

## ASX / Media Release

17 September 2018

ASX code: **K2F**

# Operational Update

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### Highlights:

- Revenue continues to grow with the outlook for 2018-2019 remaining positive
- Current quarter revenue likely to be approximately 200% higher than the comparable quarter in 2017
- Infoscope continues to gain significant traction with the global giant SAP company –
  - Infoscope showcased with SAP at several national and international events including 4 international sessions with SAP Sales Executives, as well as the SAP Advisory Council for Mining, which includes many Tier 1 SAP clients
  - Significant interest is being generated across North and South America, Africa, Europe, Asia and Australia
  - In October, Infoscope solution to be presented at the International SAP Conference for Mining & Minerals in Prague which is held annually
  - Currently engaged with SAP in joint sales campaigns with a number of significant Tier 1 Resources' Companies
- Mobility division continues to perform:
  - Fieldreach solution went live in ARC Infrastructure in July
  - Kony – the Mobile Application and Development Platform with several sizable bids currently live with Utility, Mining, Rail and Oil and Gas prospective clients including one opportunity with an existing client
- Continued wins in consulting and advisory contracts, including Tier 1 clients

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

### REVENUES AND COST MANAGEMENT

In July and August K2F raised invoices to the value of approximately \$618k. This was our largest ever figure for the first 2 months of any quarter. We anticipate invoices raised for September 2018 will be in the range of \$340-380k. Accordingly, the anticipated revenue for the quarter will be between \$950k

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to \$1m. This will represent an increase in revenue of approximately 200% over the revenue of \$319k achieved in the corresponding quarter in 2017.

The sales pipeline for 2018-2019 continues to grow, and K2F is confident of achieving growth during this financial year across a number of clients and different product offerings. As of 14 September 2018, K2F has 10 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 contracts.

## **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 94,000 employees – 25,000 of which are based in the Asia-Pacific-Japan region.

The Infoscope product was added to the SAP APP Center in June and this has meant that SAP account executives can now sell our solution directly and receive sales commissions if successful. SAP has more than 700 Energy and Natural Resources (ENR) clients around the world and a sales team of some 70+ executives dealing exclusively with this sector. This has led to a number of sales opportunities being created between K2F and SAP staff.

We are currently engaged in joint sales campaigns with a number of significant Tier 1 resources' companies and are focusing our efforts on trying to close contracts with SAP clients who require an enterprise 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.

In August and September, K2F delivered a number of presentations to SAP staff across the world. In September we were fortunate to be the sole independent organisation who presented to the SAP Advisory Council for Mining. Two virtual meetings took place; one for the Americas and Africa, and another for Europe and Asia. A number of qualified sales opportunities have emerged from these meetings. K2F is currently pursuing these leads with SAP colleagues and interest in the general topic of Environment, Social and Governance for Mining is a topical subject. The Infoscope solution is well placed to satisfy the requirements and obligations in this arena for SAP energy and natural resources clients.

In addition to the work being undertaken directly with SAP, K2F has also increased its own network of relationships with other key vendors in the asset-intensive arena. In August, K2F joined the highly regarded Esri Partner Network.

Esri's Geographical Information System (GIS) mapping software is considered to be one of the most powerful mapping and spatial data analytics technology available and has a strong presence in the Tier 1 mining community. Esri is a world leading spatial analytics provider and its flagship product ArcGIS integrates with SAP HANA spatial services to deliver location-aware business applications faster. K2F and Esri are working together to articulate their combined offering within the Esri ecosystem. K2F and Esri are jointly developing an Infoscope-specific solution architecture offering and a sales model which will be delivered as an Esri Partner solution to its global client base.

### **3RD PARTY OFFERINGS**

K2F has made 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 has seen K2F deliver a turn-key solution including software licensing, software support & maintenance, integration services, consultancy, training and project management. This solution went live in July and K2F has been awarded an additional contract with Arc Infrastructure to move on to other asset classes within their company. This is evidence that the client holds both the software and our consulting services in good stead.

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, with its Fieldreach offering is also on a short-list for a major mining company.

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, Mining, Water, Rail and Oil & Gas prospective clients.

There is also another possible Kony opportunity with an existing K2F client. This demonstrates the cross-sale opportunities K2F has with its product offerings to not only new clients, but also its current client base.

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**

In July, K2F announced that it had won a contract for additional enhancements to be incorporated into the Infoscope solution for Fortescue Metals Group (FMG). The client uses the market leading Infoscope Land Management solution to assist in its Tenement Management processes and has been using the software since 2012. The Infoscope solution employed by FMG now spans multiple business units including Tenements & Acquisition, Heritage & Native Title, Environment Approvals and VTEC, amongst others.

FMG has recently raised purchase orders in excess of \$300k to have additional developments made within its Infoscope solution and utilise highly experienced technical resources from K2F. These assignments commenced in July and will be completed within the first half of the FY 2019.

K2F continues to win consulting/advisory contracts, and contract extensions with Tier 1 clients such as Western Power. K2F announced on 4 September a major contract win with Western Power for further consultancy and advisory work. 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.

### **MARKETING AND INDUSTRY UPDATE**

We are very excited to announce our sponsorship of the upcoming global International SAP Conference for Mining and Metals, held annually, which is taking place in Prague, Czech Republic from

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16-18 October this year. This unique event will bring together over 300 business and IT professionals from across the full SAP mining and metals ecosystem – including partners, users, and solution experts.

As one of the Mining Platinum Sponsor, alongside Accenture and IBM, we look forward to being part of this event as SAP experts bring the latest mining and metals solutions and future roadmap. The International SAP Conference for Mining and Minerals will feature live demos, interactive micro forums and case studies from leading Mining and Metal companies from across the world, including ArcelorMittal, NLMK, Roy Hill, Vale Vedanta.

The event will cover key topics such as Digital Transformation, Asset Management, Machine Learning and Artificial Intelligence.

The Company is pleased that the market sentiment continues to be positive. There is an increasing number of opportunities available to K2F and we are leveraging our successful track record in asset-intensive industries. We are growing our capabilities in relation to migration to cloud, ongoing digital transformation and the proposed changes to corporate governance principles with a focus on an organisation's "social licence to operate".

## **CORPORATE**

As K2F continued to grow, Jenny Cutri became non-executive Chair from 1 July.

On 12 September K2F announced a capital raising by way of a fully underwritten non-renounceable pro-rata rights issue to raise \$1,812,293 (before costs) (Rights Issue). Under the Rights Issue, eligible shareholders will be able to subscribe for 1 new share for every existing 10 shares they hold at an issue price of \$0.30 per share, together with one listed option (ASX: K2FOA) for every four new shares subscribed for with an exercise price of \$0.20 and expiry date of 18 May 2020. The underwritten rights issue will give K2F the capacity to accelerate the long term growth strategy.

K2F would like to thank its shareholders for their continued support during these exciting times.

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 **Infoscope** (a Data Collaboration solution) for use in Tier 1 companies.

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), Esri (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.