter Johnson	-	-	-
Nic Pollock	-	-	1,267,875
Sara Amir-Ansari	-	-	318,562
Brian Elloy	-	-	-

Remuneration of Key Management Personnel

30 June 2024	Short-term employee benefits \$			Post-employment benefits – superannuation (\$)	Share-based payments – options (\$)	Total (\$)	% Equity based
	Salary and fees	Cash bonus	Other ²				
Pauline Vamos	75,000	-	-	-	-	75,000	-
Neil Canby	51,000	-	-	-	15,125	66,125	23%
Peter Johnson	48,473	-	-	2,527	15,125	66,125	23%
Brian Miller	91,000	-	-	-	15,125	106,125	14%
Nic Pollock	330,750	-	(7,209)	27,399	149,582	500,522	30%
Sara Amir-Ansari	300,000	-	16,249	27,399	113,188	456,836	25%
Brian Elloy	288,750	40,000	(7,501)	27,399	68,056	416,704	16%
Total	1,184,973	40,000	1,539	84,724	376,201	1,687,437	22%

² Negative movements relate to movements in provisions.

30 June 2023	Short-term employee benefits \$			Post-employment benefits – superannuation (\$)	Share-based payments – options (\$)	Total (\$)	% Equity based
	Salary and fees	Cash bonus	Other				
Pauline Vamos	52,083	-	-	-	-	52,083	-
Neil Canby	48,917	-	-	-	53,625	102,542	52%
Peter Johnson	42,383	-	-	4,450	10,725	57,558	19%
Brian Miller	106,000	-	-	-	29,322	135,322	22%
Jenny Cutri	21,250	-	-	-	53,625	74,875	72%
James Deacon	21,250	-	-	-	53,625	74,875	72%
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.

REMUNERATION REPORT (AUDITED)

Other information

Shares held by Key Management Personnel⁶

30 June 2024	Opening balance of shares	Shares issued on exercise of options	Purchases	Closing balance of shares
Neil Canby	1,180,844	-	-	1,180,844
Peter Johnson	22,810,245	-	10,000,000	32,810,245
Brian Miller	3,216,870	21,316	-	3,238,186
Nic Pollock	301,721	-	-	301,721
Sara Amir-Ansari	222,222	-	-	222,222
Brian Elloy	-	-	-	-
Total	27,731,902	21,316	10,000,000	37,753,218

Options held by Key Management Personnel¹

30 June 2024	Opening balance of options	Granted ³	Exercised ³	Lapsed ³	Net change other	Closing balance of options
Neil Canby	275,000	137,500	-	-	-	412,500
Peter Johnson	55,000	137,500	-	-	-	192,500
Brian Miller	995,524	137,500	(21,316)	(683,280)	-	428,428
Nic Pollock	2,535,221	2,121,137	-	(1,267,875)	-	3,388,483
Sara Amir-Ansari	1,165,038	1,322,309	-	(318,562)	-	2,168,785
Brian Elloy	-	1,276,452	-	-	-	1,276,452
Total	5,025,783	5,132,398	(21,316)	(2,269,717)	-	7,867,148

³ 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 2024.

Company Performance and Shareholder Wealth

The earnings of the Group for the five years to 30 June 2024 are summarised below:

	2024	2023	2022	2021	2020
Revenue (\$)	12,501,204	12,845,444	10,017,475	6,954,942	5,601,481
Loss after income tax (\$)	(5,099,173)	(2,215,418)	(4,621,080)	(2,962,795)	(3,330,987)

The share price and earnings per share of the Group for the five years to 30 June 2024 are summarised below:

	2024	2023	2022	2021	2020
Share price at year end (\$)	\$0.185	\$0.089	\$0.150	\$0.310	\$0.200
Basic loss per share (cents)	(2.81)	(1.27)	(3.17)	(2.81)	(4.08)

⁶ Held directly, indirectly and beneficially.

REMUNERATION REPORT (AUDITED)



Voting at Company's 2023 Annual General Meeting

The Company's remuneration report for the financial year ended 30 June 2023 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.

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the consolidated financial report of K2fly Limited for the year ended 30 June 2024, 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
16 September 2024

B G McVeigh
Partner

hlb.com.au

HLB Mann Judd ABN 22 193 232 714

A Western Australian Partnership

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Liability limited by a scheme approved under Professional Standards Legislation.

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2024



	Notes	2024 \$	2023 \$
Revenue	2.1	12,501,204	12,845,444
Cost of sales		(6,141,061)	(6,419,004)
Gross profit		6,360,143	6,426,440
Other income	2.1	408,288	709,183
Administration expense		(900,142)	(970,681)
Amortisation expense	4.3	(2,221,938)	(1,490,078)
Compliance & regulatory expense		(173,152)	(146,907)
Consultancy expense	2.5	(1,724,114)	(848,674)
Depreciation plant and equipment	4.1	(110,069)	(151,663)
Depreciation right of use assets	4.2	(64,193)	(197,117)
Directors' fees		(265,464)	(291,880)
Employee benefit expense	2.3	(6,041,727)	(5,212,385)
Public relations & marketing expense		(264,252)	(534,180)
Share-based payments expense	5.3	(494,938)	(505,919)
Finance expense		(88,102)	(108,279)
Revaluation of provisions	2.4	563,351	1,289,911
Foreign exchange		(87,961)	(65,520)
Other expenses	2.6	(249,062)	(289,310)
Loss before income tax benefit		(5,353,332)	(2,387,059)
Income tax benefit	2.7	254,159	171,641
Loss for the year		(5,099,173)	(2,215,418)
Other comprehensive income, net of income tax:			
<i>Items that may be reclassified to profit or loss</i>			
Exchange differences on translation of foreign subsidiaries		(9,730)	112,919
Income tax relating to these items		-	-
Other comprehensive income for the year, net of tax		(9,730)	112,919
Total comprehensive loss for the year		(5,108,903)	(2,102,499)
Basic and diluted loss per share (cents per share)	2.8	(2.81)	(1.27)

The accompanying notes form part of the financial statements



CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2024



	Notes	2024 \$	2023 \$
Assets			
Current assets			
Cash and cash equivalents	3.1	2,383,663	4,440,403
Trade and other receivables	3.3	747,511	1,883,267
Total current assets		3,131,174	6,323,670
Non-current assets			
Restricted cash	3.2	158,159	154,448
Plant and equipment	4.1	58,207	147,890
Right of use assets	4.2	147,638	211,831
Intangible assets	4.3	7,276,870	8,444,567
Goodwill	4.4	7,342,817	7,342,817
Other financial assets		844	844
Deferred tax assets	2.7	619,699	616,468
Total non-current assets		15,604,234	16,918,865
Total assets		18,735,408	23,242,535
Liabilities			
Current liabilities			
Trade and other payables	3.4	2,012,429	2,877,179
Provisions and other liabilities	4.5	854,244	1,520,995
Interest-bearing lease liabilities	4.6	158,915	149,311
Contract liabilities	3.5	5,803,576	4,696,569
Current tax liability	2.7	-	29,105
Total current liabilities		8,829,164	9,273,159
Non-current liabilities			
Provisions and other liabilities	4.5	88,901	414,208
Interest-bearing lease liabilities	4.6	27,404	186,319
Deferred tax liabilities	2.7	387,469	616,468
Total non-current liabilities		503,774	1,216,995
Total liabilities		9,332,938	10,490,154
Net assets		9,402,470	12,752,381
Equity			
Issued capital	5.1	39,609,836	37,171,801
Reserves	5.2	1,430,933	3,161,045
Accumulated losses		(31,638,299)	(27,580,465)
Total equity		9,402,470	12,752,381

The accompanying notes form part of the financial statements



CONSOLIDATED STATEMENT OF STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2024



	Issued capital	Performance rights reserve	Option reserve	Foreign currency translation reserve	Asset revaluation reserve	Accumulated losses	Total equity
	\$	\$	\$	\$	\$	\$	\$
Balance as at 1 July 2023	37,171,801	199,100	2,805,888	155,937	120	(27,580,465)	12,752,381
Loss for the year	-	-	-	-	-	(5,099,173)	(5,099,173)
Exchange differences on translation of foreign subsidiaries	-	-	-	(9,730)	-	-	(9,730)
Total comprehensive loss for the year	-	-	-	(9,730)	-	(5,099,173)	(5,108,903)
Conversion of performance shares	284,054	-	-	-	-	-	284,054
Issue of ordinary shares	1,000,000	-	-	-	-	-	1,000,000
Share issue costs	(20,000)	-	-	-	-	-	(20,000)
Options exercised	1,173,981	-	(1,173,981)	-	-	-	-
Forfeited options	-	-	(1,041,339)	-	-	1,041,339	-
Share-based payments – options	-	-	494,938	-	-	-	494,938
Balance as at 30 June 2024	39,609,836	199,100	1,085,506	146,207	120	(31,638,299)	9,402,470

The accompanying notes form part of the financial statements

CONSOLIDATED STATEMENT OF STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2024



	Issued capital	Performance rights reserve	Option reserve	Foreign currency translation reserve	Asset revaluation reserve	Accumulated losses	Total equity
	\$	\$	\$	\$	\$	\$	\$
Balance as at 1 July 2022	36,864,295	199,100	2,409,227	43,018	120	(25,474,305)	14,041,455
Loss for the 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

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2024



	Notes	2024 \$ Inflows / (Outflows)	2023 \$ Inflows / (Outflows)
Cash flows from operating activities			
Receipts from customers		14,909,242	13,511,491
Payments to suppliers and employees		(16,316,329)	(14,346,719)
Government grants & incentives received		327,533	393,392
Interest received		21,099	37,032
Interest paid		(20,471)	-
Income tax paid		(26,556)	(175,468)
Movement of cash from non-restricted to restricted		(3,711)	(889)
Net cash (used in) operating activities	3.1	(1,109,193)	(581,161)
Cash flows from investing activities			
Proceeds from sale of plant and equipment		2,356	-
Payments for plant and equipment		(21,866)	(46,032)
Intangible asset (internally generated)	4.3	(1,054,241)	(2,720,279)
Acquisition costs		(254,274)	-
Investment in subsidiaries (Sateva)		(358,569)	(253,521)
Payments for vendor incentive remuneration		-	(19,580)
Net cash (used in) investing activities		(1,686,594)	(3,039,412)
Cash flows from financing activities			
Proceeds from the issue of shares		1,000,000	-
Payments for share issue costs		(20,000)	-
Repayment of lease liabilities	3.1	(164,791)	(197,951)
Net cash provided by/(used in) financing activities		815,209	(197,951)
Net increase (decrease) in cash held		(1,980,578)	(3,818,524)
Cash at beginning of the year		4,440,403	8,270,720
Effects of exchange rate fluctuations on cash held		(76,162)	(11,793)
Cash and cash equivalents at the end of the year	3.1	2,383,663	4,440,403

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 2024 were authorized for issue in accordance with a resolution of the directors on 16 September 2024. 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 a 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 2024, the Group incurred a net loss of \$5,099,173 (30 June 2023: \$2,215,418) and experienced net cash outflows from operating activities of \$1,109,193 (30 June 2023: \$581,161).

At 30 June 2024, the Group had cash and cash equivalents of \$2,383,663 (30 June 2023: \$4,440,403), had a net working capital deficit of \$5,697,990 (30 June 2023: surplus of \$2,949,489), which includes \$5,803,576 of deferred revenue (30 June 2023: \$4,696,569) and non-cash performance shares liability of \$225,770 (30 June 2023: \$308,227).

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

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 growth in software licence sales, expected sales 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, feedback through the strategic review process and the terms of the scheme implementation deed entered with Argyle Bidco Pty Ltd, a wholly owned subsidiary of Accel-KKR Capital Partners VII, LP (Refer ASX announcement dated 21 June 2024).

Notwithstanding the above, there remains a material uncertainty as to whether the Group can raise sufficient funding as outlined above which may cast doubt on the Group's ability to continue as a going concern, and, therefore, whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated.

The consolidated statements do not include any adjustments relating to the recoverability and classification of the Group's assets or to the amounts and classification of liabilities which might be necessary should the Group not continue as a going concern.

New and amended accounting standards and interpretations

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period and had no material effect on the group.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

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.

Impairment

In assessing impairment, management estimates the recoverable amount of each asset or cash-generating unit based on fair value less costs to sell.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024



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).

Comparatives

Comparative information is for the financial year ended 30 June 2023.

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).

	2024	2023
	\$	\$
(a) Revenue		
At a point in time		
Consulting and implementation revenue (provided on a fixed price basis)	2,178,507	3,017,014
Sales of third-party software (provided via a perpetual license)	62,337	30,600
	<u>2,240,844</u>	<u>3,047,614</u>
Over time		
Consulting and implementation revenue (provided on a time and material basis)	2,661,618	3,523,322
Hosting services revenue	77,145	25,975
Sales of own software (provided as a service)	7,521,597	6,248,533
	<u>10,260,360</u>	<u>9,797,830</u>
Total revenue	<u>12,501,204</u>	<u>12,845,444</u>
(b) Other income		
Research & Development tax incentive	290,933	362,292
Insurance proceeds	-	240,000
Interest income	21,099	37,032
Government grants received	36,600	31,100
Other	59,656	38,759
Total other income	<u>408,288</u>	<u>709,183</u>

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.

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 2024 (2023: \$ 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.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2024

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:

- \$1,797,409 or 14.3% (2023: \$2,032,667 or 15.8%)
- \$1,455,904 or 11.6% (2023: \$1,906,687 or 14.8%)
- \$898,909 or 7.1% (2023: \$1,727,808 or 13.5%)

2.3 Employee benefits expense

	2024	2023
	\$	\$
Wages and salaries	4,729,620	4,021,032
Superannuation	445,622	341,650
Redundancies	179,807	-
Payroll tax	473,180	502,528
Fringe benefits tax	12,674	12,413
Training	24,350	55,845
Provisions – leave entitlements	14,694	72,765
Recruitment and relocation costs	161,046	206,152
Other	734	-
Total employee benefits expense	6,041,727	5,212,385

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2024

2.4 Revaluation of provisions

	2024	2023
	\$	\$
Sateva deferred consideration	381,010	885,981
Decipher performance shares	182,341	403,930
Total revaluation of provisions	563,351	1,289,911

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 (refer note 4.5 for further detail).

2.5 Consultancy expenses

	2024	2023
	\$	\$
Strategic review expenses	441,700	-
General consultants	1,119,355	471,231
Other consultancy expenses	163,059	377,443
Total consultancy expenses	1,724,114	848,674

2.6 Other expenses

	2024	2023
	\$	\$
Occupancy	182,419	151,360
Travel expenses	66,643	171,676
Stamp duty - reversal	-	(33,726)
Total other expenses	249,062	289,310

2.7 Income tax benefit

	2024	2023
	\$	\$
Income tax benefit		
The major components of tax expense are:		
Current tax expense / (income)	186	26,924
Deferred tax benefit	(236,020)	(155,375)
Adjustments recognised in the current year in relation to the current tax of prior years	(18,325)	(43,190)
	(254,159)	(171,641)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2024



	2024 \$	2023 \$
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	(5,353,332)	(2,387,059)
Income tax benefit calculated at 25.0% (2023: 25.0%)	(1,338,333)	(596,765)
Non-deductible expenses	388,159	451,693
Non-assessable income	(72,733)	(90,573)
Recognition of tax losses not previously recognised	-	(155,375)
Unused tax losses and tax utilised as deferred tax assets	1,165,972	473,353
Other deferred tax assets and tax liabilities not recognised	(378,590)	(223,584)
Effect of tax rates of subsidiaries in different jurisdictions	(306)	12,800
Adjustments recognised in the current year in relation to the current tax of prior years	(18,328)	(43,190)
Income tax benefit	(254,159)	(171,641)
<i>Deferred tax assets comprise:</i>		
Losses available for offset against future taxable income	4,712,161	3,381,830
Depreciating assets	1,230,417	1,299,472
Accrued expenses	11,250	10,625
Employee entitlements	202,817	208,740
Deferred gains and losses on foreign exchange contracts	-	6,833
Investments	1,166	1,166
Lease liabilities	46,580	83,908
Unearned income	14,786	11,709
Deferred tax assets not recognised	(5,599,478)	(4,387,815)
	619,699	616,468
<i>Deferred tax liabilities comprise:</i>		
Right of use assets	(36,910)	(52,958)
Business combinations	(387,469)	(616,468)
Deferred tax liabilities not recognised	36,910	52,958
	(387,469)	(616,468)



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2024



	2024	2023
	\$	\$
Other deferred tax assets not recognised		
<i>Income tax not recognised directly in equity:</i>		
Share issue costs	45,772	54,855
Deferred tax assets not recognised	(45,772)	(54,855)
	-	-
Net deferred tax asset/(liability)	232,229	-
Current tax asset/(liability)		
<i>Income tax in jurisdictions outside Australia</i>	19,381	(29,105)

The Group has tax losses arising in Australia of \$18,802,790 (2023: \$13,519,382) that are available indefinitely for offset against future taxable profits of the companies in which the losses arose should the conditions for deductibility be met.

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.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2024



2.8 Loss per share

	2024	2023
Basic loss per share (cents per share)	(2.81)	(1.27)
Loss		
Loss used in the calculation of basic loss per share (\$)	(5,099,173)	(2,215,418)
Weighted average number of shares		
Weighted average number of ordinary shares (number of shares)	181,468,756	174,469,150

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

	2024	2023
	\$	\$
Cash at bank and on hand	2,383,663	4,440,403
	2,383,663	4,440,403

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:

	2024	2023
	\$	\$
Cash and cash equivalents	2,383,663	4,440,403

Reconciliation of loss for the year to net cash flows from operating activities

Net loss for the year	(5,099,173)	(2,215,418)
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Non-cash items and other adjustments:

Amortisation	2,221,938	1,490,078
Depreciation plant and equipment	110,069	151,663
Depreciation leased assets	64,193	197,117
Share-based payments	494,938	505,919
Employment provisions	14,694	72,765
Gain on disposal of fixed-assets	(2,356)	-
Interest expense	67,631	83,708
Foreign exchange	69,272	65,520

Movements in working capital:

Changes in trade and other receivables	1,135,758	46,675
Changes in restricted cash	(3,711)	(889)
Changes in provisions	(563,351)	(1,217,146)
Changes in contract liabilities	1,107,007	445,741
Changes in tax assets/liabilities	(261,334)	757,968
Changes in trade and other payables	(464,768)	(964,862)
Net cash used in operating activities	(1,109,193)	(581,161)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2024

Changes in liabilities arising from financing activities

	2024	2023
	\$	\$
Opening balance	335,630	511,010
Interest expense	15,480	24,683
Repayments of principal	(164,791)	(197,951)
Foreign exchange	-	(2,112)
Closing balance	186,319	335,630

3.2 Restricted cash

	2024	2023
	\$	\$
Bank guarantees	158,159	154,448

3.3 Trade and other receivables

	2024	2023
	\$	\$
Trade receivables	585,713	1,788,308
Prepayments	142,417	84,992
Current tax asset	19,381	-
Deposits	-	8,993
Other	-	974
Trade and other receivables	747,511	1,883,267

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 rate (EIR) method and are subject to impairment. Gains and losses are recognised in the statement of comprehensive income 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2024

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 2024 is nil (2023: nil).

Trade receivables - ageing

	2024	2023
	\$	\$
Current	485,385	1,635,511
30 – 60 Days	212,528	65,174
60 – 90 Days	(59,099)	-
90+ Days	(53,101)	87,623
Total	585,713	1,788,308

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2024

3.4 Trade and other payables

	2024	2023
	\$	\$
Current		
Accounts payable	552,154	518,952
Accrued expenses	378,963	504,366
Sateva deferred consideration payable	18,999	176,345
Other payable	149,987	338,247
Employee liabilities	912,326	1,339,269
Trade and other payables	2,012,429	2,877,179

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

	2024	2023
	\$	\$
Deferred revenue	5,803,576	4,696,569
Movements:	\$	\$
Opening balance	4,696,569	4,250,828
Deferred during the year	9,040,791	7,279,962
Released to profit or loss	(7,933,784)	(6,834,221)
Closing balance	5,803,576	4,696,569

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:

	2024	2023
	\$	\$
Sales of own software (software as a service)	5,680,496	4,425,574
Consulting and implementation revenue (provided on a fixed price basis)	123,080	270,995
Deferred revenue	5,803,576	4,696,569

SECTION - 4 Invested Capital

4.1 Plant and equipment

	2024			
	Electronic Equipment \$	Leasehold improvements \$	Office equipment \$	Total \$
Cost	274,179	2,939	157,730	434,848
Accumulated depreciation	(221,544)	(2,939)	(152,158)	(376,641)
Plant and equipment	52,635	-	5,572	58,207
Reconciliation				
Balance at beginning of year	91,982	-	55,908	147,890
Additions	19,954	-	-	19,954
Depreciation	(59,733)	-	(50,336)	(110,069)
Foreign exchange	432	-	-	432
Balance at end of year	52,635	-	5,572	58,207

	2023			
	Electronic Equipment \$	Leasehold improvements \$	Office equipment \$	Total \$
Cost	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				
Balance at beginning of year	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)
Balance at end of year	91,982	-	55,908	147,890

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2024

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

	2024	2023
	\$	\$
Cost	505,121	641,997
Accumulated depreciation	(357,483)	(430,166)
Right of use assets	147,638	211,831
Reconciliation		
Balance at beginning of year	211,831	491,961
Assets acquired and adjustments	-	(81,384)
Depreciation	(64,193)	(197,117)
Foreign exchange	-	(1,629)
Balance at end of year	147,638	211,831

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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4.3 Intangible assets

	2024			2023		
	Acquired Software	Internally generated software	Total	Acquired Software	Internally generated software	Total
	\$	\$		\$	\$	
Cost	5,012,385	7,578,045	12,590,430	5,012,385	6,529,475	11,541,860
Accumulated amortisation	(3,462,507)	(1,851,053)	(5,313,560)	(2,467,419)	(629,874)	(3,097,293)
Intangible assets	1,549,878	5,726,992	7,276,870	2,544,966	5,899,601	8,444,567
Reconciliation						
Balance at beginning of year	2,544,966	5,899,601	8,444,567	3,545,005	3,669,361	7,214,366
Additions (a)	-	1,054,241	1,054,241	-	2,720,279	2,720,279
Amortisation	(995,088)	(1,226,850)	(2,221,938)	(1,000,039)	(490,039)	(1,490,078)
Balance at end of year	1,549,878	5,726,992	7,276,870	2,544,966	5,899,601	8,444,567

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

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. 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 2024, the Group conducted an impairment assessment in relation to goodwill and other intangible assets. The recoverable amount was based on the Group's fair value less cost to sell. Assets evaluated for impairment include goodwill of \$7,342,817 and other intangible assets of \$7,276,870. Refer to note 4.4 for details of the impairment assessment undertaken during the year ended 30 June 2024.

4.4 Goodwill

	2024	2023
	\$	\$
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 2024, the Group conducted an impairment assessment in relation to goodwill and other intangible assets. The recoverable amount was based on the Group's fair value less cost to sell. Assets evaluated for impairment include goodwill of \$7,342,817 and other intangible assets of \$7,276,870 (refer note 4.3).

Given the recent execution of a scheme implementation deed with Argle Bidco, after the completion of a fulsome, global competitive process, the fair value of the Group is the value of the offer; \$39.9m. Deducting the estimated total costs to sell from the fair value of \$39.9m results in a recoverable value of \$38.7m which is more than four times higher than the net asset position at 30 June 2024 of \$9.4m. Accordingly, the assets are not considered to be impaired.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

4.5 Provisions and other liabilities

	2024 \$	2023 \$
Current		
Employee leave provisions	628,474	619,346
Sateva deferred consideration (a)	-	593,422
Decipher performance shares (b)	225,770	308,227
Current provisions and other liabilities	854,244	1,520,995
Non-Current		
Employee leave provisions	33,901	26,973
Decipher performance shares (b)	-	332,235
Provision for make good	55,000	55,000
Non-current provisions and other liabilities	88,901	414,208
Total provisions and other liabilities	943,145	1,935,203

- (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.
- (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, 867,685 shares valued at \$284,054 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2024

4.6 Interest bearing lease liabilities

	2024	2023
	\$	\$
Current		
Lease liability	158,915	149,311
Non-Current		
Lease liability	27,404	186,319
Total interest bearing lease liabilities	186,319	335,630

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.

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

	2024 \$	2023 \$
Issued capital	43,488,625	41,030,590
Share issue costs	(3,878,789)	(3,858,789)
Total issued capital	39,609,836	37,171,801

	2024		2023	
<i>Movements:</i>	Number	\$	Number	\$
Opening balance	175,314,801	37,171,801	173,189,505	36,864,295
Shares issued – placement	10,000,000	1,000,000	-	-
Shares issued – exercise of options (a)	744,703	142,863	1,185,973	-
Shares issued - historic	-	1,031,118	-	-
Shares issued – conversion of performance rights (b)	867,685	284,054	939,323	307,506
Share issue costs	-	(20,000)	-	-
Closing balance	186,927,189	39,609,836	175,314,801	37,171,801

(a) During the year ended 30 June 2024:

- on 15 December 2023, 173,387 shares were issued upon the exercise of 173,387 unlisted options with a nil exercise price by employees of the Company (issued under the Company's EIOP); and
- on various dates 571,316 shares were issued upon the exercise of 571,316 unlisted options with a nil exercise price by directors or their related parties.

(b) On 13 March 2024 867,685 shares were issued on conversion of 867,685 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 5,763,978 zero-exercise price 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.

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Recipient	Series	Number issued	Value per option	Percent expected to vest	Condition	Status	Expiry	Total Value \$
Non-executive directors	36	412,500	\$0.11	100%	Non-market	Vested	13-Dec-23	45,375
Employees ¹	37	2,134,287	\$0.11	100%	Non-market ²	Unvested	31-Aug-27	234,772
Employees ¹	38-1	643,438	\$0.11	92%	Non-market ²	Unvested	30-Sep-27	64,983
Employees ¹	38-2	643,439	\$0.11	92%	Non-market ²	Unvested	30-Jun-28	64,983
Employees ¹	38-3	1,930,314	\$0.11	92%	Non-market ²	Unvested	30-Jun-29	194,949
		5,763,978						605,062

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) 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 2024, 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.

	2024	2023
	\$	\$
Performance rights reserve	199,100	199,100
Option reserve (a)	1,085,506	2,805,888
Foreign currency translation reserve	146,207	155,937
Asset revaluation reserve	120	120
	1,430,933	3,161,045
(a) Movements in option reserve		
Carrying amount at the beginning of the year	2,805,888	2,409,227
Share-based payments expense – options (recorded through the statement of comprehensive income)	494,938	505,919
Transferred to issued capital	(1,173,981)	-
Forfeited options	(1,041,339)	(109,258)
Carrying amount at the end of the year	1,085,506	2,805,888



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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5.3 Share-based payment expense

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

	2024	2023
	\$	\$
Unlisted options issued to directors, employees and consultants	494,938	505,919

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 2.8.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2024

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 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 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 27*	27/11/2020	27/11/2024	\$0.497	\$0.148	27/11/2023
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
Series 36	13/12/2023	13/12/2025	nil	\$0.110	13/12/2023
Series 37*	13/12/2023	31/08/2027	nil	\$0.110	31/08/2024
Series 38-1*	13/12/2023	30/09/2027	nil	\$0.110	30/09/2024
Series 38-2*	13/12/2023	30/06/2028	nil	\$0.110	30/06/2025
Series 38-3*	12/12/2023	30/06/2029	nil	\$0.110	30/06/2026

*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.

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Movements in the various classes of unlisted options during the year ended 30 June 2024 is detailed as follows:

	Opening balance 1 July 2023	Granted	Exercised	Lapsed / Expired	Closing balance 30 June 2024	Vested / Unvested
Series 15	683,280	-	-	(683,280)	-	Vested
Series 17*	770,880	-	-	(770,880)	-	Vested
Series 24	258,953	-	-	-	258,953	Vested
Series 25	2,265,625	-	-	(2,265,625)	-	Vested
Series 27*	224,327	-	-	-	224,327	Vested
Series 30-1	10,658	-	(10,658)	-	-	Vested
Series 30-2	10,658	-	(10,658)	-	-	Vested
Series 30-3	31,975	-	-	-	31,975	Vested
Series 31*	629,370	-	-	(61,600)	567,770	Vested
Series 32-1*	143,987	-	-	(30,099)	113,888	Vested
Series 32-2*	133,595	-	(19,707)	-	113,888	Vested
Series 32-3*	400,789	-	-	-	400,789	Vested
Series 33	880,000	-	(550,000)	-	330,000	Vested
Series 34*	1,242,481	-	(125,197)	-	1,117,284	Vested
Series 35-1*	631,925	-	(28,483)	(422,178)	181,264	Vested
Series 35-2*	631,925	-	-	(422,178)	209,747	Vested
Series 35-3*	1,895,770	-	-	(1,266,539)	629,231	Unvested
Series 36	-	412,500	-	-	412,500	Vested
Series 37*	-	2,134,287	-	-	2,134,287	Unvested
Series 38-1*	-	643,439	-	-	643,439	Unvested
Series 38-2*	-	643,439	-	-	643,439	Unvested
Series 38-3*	-	1,930,314	-	-	1,930,314	Unvested
	10,846,198	5,763,979	(744,703)	(5,922,379)	9,943,095	

*Issued under the Company's EIOP.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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The following table sets out the number and weighted average price and movements in share options issued during the year in summary form.

	2024		2023	
	Number	Weighted average exercise price \$	Number	Weighted average exercise price \$
Opening balance	10,846,198	\$0.15	13,909,951	\$0.22
Granted	5,763,979	Nil	6,107,977	Nil
Exercised	(744,703)	Nil	(1,185,973)	Nil
Lapsed / expired	(5,922,379)	\$0.24	(7,985,757)	\$0.20
Outstanding at the end of the year	9,943,095	\$0.02	10,846,198	\$0.15
Exercisable at the end of year	3,962,385	\$0.06	5,528,053	\$0.25

A total of 744,703 unlisted options were exercised during the year for nil consideration (2023: 1,185,973 for nil consideration).

Unlisted options outstanding at 30 June 2024 had a weighted average exercise price of \$0.02 (2023: \$0.15) and a weighted average remaining contractual life of 1,114 days (2023: 875 days).

The weighted average fair value of options granted during the year was \$0.11 (2023: \$0.17).

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	2024 Percentage owned	2023 Percentage owned
Controlled entities			
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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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5.6 Parent entity disclosures

	2024 \$	2023 \$
Statement of financial position		
Assets		
Current assets	2,760,886	5,539,175
Non-current assets	11,221,894	11,048,559
Total assets	13,982,780	16,587,734
Liabilities		
Current liabilities	4,337,274	3,722,424
Non-current liabilities	6,983,860	4,556,560
Total liabilities	11,321,134	8,278,984
Equity		
Issued capital	39,609,854	37,171,819
Share-based payment reserve	1,284,608	3,004,989
Accumulated losses	(38,232,815)	(31,868,058)
Total equity	2,661,647	8,308,750
Statement of comprehensive income		
Loss for the year	(7,406,097)	(4,511,295)
Other comprehensive income	-	-
Total comprehensive loss	(7,406,097)	(4,511,295)

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 2024, 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 2024, as detailed at note 5.8

5.7 Commitments

The Company had no commitments at 30 June 2024 (30 June 2023: nil).

5.8 Contingent assets and liabilities

Contingent liabilities

There are no contingent assets or contingent liabilities as at the year-end 30 June 2024 (30 June 2023: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

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

	2024	2023
	\$	\$
Cash and cash equivalents	2,383,663	4,440,403
Trade and other receivables	747,511	1,883,269
Investments at fair value through other comprehensive income	844	844
Trade and other payables	2,012,429	2,815,844
Interest-bearing liabilities	186,319	335,630
Other liabilities – deferred consideration	225,770	1,233,884

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 56ormalized the return.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

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 2024:

	Current 0-1 years \$	Non-Current 1-5 years \$	5+ years \$
Trade and other payables	2,012,429	-	-
Interest-bearing liabilities (at a rate of 6.18% p.a.)	158,915	27,404	-

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

	Current 0-1 years \$	Non-Current 1-5 years \$	5+ years \$
Trade and other payables	2,877,179	-	-
Interest-bearing liabilities (at rates between 6.18% and 8% p.a.)	149,311	186,319	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2024

Fair value measurement – 30 June 2024

Set out below is an overview of financial instruments, other than cash and short-term deposits, held by the Group as at 30 June 2024:

	At amortised cost	Fair value through profit or loss	Fair value through other comprehensive income
	\$	\$	\$
Financial assets			
Trade and other receivables	747,511	-	-
Other financial assets	-	-	844
Total Assets	747,511	-	844
Financial liabilities			
Trade and other payables	2,012,429	-	-
Interest-bearing liabilities	186,319	-	-
Other liabilities – deferred consideration	-	225,770	-
Total Liabilities	2,198,748	225,770	-

Set out below is a comparison of the carrying amount and fair values of financial instruments as at 30 June 2024:

	Carrying Value	Fair Value
	\$	\$
Financial assets		
Trade and other receivables	747,511	747,511
Other financial assets	844	844
Total Assets	748,355	748,355
Financial liabilities		
Trade and other payables	2,012,429	2,012,429
Interest-bearing liabilities	186,319	186,319
Other liabilities – deferred consideration	225,770	225,770
Total Liabilities	2,424,518	2,424,518

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2024

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

5.10 Related party disclosures

Remuneration of KMP

	2024 \$	2023 \$
Short-term employee benefits	1,226,512	894,158
Post-employment employee benefits	84,724	55,034
Share-based payments	376,201	392,252
	1,687,437	1,341,444

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2024



	2024 \$	2023 \$
Payables and accruals:		
Neil Canby	7,425	10,725
Pauline Vamos	6,875	6,875
Brian Elloy	240	-
	14,540	17,600

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

5.11 Auditor's remuneration

	2024 \$	2023 \$
Audit or review of financial statements	109,074	83,055
Taxation compliance	17,750	34,200
	126,824	117,255

5.12 Significant events after balance date

On 16 September 2024, the Supreme Court of Western Australia granted the necessary orders to proceed with the Scheme. The implementation of the Scheme, which is anticipated to occur on 27 September 2024, will result in K2fly delisting from the ASX. Bidco's current intention is to undertake a strategic review of the business, assets and operations of the Group after implementation of the Scheme.

There has been no other 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.



CONSOLIDATED ENTITY DISCLOSURE STATEMENT
FOR THE YEAR ENDED 30 JUNE 2024



Entity Name	Entity type	Body corporates		Tax residency	
		Place formed or incorporated	% of share capital held	Australian or foreign	Foreign jurisdiction
K2fly Limited	Body corporate	Australia	N/A	Australian (i)	N/A
Infoscope Pty Ltd	Body corporate	Australia	100%	Australian (i)	N/A
K2fly RCubed Pty Ltd	Body corporate	Australia	100%	Australian (i)	N/A
K2fly South Africa Limited	Body corporate	South Africa	100%	Australian (ii)	South Africa
Sateva Pty Ltd	Body corporate	Australia	100%	Australian (i)	N/A
Sateva Developments Pty Ltd	Body corporate	Australia	100%	Australian	N/A
K2fly UK Limited	Body corporate	United Kingdom	100%	Australian (ii)	United Kingdom

- (i) Entity is part of a tax-consolidated group under Australian taxation law, of which K2fly Limited is the head entity.
(ii) This entity is a prescribed dual resident, not a member of the tax-consolidated group under Australian taxation law.



DIRECTORS' DECLARATION



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 2024 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.
- (c) the information disclosed in the attached consolidated entity disclosure statement is true and correct.

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 2024.

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

Pauline Vamos
Non-Executive Chair
Perth, 16 September 2024

Neil Canby
Non-Executive Director
Perth, 16 September 2024



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 2024, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes to the financial statements, including material accounting policy information, the consolidated entity disclosure statement 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 2024 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.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial report, which indicates that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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.

In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key Audit Matter	How our audit addressed the key audit matter
Recoverable amount of intangible assets and goodwill Notes 4.3 and 4.4 of the financial report	
<p>At balance date, the carrying amount of goodwill is \$7,342,817 and the carrying amount of other intangible assets is \$7,276,870. 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 <i>Intangible Assets</i> and AASB 136 <i>Impairment of Assets</i>, regardless of whether impairment indicators are noted.</p> <p>Management has determined that impairment testing should be 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.</p> <p>It is due to the size of the carrying amounts above, complexity and judgement involved that this is considered a key audit matter.</p>	<p>Our audit procedures included but were not limited to the following:</p> <ul style="list-style-type: none"> • 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 of the fair value less cost of disposal model and the basis for key assumptions; • We assessed the fair value less cost of disposal for consistency with the requirements of Australian Accounting Standards; • We assessed the adequacy of the disclosures made in the financial report.

Other Information

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 2024, 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:

- (a) the financial report (other than the consolidated entity disclosure statement) that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001*; and
- (b) the consolidated entity disclosure statement that is true and correct in accordance with the *Corporations Act 2001*, and

for such internal control as the directors determine is necessary to enable the preparation of:

- (c) the financial report (other than the consolidated entity disclosure statement) that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- (d) the consolidated entity disclosure statement that is true and correct 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 2024.

In our opinion, the Remuneration Report of K2fly Limited for the year ended 30 June 2024 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
Chartered Accountants

Perth, Western Australia
16 September 2024



B G McVeigh
Partner

ADDITIONAL INFORMATION

HOLDINGS AS AT 9 SEPTEMBER 2024

ORDINARY SHARES

Number of securities held	Fully paid ordinary shares	Number of holders	% of total issued capital
1 to 1,000	5,604	101	0.00%
1,001 to 5,000	681,680	311	0.36%
5,001 to 10,000	846,661	108	0.45%
10,001 to 100,000	8,994,958	245	4.79%
100,001 and over	177,140,786	120	94.39%
Total	187,669,689	885	100.00%

Shares subject to voluntary escrow conditions
until 31 March 2025

867,685

Number of holders of less than a marketable
parcel based on the share price of \$0.19

308

0.16%

TOP 20 SHAREHOLDERS

Rank	Name	Units	% of Units
1	MAPTEK PTY LTD	32,810,245	17.48%
2	BNP PARIBAS	23,780,323	12.67%
3	UBS NOMINEES PTY LTD	16,479,080	8.78%
4	CSBP LIMITED	13,649,184	7.27%
5	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	11,692,079	6.23%
6	CITICORP NOMINEES PTY LIMITED	6,909,138	3.68%
7	MR NICHOLAS JOHN AXAM	6,161,416	3.28%
8	NARELLE & ANDREW FAY	5,827,724	3.11%
9	PALM BEACH NOMINEES PTY LIMITED	5,700,676	3.04%
10	CERTANE CT PTY LTD <BC1>	4,400,000	2.34%
11	BRIAN MILLER	3,238,186	1.73%
12	MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	3,192,361	1.70%
13	MR CRAIG GRAEME CHAPMAN <NAMPAC DISCRETIONARY A/C>	3,036,134	1.62%
14	MR ASHOK KUMAR CHOTAI & MR NEESHITH KUMAR CHOTAI & MR SANJAY KUMAR CHOTAI <THE CB SUPER FUND A/C>	2,750,000	1.47%
15	EAGLE EYE EQUITIES PTY LTD	2,007,508	1.07%
16	OCEANVIEW ROAD PTY LTD	2,000,000	1.07%
16	MERCANTILE GENERAL PTY LTD	2,000,000	1.07%
17	NEIL WILLIAM CANBY	1,593,344	0.85%
18	DIXSON TRUST PTY LIMITED	1,206,801	0.64%
19	FAETE HOLDINGS PTY LTD <ALEXANDER SUPER FUND A/C>	1,200,000	0.64%
20	EAMONN ROLES	1,039,000	0.55%

Totals: Top 20 holders of K2F ORDINARY FULLY PAID

150,673,199

80.29%



Substantial Shareholders

The Group has been notified of the following substantial shareholdings:

	Number	%
Maptek Pty Ltd	32,810,245	17.48%
Harvest Lane Asset Management and its associated entities	18,124,620	9.70%
Regal Funds Management Pty Ltd	19,217,051	10.96%
CSBP Limited	13,649,184	7.27%

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 9 September 2024 the Company has on issue 9,200,595 unlisted options over ordinary shares, 3,063,140 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	Class 3	Class 4	Class 7	Class 8	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	3,063,140
Total	3,063,140

Holder	Unlisted Options Series 24	Unlisted Options Series 30-3
Dr Roslyn Jane Carbon	258,953	31,975
Total	258,953	31,975

