

ASX / Media Release

14 June 2018

ASX code: **K2F**

Operational Update

Highlights:

- Revenue continues to grow with the outlook for 2018-2019 remaining positive
- Current quarter revenue likely to be approximately 350% higher than the comparable quarter in 2017
- Revenue growth balanced with prudent cost and cash management
- Infoscope continues to gain significant traction with the global giant SAP company –
 - K2F has showcased Infoscope with SAP at several national and international conferences and exhibitions in 2018, and will continue to do so next FY
 - In mid-June the Infoscope solution was added to the prestigious SAP APP Center which enables SAP Account Executives to sell Infoscope directly to end user clients
 - Currently engaged with SAP in joint sales campaigns with a number of significant Tier 1 Resources' Companies
- 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 continuing to invest in new capability for Internet of Things (IoT)
- Continued wins in consulting and advisory contracts, including Tier 1 clients.

K2fly Limited (ASX: **K2F**) continues to develop in line with our strategic expectations, and management is extremely pleased to report that significant progress is being made against our strategy.

REVENUES AND COST MANAGEMENT

In April and May K2F raised invoices to the value of approximately \$505k. We anticipate invoices raised for June 2018 will be in the range of \$430-480k. Accordingly, the anticipated revenue for the quarter will be in the range of \$935-985k. This represents an increase in revenue of approximately 350% over the revenue of \$220k achieved in the equivalent quarter in 2017.

The sales pipeline for 2018-2019 continues to grow, and K2F is confident of achieving further sales growth across a number of clients and different product offerings. As of 14 June 2018, K2F has 9 proposals submitted and under evaluation in the marketplace, some of which are for multi-year provision of software and services. It should be noted that these proposals are still under evaluation and while K2F is optimistic we will win some of these there are no assurances or guarantees that K2F will be successful in any of these.

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Prudent cost management has ensured that our expenses have remained in line with expectations and that cash-flow is appropriate to support the revenue growth. The cash at hand at the end of March 2018 was approximately \$767k. At end of May 2018 the figure had risen to \$919k as the company increased its focus on cash collection from its clients. The figure as at June 13th was \$925k.

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 with approximately 90,000 employees – 25,000 of which are based in the Asia-Pacific-Japan region.

The Infoscope product was recently added to the SAP APP Center and this means that SAP account executives can now sell our solution directly, and receive sales commissions. This is an exciting development and should lead to further engagements between K2F and SAP staff. The link to the SAP App Center is listed below:

<https://www.sapappcenter.com/apps/25474/infoscope#!overview>

We are currently engaged in joint sales campaigns with a number of significant Tier 1 resources' companies and are focusing our efforts on signing SAP clients who require a land management solution which resides on the S4 HANA cloud environment. SAP and K2F believe that the Infoscope solution is well placed to fulfil this requirement.

3RD PARTY SOFTWARE

Our Mobility division is also performing well.

K2F continues to make 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 solution is currently in test mode and is likely to Go Live in July.

K2F is also on a number of short-lists where we are offering the Fieldreach solution, especially with rail companies. The Federal and State governments are investing significantly in public infrastructure, and Fieldreach could play a significant role as such programs and projects are rolled out.

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.

While K2F is optimistic we will win some of these proposals for the Fieldreach solution and Kony offering, there are no assurances or guarantees that K2F will be successful in any of these proposals.

CONSULTING

K2F continues to win consulting/advisory contracts, and contract extensions with Tier 1 clients such as Western Power. K2F announced on 31 May a major contract win with Western Power for Systems Integration supporting its CRM initiative. We have won a number of contracts or contract extensions within
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Western Power in this quarter amounting to almost \$800k, and this will see K2F generating material revenues from this utility in to 2018-2019. K2F is a trusted advisor to Western Power across a number of different areas of the business and we are delighted to be given the opportunity to bring the high calibre of industry expertise to our key clients in Western Australia.

Our staff are subject matter experts who bring leading edge advice to our clients. We have been awarded contract extensions with multiple clients which will run until late 2018. Fortescue Metals Group (FMG) is a major user of the Infoscope solution, and they have just awarded K2F contract extensions for consultancy and software development for 2018/19. The additional revenues will be between \$200-300k in FYE June 2019.

MARKETING AND INDUSTRY UPDATE

K2F launched its new website in June to coincide with its presence at the Energy Networks Australia 2018 Conference in Sydney. K2F solutions received positive feedback at this well attended event.

K2F also took part in the Future Mining Conference in Sydney in May where we were co-exhibitor with SAP.

K2F is pleased that the market sentiment continues to improve and anticipates that 2018 and 2019 will see significant growth in demand for our solutions and 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, and Defence.

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