

ASX / Media Release

13 March 2018

ASX code: **K2F**

OPERATIONAL UPDATE

Highlights

- Revenue continues to grow with the outlook for the financial year very positive
- Current quarter revenue likely to be approximately 80% higher than the comparable quarter in 2017
- Revenue growth balanced with prudent cost and cash management
- Successful, over-subscribed capital raising took place in January meaning the company is well funded for expansion related to Infoscope on SAP S4 HANA and other opportunities
- Infoscope continues to gain significant traction with the global giant SAP company –
 - Land and Tenement Management product is being ported to SAP Cloud Platform and its S4 HANA environment on track for completion in March 2018
 - K2F to showcase Infoscope with SAP at several national and international conferences and exhibitions in 2018
- Mobility division continues to perform:
 - Fieldreach solution enabled the launch of Mobile Inspection and Works Management within ARC Infrastructure
 - Kony – the Mobile Application and Development Platform with several sizable bids currently live with Utility, Rail and Oil and Gas prospective clients
- K2F currently investing in capability for Internet of Things (IoT)
- Continued wins in consulting and advisory contracts, including Tier 1 clients
- K2F has recently exhibited at a number of industry specific conferences and exhibitions which will lead to further significant opportunities for the Company

K2fly Limited (ASX: K2F) (**K2fly** or **the Company**) continues to develop in line with our strategic expectations, and management is extremely pleased to report that significant progress is being made on a number of fronts.

REVENUES AND COST MANAGEMENT

January is traditionally a quieter month in the software and services sector. Despite this, in the period January-February 2018, K2F raised invoices of approximately \$320k. The 2017 equivalent was around \$185k. March figures for 2018 will be in the range \$250-280k. Accordingly, the anticipated revenue for the quarter will be in the range of \$570-600k. Revenue for the equivalent quarter in 2017 was \$317k, and this represents an increase of approximately 80%.

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The sales pipeline for 2018 is increasing on a monthly basis, and K2F is confident of achieving further sales growth across a number of clients and different product offerings. As of 12 March 2018, K2F has 8 proposals and tenders submitted and under evaluation in the marketplace, some of which are for multi-year provision of software and services. K2F is currently the preferred bidder in two of these situations. It should be noted that these are tenders and proposals and while K2F is optimistic, there are no assurances or guarantees that K2F will be successful in any of these proposals or tenders.

On 24 January 2018, the Company announced it had received firm commitments to raise approximately \$1.2m via an over-subscribed share placement at a price of \$0.25 per share. The issue price represented a discount of approximately 10% to K2fly's last closing price of \$0.28 and a discount of 16.5% to the 5-day volume weighted average price (VWAP).

Funds raised from the placement are being used to grow the business, including employing additional business development staff to support the sales roll out of the Infoscope land management software within the SAP S/4 HANA Enterprise Resource Planning (ERP) system, and for other working capital purposes relating to the training and developing of staff in advance of implementation projects.

The placement of 4,897,209 shares at a price of \$0.25 per share raised \$1,224,302 before costs. For every three shares subscribed one listed 20 cent option (ASX Code: K2FOA) was issued. The placement was made using K2F's existing 15% placement capacity under ASX listing rule 7.1 and therefore shareholder approval was not required. A placement fee of 6% was paid on funds raised.

OWNED SOFTWARE

The acquisition of Infoscope in July 2017 has led to some significant traction with the global giant SAP company and its mining clients. SAP is a ~ A\$33 billion company.

K2F staff have continued to be very busy with the conversion of its enterprise land management solution Infoscope on to the SAP platform. Things are progressing well in this area. K2fly has been afforded excellent support from SAP colleagues in Germany and Switzerland, and is proud to be working in their Co-Innovation Lab (COIL).

The latest position for this development is as follows:

K2F's SAP COIL project delivered its first Go-Live in late January 2018 by successfully porting Infoscope onto SAP HANA as a Proof of Concept. This was one week ahead of schedule. This is currently being extended to more areas of the Infoscope solution and the final stage is now almost complete. Development has been simultaneously progressing to establish a tightly coupled data integration of Infoscope with SAP cloud and on-premise versions; with an expected completion by the end of March 2018.

This integration will be achieved using SAP Cloud Platform's HANA Cloud Integrators (SCP-HCI), which will provide seamless data communication between Infoscope and existing SAP customers while leveraging the SAP ecosystem. The project has been proceeding very smoothly as the K2F team has been working closely with a highly supportive, global SAP COIL team comprising strong internal advocates of this project.

Based upon this development work, K2F has been invited to present at a number of SAP sales events, as well as industry-specific meetings, and last week, K2F's Navin Nirmalrajan spoke at the SAP Australian User Group session in Perth.

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K2F has also started the roll out of The Keeping Place project. The Keeping Place solution, which focuses on providing a safe and meaningful way to repatriate digital cultural heritage information to the rightful custodians, via the deployment of Infoscope software. It has been deployed to the two participating groups: the Yinhawangka Aboriginal Corporation and the Karlka Niyaparli Aboriginal Corporation.

End user training has been completed, and the solution has been very well received.

The repatriated data from FMG, Rio Tinto and BHP is currently being reviewed by both the resource companies and the Aboriginal corporations, and full Go Live is expected in the next two weeks. It is then hoped that other Aboriginal corporations will be onboarded to this program throughout 2018. It is likely that some of these will join before 30 June 2018. Each community will pay the project a fee to be part of the Keeping Place initiative, who in turn will engage K2F to enable the onboarding and data migration.

3RD PARTY SOFTWARE

Our Mobility division is also performing well.

K2F is making good progress with the Mobile Inspection and Works Management project within Arc Infrastructure, based upon the Fieldreach solution which K2F re-sells on behalf of Capita (UK). This project will see K2F delivering a turn-key solution including software licensing, software support & maintenance, integration services, consultancy, training and project management. This project is going well, and will have significant impact on K2F's revenues for the next few months.

K2F is also on a number of short-lists with bids which are based on our Kony offering. Kony (USA) is the world leading Mobile Application Development Platform which is rated highly by industry analysts. K2F is a reseller of the Kony product in the Australian marketplace and currently has live bids in with Electricity, Water, Rail and Oil & Gas prospective clients. In addition, K2F has built a Kony-based prototype Health & Safety solution for Programmed Facility Management, which is currently being tested in the workplace.

K2F continues to invest in the growing area of the IoT and has built good capability with our specialist consultants. K2F is currently developing an Augmented Reality solution for an existing client which could lead to a software and services contract in mid-2018.

CONSULTING

K2F continues to win consulting/advisory contracts, and contract extensions with Tier 1 clients such as Western Power. Our staff are subject matter experts who bring leading edge advice to our clients. We have been awarded contract extensions with more than one client which will run until the middle of 2018. During January and February, K2fly has delivered consultancy services to a number of clients. The list includes: Fortescue Metals Group, Indigenous Land Corporation, Mineral Resources, APIM, Westgold Resources, Snowy Hydro, Western Power, Crushing Services International, Public Transport Authority, Programmed Facility Management, and Arc Infrastructure.

MARKETING AND INDUSTRY UPDATE

K2F hosted an industry breakfast briefing in Perth in February where more than 60 delegates attended to hear how existing clients such as Fortescue Metals Group, Westgold Resources and APIM utilise the Infoscope solution. The K2F/SAP developments were presented, and this generated a lot of interest from existing SAP clients in the resources sector. We will be hosting a comparable event in Brisbane in early May.

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We are promoting our Mobility offerings at this week's Australian Oil & Gas Conference in Perth.

We will also be promoting K2F's bright future in March when we attend Curtin University's Careers Fair in Perth to attract potential business, engineering and IT graduates to our Company. The emphasis will be on planning for digital disruption and the future impact of IoT.

K2F has recently recruited an experienced program delivery expert to be based out of Melbourne as we continue to grow our presence in the eastern states. We have also added additional Infoscope development capability to cope with an increased workload in this product.

At the end of March, K2F CEO Brian Miller will be speaking at the Austmine - Gold Fields Industry event in Perth.

In the period, November to February, we have received Requests for Information (RFI), enquiries or full Invitations to Tender (ITT) from several Utility or Rail companies who are interested in digital transformations and IoT. These industry initiatives and trends have been talked about for some time, but it appears that these aspirations are now becoming a reality. K2fly continues to build its capabilities in this sphere as it prepares for more activity in these important vertical markets. K2F is currently negotiating two "paid for" Proof of Concept (POC) projects: one in rail and another in utilities.

K2F is pleased that the market sentiment continues to improve and anticipates that 2018 and 2019 will see significant growth in the IT and services sector in general.

ENDS

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About K2fly

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

K2fly owns the following technologies for use in Tier 1 companies:

Infoscope: A Data Collaboration solution

ADAM: Asset Data Analysis Management

NovIn: Real Time Asset Inspection Management App

K2fly also re-sells market leading software which has been developed by industry leaders in the USA, Australia, Europe and the UK. These solutions come from OBI Partners (USA), Kony (USA), Pointerra Limited (Aus), ABB (Switzerland) and Capita plc (UK), where they have an outstanding track record of delivering benefits to clients. K2fly has strategic alliances with global technology companies such as: GE(USA) and SAP (Germany).

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, Facilities Management, Aviation and Defence.

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