

ASX Release

ASX code: K2F

5 August 2024

Appendix 4E

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

The Company is pleased to release its Appendix 4E for the year ended 30 June 2024 (**Appendix 4E**). As previously announced, the Company has entered into a scheme implementation deed with Argyle Bidco Pty Ltd, a wholly owned subsidiary of Accel-KKR under which Accel-KKR will acquire 100% of the shares in K2fly by way of a scheme of arrangement. The timing of the release of the Appendix 4E is required in line with the completion of the scheme implementation deed.

Announcement released with authority of K2fly Board.

For further information, please contact:

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About K2fly

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

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

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

- Natural Resource Governance
- Mineral Resource Governance
- Technical Assurance

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

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

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

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

K2fly Limited ACN 125 345 502



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Platform [overview](#)

Area	Solution	Related Acquisition
Natural Resource Governance	Heritage Management Land Access Ground Disturbance Tailings Management Mine Rehabilitation	Infoscope Infoscope Infoscope Decipher Decipher
Mineral Resource Governance	Resource Disclosure Model Manager Mine Reconciliation	RCubed RCubed, Sateva RCubed
Technical Assurance	Ore Blocker Mine Geology	Sateva Sateva

K2FLY LIMITED

ABN 69 125 345 502

Appendix 4E

Preliminary Final Report – 30 June 2024

This report has been prepared in compliance
with ASX Listing Rule 4.3A

Pursuant to ASX Listing Rule 4.3A, the Company makes the following statement:

The financial statements contained in the Appendix 4E are based on accounts which are in the process of being audited.

Appendix 4E

Preliminary Final Report

Name of entity
K2fly Limited

ABN or equivalent company reference	Preliminary final (tick)	Financial year ended ('current period')
69 125 345 502	✓	30 June 2024

Results announced to the market				
(This information should be read in conjunction with the last annual report and any announcements to the market by K2fly Limited during the period)				
	Year Ended 30 Jun 24 \$A	Year Ended 30 Jun 23 \$A	Amount change \$A	Percentage change %
Revenue from ordinary activities	12,501,204	12,845,444	(344,240)	(2.68)%
Loss from ordinary activities after tax attributable to members	(5,099,173)	(2,215,418)	(2,883,755)	(130.17)%
Net loss for the year attributable to members	(5,099,173)	(2,215,418)	(2,883,755)	(130.17)%

Comment
<p>During the financial year ended 30 June 2024 (FY24), revenue declined by 2.68% to \$12.5m (FY23 \$12.8m), a result of a decline in consulting and implementation services revenue. Revenue from the sale of the Group's software during the period grew 20.37%.</p> <p>Compared to the results for the financial year ended 30 June 2023 (FY23), there was a 130.17% (\$2.9m) increase in the net loss for the year attributable to members as a result of:</p> <ul style="list-style-type: none"> • \$0.7m reduction in the benefit from the revaluation of provisions for contingent consideration relating to the Sateva and Decipher acquisitions (non-cash); • \$0.7m increase in the (non-cash) amortisation expense relating to internally developed intangible assets, a function of the Group's prior investment in capital projects, including the Resource Disclosure development project which was completed in September 2023; • \$0.4m of consultant costs in relation to the strategic review were incurred during FY24, which resulted in K2fly Ltd entering into a scheme implementation deed with Argyle Bidco Pty Ltd, a wholly owned subsidiary of Accel-KKR Capital Partners VII, LP for the acquisition of 100% of the shares in K2fly Ltd for \$0.19 per share¹; • the inclusion of \$0.2m of redundancy costs, a result of the cost reduction initiative undertaken by the Group in the second half of the financial year; and • \$0.3m lower "other income" due to the receipt in FY23 of \$0.2m in insurance claim proceeds and \$0.1m lower research and development incentive received; <p>Net operating cash outflow for the full year was \$1.1m, a 91% increase on the prior year (FY23 \$0.6m). The Group 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, compared to an outflow of \$1.7m for the 6 months to 31 December 2023 (6 months to 30 June 2023 was an inflow of \$0.9m, compared to an outflow of \$1.6m for the 6 months to 31 December 2022).</p>

¹ Refer to the ASX announcement dated 21 June 2024.

Dividends (distributions)
There are no dividend or distribution reinvestment plans in operation and there have been no dividend or distribution payments during the financial year ended 30 June 2024.

Net tangible asset per ordinary security	30 June 2024	30 June 2023
Net tangible assets	\$(5,449,447)	\$(3,035,003)
Number of shares on issue at reporting date	186,927,189	175,314,801
Net tangible asset per ordinary security	(2.92) cents	(1.73) cents

Control Gained or Lost over Entities
Not Applicable

Associates and joint ventures
Not Applicable

Foreign Entities Accounting Framework
Not Applicable

Released with the authority of the K2fly Board
5 August 2024

The information required by listing rule 4.3A is contained in this Appendix 4E.

K2fly Limited

ABN 69 125 345 502

Preliminary Final Report – 30 June 2024

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	2.10	(2,221,938)	(1,490,078)
Compliance & regulatory expense		(173,152)	(146,907)
Consultancy expense	2.4	(1,724,114)	(848,674)
Depreciation plant and equipment		(110,069)	(151,663)
Depreciation right of use assets	2.9	(64,193)	(197,117)
Directors' fees		(265,464)	(291,880)
Employee benefit expense	2.2	(6,041,727)	(5,212,385)
Public relations & marketing expense		(264,252)	(534,180)
Share-based payments expense	2.16	(494,938)	(505,919)
Finance expense		(88,102)	(108,279)
Revaluation of provisions	2.3	563,351	1,289,911
Foreign exchange		(87,961)	(65,520)
Other expenses	2.5	(249,062)	(289,310)
Loss before income tax benefit		(5,353,332)	(2,387,059)
Income tax benefit		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)	2.6	(2.81)	(1.27)

The accompanying notes form part of the financial statements

K2fly Limited

ABN 69 125 345 502

Preliminary Final Report – 30 June 2024

Consolidated Statement of Financial Position

As at 30 June 2024

	Notes	2024 \$	2023 \$
Assets			
Current assets			
Cash and cash equivalents		2,383,663	4,440,403
Trade and other receivables		747,511	1,883,267
Total current assets		3,131,174	6,323,670
Non-current assets			
Restricted cash		158,159	154,448
Plant and equipment		58,207	147,890
Right of use assets	2.9	147,638	211,831
Intangible assets	2.10	7,276,870	8,444,567
Goodwill	2.11	7,342,817	7,342,817
Other financial assets		844	844
Deferred tax assets		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	2.7	2,012,429	2,877,179
Provisions and other liabilities	2.12	854,244	1,520,995
Interest-bearing lease liabilities	2.13	158,915	149,311
Contract liabilities	2.8	5,803,576	4,696,569
Current tax liability		-	29,105
Total current liabilities		8,829,164	9,273,159
Non-current liabilities			
Provisions and other liabilities	2.12	88,901	414,208
Interest-bearing lease liabilities	2.13	27,404	186,319
Deferred tax liabilities		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	2.14	39,609,836	37,171,801
Reserves	2.15	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

Consolidated 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



Consolidated Statement of Changes in Equity
For the year ended 30 June 2023

	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	-	-	-	-	-	(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

K2fly Limited

ABN 69 125 345 502

Preliminary Final Report – 30 June 2024

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		(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)	2.10	(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	2.14	1,000,000	-
Payments for share issue costs	2.14	(20,000)	-
Repayment of lease liabilities		(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		2,383,663	4,440,403

The accompanying notes form part of the financial statements

SECTION - 1 ABOUT THIS REPORT

Basis of preparation

The financial statements comprise the consolidated financial statements for K2fly Limited (Company) and its controlled entities (Group). For the purposes of preparing the consolidated financial statements, the Company is a for-profit entity.

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.

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

The Company is a listed public Company, incorporated and operating in Australia.

Key judgements and estimates

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

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

Revenue

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

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

Useful lives of depreciable assets

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

Impairment

In the financial year ended 30 June 2024, in assessing impairment, management estimates the recoverable amount of each asset or cash-generating unit based on the fair value less cost of disposal. In the financial year ended 30 Jun 2023, management estimated the recoverable amount based on expected future cash flows and used an interest rate to discount them. Estimation uncertainty relates to assumptions about fair value, the cost of disposal, future operating results and the determination of a suitable discount rate.

Capitalisation of internally developed software

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2024

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.

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.

Performance rights

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

Recovery of deferred tax assets

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

Business combinations

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

Provisions for deferred consideration

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

Fair value of financial instruments

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

Significant judgement in determining the lease term of contracts with renewal options

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

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

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.

The directors have prepared the financial statements on a going concern basis as they are satisfied that the Group will be able to fund its planned activities and operations. In forming this view, consideration was given to:

- performance tracking and monitoring disciplines, including regular review of management accounts and cash flow forecasts;
- cost management and control processes;
- recent sales growth and the sales pipeline;
- the portfolio of existing contracts which deliver annual recurring revenues;
- the terms of the working capital facility; and
- the demonstrated ability to raise capital through the equity market, 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.

SECTION - 2 Notes

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*.

	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).

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

2.2 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

2.3 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.

2.4 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

2.5 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

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

2.6 Loss per share

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

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.

2.7 Trade and other payables

	2024	2023
	<u> </u>	<u> </u>
	\$	\$
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
	<u> </u>	<u> </u>
Trade and other payables	2,012,429	2,877,179
	<u> </u>	<u> </u>

2.8 Contract liabilities

	2024	2023
	<u> </u>	<u> </u>
	\$	\$
Deferred revenue	5,803,576	4,696,569
	<u> </u>	<u> </u>
<i>Movements:</i>		
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)
	<u> </u>	<u> </u>
Closing balance	5,803,576	4,696,569
	<u> </u>	<u> </u>

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:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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	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

2.9 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.

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2.10 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 depreciation	(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 development and enhancement within the technical assurance solutions; Model Manager and Ore Blocker;
- upgrading the Resource Disclosure solution to improve ease of use and reduce support complexity; and
- enhancement of the Tailings Management, Ground Disturbance, Heritage Management and Land Access solutions.

The intangible assets are subject to impairment testing.

2.11 Goodwill

	2024	2023
	\$	\$
Goodwill	7,342,817	7,342,817

The Group has recognised goodwill on the acquisitions of Infoscope, Sateva and Decipher. Goodwill is subject to impairment testing.

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2.12 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.

2.13 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.

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2.14 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:

- i. 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
- ii. 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.

2.15 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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	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

2.16 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

Unlisted options to directors, employees and consultants

During the period, the Company issued the following unlisted options:

	Grant date	Expiry date	Exercise price	Fair value at grant date per option	Vesting date
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.

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.

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2.17 Contingent assets and liabilities

Contingent liabilities

There are no contingent assets or contingent liabilities as at the year-end 30 June 2024.

2.18 Significant events after balance date

On 10 July 2024, 742,500 fully paid ordinary shares were issued upon the exercise of 742,500 unlisted options, with an exercise price of \$0 and various expiry dates. The options were all held by Non-Executive Directors of the Company.

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.