

ASX / Media Release

31 July 2017

ASX code: **K2F**

Quarterly Activities Update - Period ended 30 June 2017

Highlights:

- Completed the acquisition of Infoscope, an established revenue generating business with FY17 revenue of approximately \$1.5m and EBIT of approximately \$400,000
 - Infoscope acquisition represents an attractive EBIT multiple of 1.56 times and an outstanding opportunity for K2Fly - preserving cash reserves in excess of \$1.2m post settlement
 - Infoscope is immediately cashflow positive with expected net cash inflows from operations in the next quarter of 2017
 - Significant growth in revenue pipeline – Company has formally participated in tenders for software and/or consulting services in excess of \$6 million
 - Strong growth in revenue for the quarter – sales for the quarter were \$220,000 driven by accelerated growth in the K2F consulting division
 - High Gross Profit margin of 58.4% Year to Date reflecting strong sales growth and prudent cost management – gross profit margin expected to be maintained in subsequent quarters
 - Increased market penetration in the Australian market as K2F continues to establish its credentials in the asset intensive arena
 - Partnership and reseller agreement executed with ASX Listed Pointerra Limited for resale of high powered GIS and 3D mapping software – complements K2F's penetration in the mining and utilities sector
 - Completed Rights Issue of Options Offer – continued support from key major shareholders
 - K2F currently has approximately \$1.7 million in cash at the end of the Quarter
-

June 2017 Quarter Commentary

K2fly Limited ACN 125 345 502

@ info@k2fly.com

Registered Office Level 1, Grand Central, 26 Railway Road, Subiaco WA 6008

www.k2fly.com

The June 2017 quarter represented a positive and successful period for K2fly, in which the Company continued to build on its successful foundations - continuing to work with key existing clients and acquiring new clients in the consulting division. Company owned software sales (predominantly the ADAM technology platform) also generated revenue growth during the quarter and the Company continued to actively respond to key major tenders with the promotion of third-party software with its offshore partners. K2fly also completed the acquisition of leading data collaboration business, Infoscope Pty Ltd. Infoscope represents a highly complementary and value accretive acquisition, and its clients include Fortescue Metals Group, BHP and Rio Tinto.

It delivered strong revenue growth for the quarter, with sales totalling \$220,000 driven by accelerated growth in the consulting division, third-party software sales and own software sales.

The Company has achieved a Year to Date Gross Profit margin of 58.4%, reflecting strong sales growth whilst also minimising cost exposures. Importantly, K2Fly expects to maintain this high gross profit margin through subsequent quarters, which will have a positive impact on the Company's financial position.

Commenting on the quarterly activities and achievements, K2Fly CEO and Executive Chairman Brian Miller stated,

"K2Fly has continued to build on the strong foundations of the previous quarter. Our Company has continued to perform strongly during the quarter with revenue totalling \$220,000. Our software sales division and consulting division both performed well and we have been very active in submitting tenders for major consulting and software implementation contracts."

"Of significant note is the completion of our first acquisition, Infoscope. This acquisition marks a major transition for K2Fly as we continue to build our core product offering, and importantly our revenue streams. Infoscope achieved revenue of \$1.5 million with a corresponding EBIT of \$400,000 for the FY17 financial year. We are very pleased with this acquisition and excited about our future growth opportunities."

"With the Infoscope acquisition completed, we have a sales pipeline of in excess of \$6 million representing new tenders submitted. Although there is no guarantee we will be awarded any of this work, we are confident that the K2F offering is highly desired by major organisations in asset intensive industries. These tender responses have covered bids to organisations in Queensland, New South Wales, South Australia, Victoria and Western Australia."

"K2F continues to achieve an increase in market penetration within Australia. We are aggressively seeking further value-add partnership opportunities that will add positive revenue impact to K2Fly."

"In 2017, we will continue to focus on the Utilities, Rail and Resources sectors as we see these vertical industries as being ripe for digital transformation and the adoption of leading edge software solutions. K2F is positioning itself to play a significant role within Tier 1 clients who adopt a new business strategy based around the Internet of Things. K2F is recruiting new staff, and is also retraining existing personnel to meet the demands of the anticipated growth of the business in 2017 and beyond."

K2fly Limited ACN 125 345 502

@ info@k2fly.com

Registered Office Level 1, Grand Central, 26 Railway Road, Subiaco WA 6008

www.k2fly.com

Operational Update

Consulting Division

K2Fly's consulting division continued to perform strongly with engagements with clients in the utilities, infrastructure and mining services sectors.

The Company gained two new consultancy clients: another electricity company in Western Australia, and a railway company in Victoria. Much of this is based around asset management consultancy, as well as delivering a mobile field working prototype solution.

Our aim is to become a trusted adviser to these clients and others that K2Fly is successful in retaining.

K2Fly continued with its consultancy contracts in Western Power, ABB, Programmed and Mineral Resources.

Own Software

Software sales of the Company's real-time analytical platform ADAM and its Mobile Solutions also performed well, with a number of strong new business opportunities generated and currently being pursued.

K2 Technology Pty Ltd, a partner of K2fly, has continued to successfully sell K2Fly's own software / IPR including ADAM and Tagman. Software as a Service (SaaS) contracts have been concluded with both Woodside in Western Australia and Shell in Queensland. They are currently bidding for comparable opportunities in other Tier 1 Oil & Gas companies.

The Company continues to seek out other opportunities in the mining, infrastructure and facility maintenance sectors which are undergoing a stage of mass transition as automation becomes a focal point in an attempt to maximise efficiencies and reduce costs.

Partnerships

During the quarter, the Company executed a partnership and reseller agreement with Pointerra, a GIS and 3D mapping specialist software provider. Clients that are grappling with 3D datasets that are large and unmanageable require advanced tools and skills for management, processing and analysis. This can lead to inefficient workflows, extra cost and waste, and loss of efficacy. Pointerra specialises in the provision of custom-built IT which addresses this problem. The solution is a breakthrough technology via a cloud-based Data as a Service (DaaS) model where valuable 3D data can be stored, managed, viewed, shared, extracted and monetised.

K2Fly has entered in to a reseller agreement with Pointerra with its subscription-based Data as a Service (DaaS) solution for managing, distributing and visualising massive 3D data sets.

K2Fly continues to seek additional, strategic relationships as it continues to build out its Internet of Things (IoT) footprint. K2Fly anticipates making other announcements during the second half of 2017 as it secures marketing arrangements with other international providers of leading edge software.

K2fly Limited ACN 125 345 502

@ info@k2fly.com

Registered Office Level 1, Grand Central, 26 Railway Road, Subiaco WA 6008

www.k2fly.com

Sale Pipeline Momentum

With the completion of the Infoscope acquisition, the Company has generated a significant revenue pipeline in its first full quarter of operations, with K2F having formally submitted tenders for software and/or consulting services totalling more than \$6 million. This qualified potential revenue pipeline does not include other business opportunities currently under negotiation at pre-tender stage.

It is expected that future revenue growth will come from our continued positioning of our owned software, as well as 3rd party software, as solutions to asset management problems within asset intensive organisations.

We will also continue to build consulting relationships with asset intensive organisations and assist them with strategy, design, implementation and ongoing improvement of their asset management technologies. We will continue to expand our 3rd party relationships in particular in emerging technologies that are becoming relevant to our client base, such as IoT as a service solutions.

We will also continue to evaluate additional acquisitions which fit within our defined corporate strategy, predominantly in the owned software category.

The Company also continued to build on its key existing Partnership Agreements in the US, the UK, as well as the ASEAN region.

The Company's partnership and reseller agreement with UK-based Capita plc provides K2fly with a 3-year agreement to licence and sell Capita's Affinity Fieldreach and Affinity Geofield Digital Mobile Solutions within Australia. K2F has actively engaged with a number of prospects that would benefit from the implementation of these technologies, and is currently pursuing these new business opportunities. In addition, it has already submitted tenders for the implementation of these Capita technologies.

K2fly has a sound cash position at the end of the quarter, of approximately \$1.7 million. K2fly's total focus is on business growth and it is anticipated that current contracts and partnerships, along with the Company's continuing and expanding business development activities will drive strong revenues over the coming quarters.

Acquisition of Infoscope

Subsequent to the end of the quarter, the Company completed the acquisition of Infoscope Pty Ltd (**Infoscope**). This represents a highly complementary, synergistic and value accretive acquisition for K2fly. Infoscope is an established and successful business that owns and operates a leading edge data collaboration platform which connects disparate data sources and assembles multiple information layers to create a visually presentable data store.

Infoscope's client base includes major corporates, Fortescue Metals Group, BHP and Rio Tinto. The business delivered record revenue of approximately \$1.5 million for the year ended 30 June 2017 and an EBIT of approximately \$400,000.

Infoscope is a data collaboration platform that specialises in the connection of disparate data sources and assembles the different information layers to create a visually presentable data store that is easily configured and readily accessible. With leading edge market solutions,

K2fly Limited ACN 125 345 502

@ info@k2fly.com

Registered Office Level 1, Grand Central, 26 Railway Road, Subiaco WA 6008

www.k2fly.com

Infoscope is engaged with major entities, including FMG, Metals X and The National Trust, to bring innovative solutions to the market around data collaboration and operational efficiency. Infoscope was designed and developed to address a pressing corporate problem – information silos.

The unique Infoscope platform eliminates boundaries found in traditional systems by optimising every piece of information. This is achieved through the unique approach to data connections, where the user defines and connects disparate data sources to make sense of it all. Infoscope provides new perspectives to data through limitless connections and visually integrated presentation.

The system provides secure, powerful, comprehensive management of all information to operate efficiently, meet compliance requirements and reduce risk.

The Infoscope solution is directly applicable to the resources, utilities, infrastructure, environment & biodiversity, and cultural heritage sectors.

A number of synergies are expected to be harvested through the acquisition. The operations of Infoscope are currently being integrated with the operations of K2Fly to ensure:

- Business Development leverages the opportunities to position Infoscope into existing K2Fly clients and position K2Fly in existing Infoscope customers.
- Development Teams will be gradually combined. The Infoscope platform is based on the Microsoft Suite, which is the same as the core K2Fly product, ADAM. Infoscope also used the same nearshore development partner Mitrais, allowing this core relationship to be strengthened and optimised.
- Back Office consolidation will occur across accounting, Legal, HR, Insurance, IT and other overlapping functions to remove duplication and to leverage economies of scale.

Our Business

K2fly is a Consulting Systems Integrator which derives revenue from multiple channels including software licencing, consulting, support and configuration. The Company focuses on enabling the “essential” industries, and it delivers value through partnership.

K2fly licences its own proprietary software including the real-time analytical platform, ADAM, as well as a suite of mobile field working solutions, and the recently acquired Infoscope.

K2fly is also working with its international partners, such as Capita and OBI Partners, providing the Company with access to additional systems and software solutions, allowing K2fly to enhance its own software offering and become a value-added reseller in Australia.

K2fly also supplies top quality advisory, consultancy and implementation services through its team of experienced industry experts.

ENDS

K2fly Limited ACN 125 345 502

@ info@k2fly.com

Registered Office Level 1, Grand Central, 26 Railway Road, Subiaco WA 6008

www.k2fly.com

For further information, please contact:

Brian Miller
Executive Chairman
K2Fly Limited
T: +61 422 227 489
E: brian@k2fly.com

Lead Manager
Greg Wood
K S Capital Pty Ltd
T: +61 416 076 377
E: g.wood@kscapital.com.au

Gino D'Anna
Non-Executive Director
K2Fly Limited
T: +61 400 408 878
E: gino@k2fly.com

Media Inquiries
James Moses
Mandate Corporate
T: +61 420 991 574
E: james@manadatecorporate.com.au

Investor Inquiries
Paul Hart
Canary Capital
T: +61 421 051 474
E: phart@canarycapital.com.au

About K2fly

K2fly Limited is an ASX listed Enterprise Asset Management technology company, which specialises in the provision of infrastructure asset management to asset intensive industries via a software technology platform and consulting services. K2fly's technology allows an organisation to manage and maintain its asset data and deliver more effective and efficient outcomes via a single, centralised system. The technology has a strong track record of empowering organisations to make better informed long term decisions in relation to the operation, management and maintenance of its physical assets.

K2fly owns the following proprietary asset management and asset maintenance technologies for use in vertically-integrated asset intensive industries:

ADAM Asset Data Analysis Management
NovIn Real Time Asset Inspection Management App
DocMan Mobility Solutions: Task Management App
TagMan Mobility Solutions: Asset Verification App
HandoverNotes Mobility Solutions: Electronic Information Sharing App
PropertyInspector Mobility Solutions: Asset Inspection App

K2fly also re-sells market leading software which has been developed by industry leaders in the USA and UK. These solutions come from OBI Partners (USA), Pointerra Limited (Aus) and Capita plc (UK), where they have an outstanding track record of delivering benefits to clients.

Finally, K2fly provides cutting edge advice, consultancy and services when it deploys its subject matter experts who have extensive domain knowledge in such areas as Rail, Electricity, Gas, Water, Mining, Oil & Gas, Facilities Management, Aviation and Defence.

K2fly Limited ACN 125 345 502

@ info@k2fly.com

Registered Office Level 1, Grand Central, 26 Railway Road, Subiaco WA 6008

www.k2fly.com