

ASX / Media Release

28 July 2020

ASX code: **K2F**

Q4 FY20 Quarterly Activities Report & Full Year Update

Highlights

- Invoices for Q4 FY20 increased 28% from Q4 FY19 (\$1.9M v. \$1.49M)
- Invoices for FY20 total \$6.626M, an increase of 60% on previous corresponding period (FY19: \$4.145M)
- K2F cash flow positive from operations for Q4 FY20 (\$0.7M cash positive)
- A total of \$1.719 million (before costs) received from the exercise of 8,596,096 listed options (K2FOA), which had been partially underwritten
- K2F's Software as a Service (SaaS):
 - Annual Recurring Revenue now \$2.36M*, Compound Annual Growth Rate (CAGR) of 177%
 - Total Contract Value (TCV) now \$7.47M*, CAGR of 663%
- Significant market penetration with RCubed solution despite presence of global pandemic
- Record quarter with an excess of \$500k net new ARR revenues
- Additional new RCubed clients in Q4: Kinross Gold, South32, Sibelco and Orano SA signed early in July
- New RCubed contracts have now exceeded Year 3 acquisition performance milestone in only 13 months since acquisition
- MOU signed with Decipher to create integrated monitoring and governance platform for Tailings Storage Facilities
- On 30 June cash at bank was \$2.9M with \$1.13M in receivables, no debt
- R&D tax refund of \$88k granted from the ATO

Billing and Cash Flow

K2fly Limited (ASX: K2F) (**K2fly** or **the Company**) is pleased to announce that it has raised invoices for \$1.9M in the Q4 FY20 quarter, which is an improvement of 28% over the equivalent quarter in FY19. Therefore, invoices raised for FY20 were a record \$6.626M, which is an extraordinary 60% increase on invoices raised for FY19 (\$4.145M). This is particularly pleasing in light of the Covid-19 pandemic backdrop.

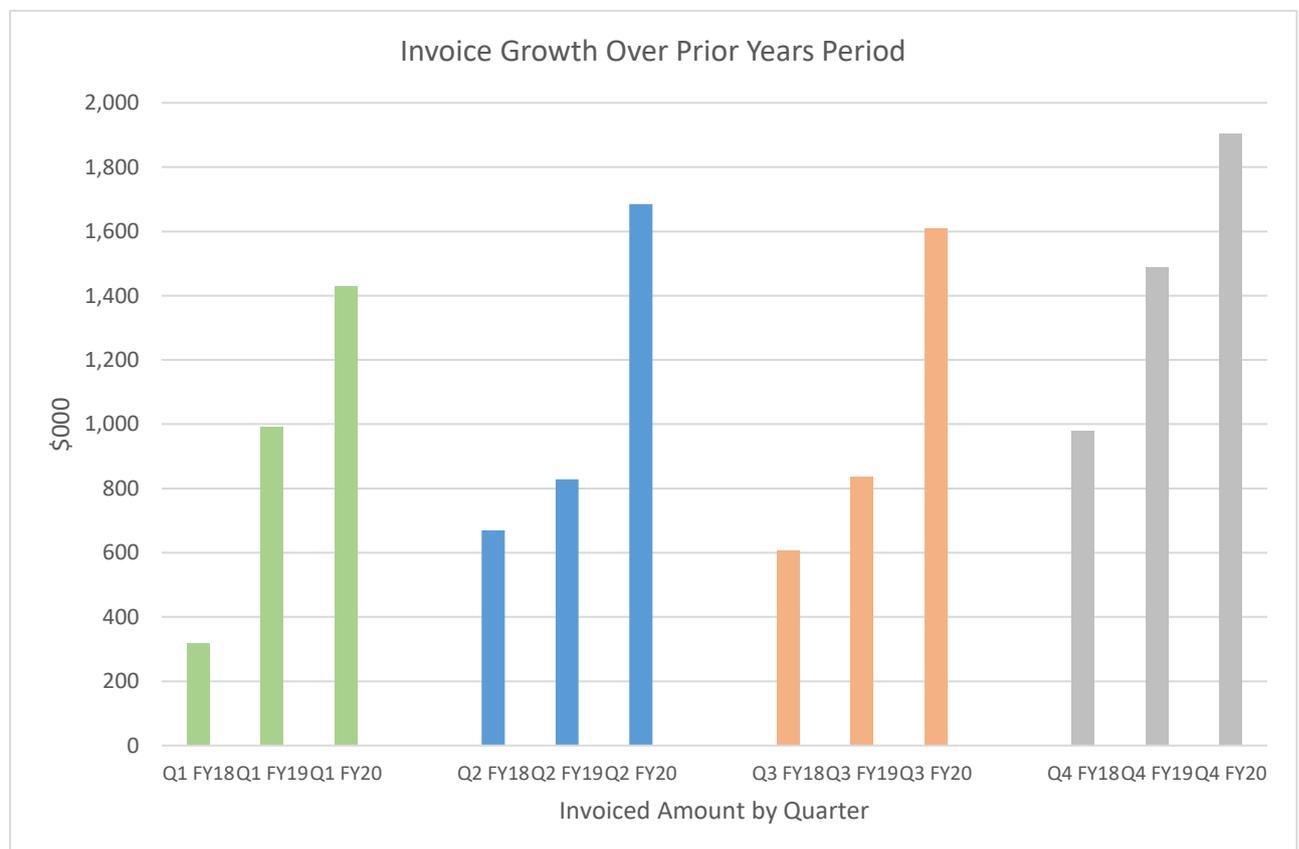
* ARR and TCV figures may be affected by exchange rate fluctuations

As at 30 June 2020, the cash available was \$2.9M. In addition, there was \$1.13M in receivables from Tier 1 clients. These numbers reflect the fact that during Q4 FY20, K2F's current operations achieved net positive cashflows with a very strong \$0.7M positive cash flow.

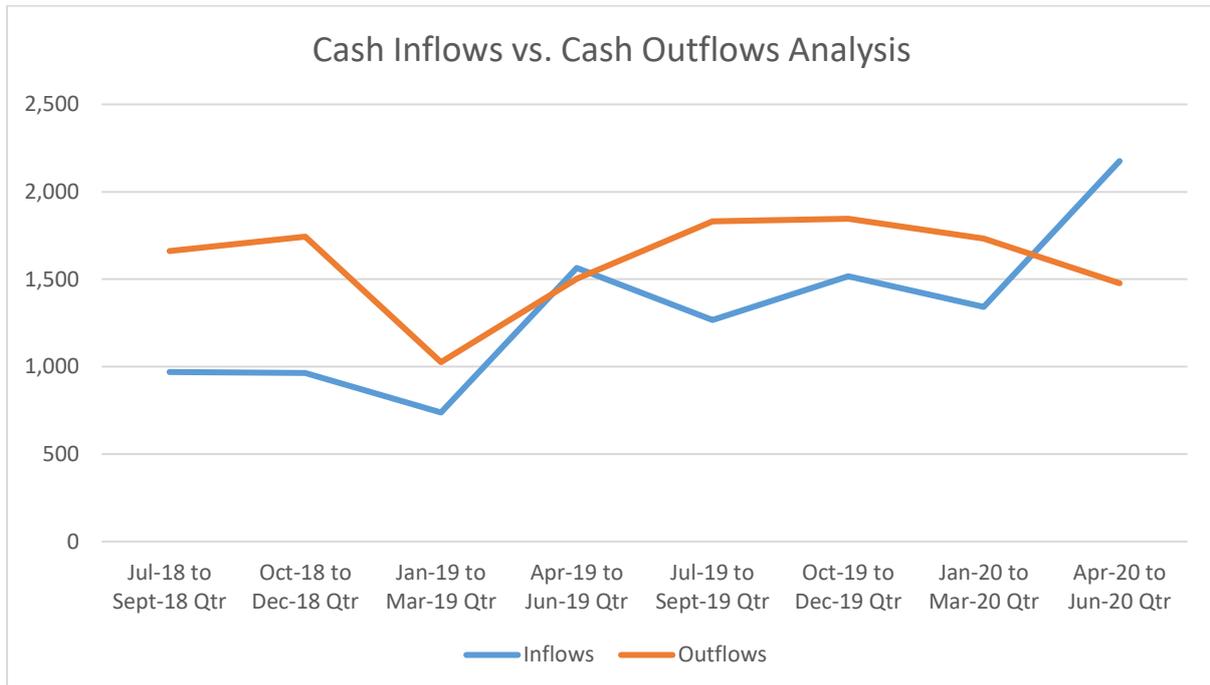
This extremely positive result is due to Q4 being the Company's largest invoicing quarter, increased sales in the quarter as well as favourable cash receipts from customers (which is evidenced by the reduction in receivables from the previous quarter).

Between March and May 2020, the Company raised a total of \$1.719 million (before costs) from the exercise of 8,596,096 listed options (K2FOA) which expired on 18 May (Options). The exercise of the Options was partially underwritten (60%) by K S Capital Pty Ltd and pursuant to the underwriting agreement there was no discount to the Option exercise price of \$0.20.

During Q4, the Company was granted a R&D tax refund of more than \$88k from the ATO. Also, where appropriate K2F has applied for subsidies and entitlements provided by governments in response to Covid-19. The Company has no borrowings.



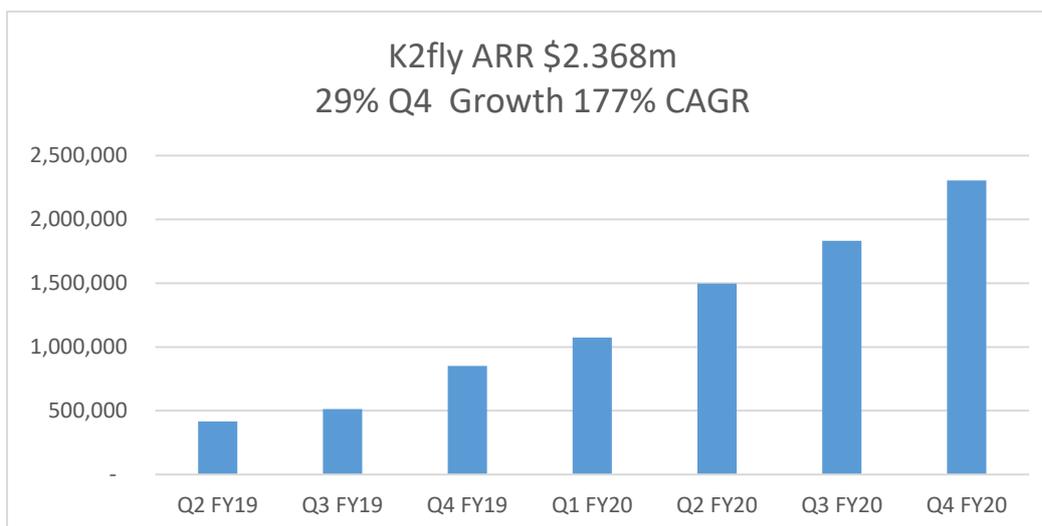
As noted above during Q4 FY20 quarter, cash inflows exceeded cash outflows resulting in net cash-flows generated from operating activities of A\$0.7M.



Software as a Service (SaaS) Update

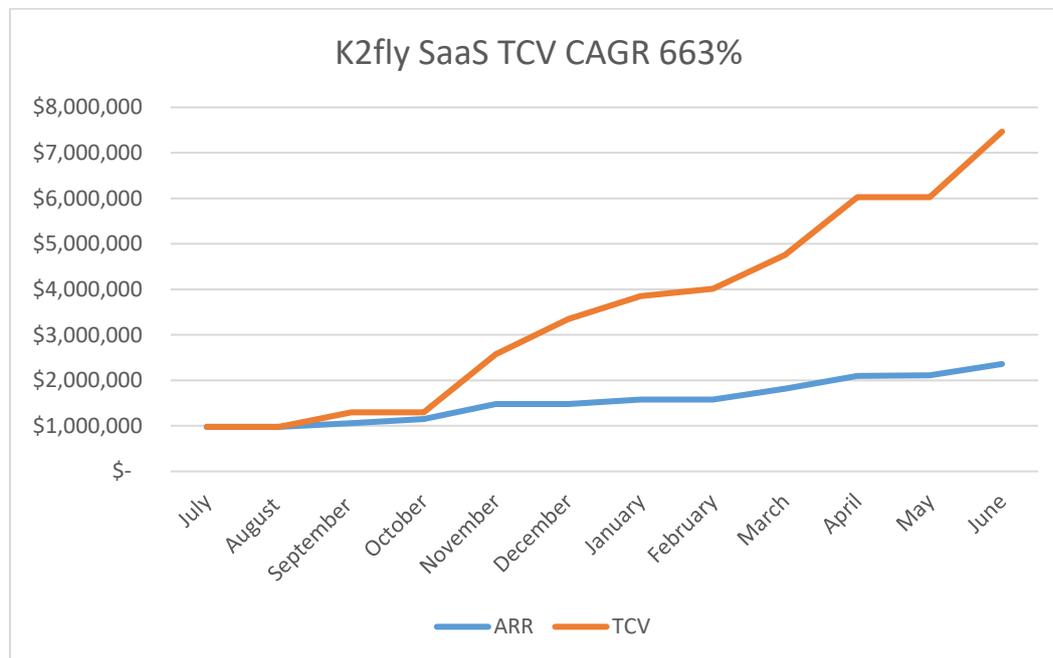
SaaS Sales Update

Software as a Service (SaaS) Annual Recurring Revenue (ARR) has grown to \$2.36M*, which represents a quarterly growth of 29% and Compound Annual Growth Rate (CAGR) of 177%.



* ARR and TCv figures may be affected by exchange rate fluctuations

The Total Contract Value (TCV) for SaaS contracts is now approximately \$7.47M*, which is a quarterly growth of 57% and a CAGR of 663%. K2fly's average SaaS contract terms are now in excess of 3 years across one, three and five-year contracts.



K2F is very pleased to announce that just after financial year end it signed a contract with Orano SA (Orano), formerly known as Areva SA. Orano is a multinational nuclear fuel cycle company with uranium mining operations, and is headquartered in France. Orano signed a five-year contract to implement the RCubed resource governance solution, and the total contract value is in excess of AU\$300k.

Since the acquisition of RCubed, K2F has won a number of contracts with significant global mining clients. New clients include: Imerys, Glencore Canada, Nexa Resources, Rio Tinto, Newcrest, Goldfields, Newmont, Sibelco, Kinross Gold, Orano and South 32. In addition, existing SaaS clients of K2F's RCubed and Infoscope solutions extended their licencing agreements: Teck Resources (3 years), Westgold (5 years) and AngloGold Ashanti (3 years).

In Q4 the addition of Kinross Gold, Sibelco, Orano and South 32 has been gratifying as it is evident that more and more mining companies appreciate the benefits of our SaaS offerings. These new contract wins and extensions, also demonstrate that K2F was able to achieve market penetration and SaaS sales despite the presence of the global pandemic. K2F's ability to implement its SaaS solutions remotely, also demonstrates its agility and resilience during Covid-19.

Based upon recent discussions and negotiations, K2F is confident that there will be more new name client announcements to be made in 2020. Of course, until signed, there are no guarantees that these contracts will be finalised.

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Year 3 – Acquisition Performance Milestones Achieved

With the additional contracts in Q4 for K2F's RCubed resource governance solution, net new annual recurring revenues for these contracts have exceeded \$500k. This is the final milestone in the revenue acquisition performance milestones for RCubed, which were set to be achieved over a three-year period. The revenue acquisition performance milestones have now been achieved in just thirteen months since acquisition.

MOU with Decipher for Tailings Storage Facilities solution

On 8 July K2fly announced an MOU with Decipher, which offers an award-winning cloud monitoring platform. K2F and Decipher have partnered to create an integrated monitoring and governance platform for Tailings Storage Facilities (TSF). Our proposed solution will ensure the resource industry has access to a significantly better tool to aid monitoring and governance of TSFs to recognised standards. K2fly are already collaborating with SAP on the development of a Tailings solution for SAP customers globally and the Decipher partnership adds a further level of detail into the monitoring of facilities.

Payments to Related Parties and their Associates

In accordance with ASX Listing Rule 4.7C.3, payments to related parties of the Company and their associates during the quarter totalled \$63,750 relating to the Executive Director salaries and Non-Executive Director fees. This amount is included at Item 6.1 of the Appendix 4C.

Refer to the Remuneration Report in the Annual Report (to be released later in the year) for further details on director remuneration.

Capital Update

During the quarter, the Company issued the following securities:

- 137,500 shares on 16 April 2020 upon the conversion of performance rights
- 70,904 shares on 16 April 2020 upon the exercise of \$0.20 listed options which expired on 18 May 2020
- 24,140 shares on 5 May 2020 upon the exercise of \$0.20 listed options which expired on 18 May 2020
- 68,182 shares on 5 May 2020 pursuant to an investor marketing mandate between the Company and Canary Capital (refer ASX announcement 11 October 2019)
- 2,858,625 shares on 21 May 2020 upon the exercise of \$0.20 listed options which expired on 18 May 2020
- 4,674,322 shares on 29 May 2020 upon the underwritten exercise of \$0.20 listed options which expired on 18 May 2020 in accordance with the terms of an underwriting agreement
- 587,868 shares on 8 June 2020 upon the underwritten exercise of \$0.20 listed options which expired on 18 May 2020 in accordance with the terms of an underwriting agreement
- 155,921 shares issued on 10 June 2020 upon the exercise of unlisted options exercisable at \$0 each which expired on 26 November 2020
- 1,912,500 unlisted options issued on 12 June 2020 in accordance with the terms of an underwriting agreement

Announcement released with authority of K2F board.

ENDS

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About K2fly

K2fly Ltd is an ASX listed technology company which targets asset intensive industries. It supplies people, products and strategic alliances focussed on solving problems for clients.

K2fly owns the following Software Solutions:

- **Mineral Resource Governance - RCubed** a resource and reserve reporting solution that supports reporting codes such as JORC, NI43101 and SAMREC across the major stock exchanges – including NYSE, LSE, TSX, ASX and JSE; and
- **Natural Resource Governance - Infoscope**, an Enterprise Land Management, Natural Resource Governance and Stakeholder Relations solution for the Energy and Resources market.

K2fly has strategic alliances with global technology companies such as Esri (USA), SAP (Germany) and ABB (Switzerland).

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

In addition, 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, and Facilities Management.

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