

30 October 2018

ASX / Media Release

ASX code: **K2F**

Record Revenue – Quarterly Activities Update Period ended 30 September 2018

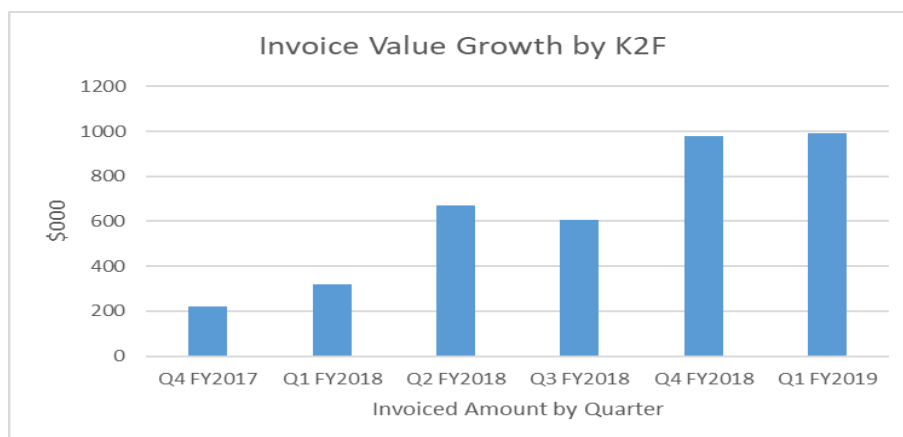
Highlights:

- Another record quarter with invoices for Q1 FY2019 totalling ~\$991k
- Current quarter invoiced value more than three times greater than the comparable quarter in 2017
- Revenue continues to grow with the outlook for remainder of FY19 remaining positive
- Completion of fully underwritten non-renounceable rights issue, raising approximately \$1.8m (before costs)
- Appointment of Chief Commercial Officer (CCO)
- K2F engaged with SAP in joint sales campaigns to a number of significant Tier 1 Resource Companies
- Fieldreach solution, Mobile Inspection and Works Management, implemented within ARC Infrastructure, solution went live in July and Phase II of the project is now underway
- Continued wins in consulting and advisory contracts, including Tier 1 clients

K2Fly Limited (ASX: K2F) (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 against our strategy.

REVENUES AND COST MANAGEMENT

In the September quarter (Q1 FY2019) K2F raised invoices to the value of \$991k which was the company's largest ever quarter. This number has more than trebled in the last 12 months as the equivalent number in Q1 FY2018 was approximately \$319k. This represents a 211% increase on pcp, and was in line with advice provided last month.



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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 16 October 2018, K2F has 12 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.

Our two most recent Quarters have shown invoiced totals approaching a million dollars (\$978k and \$991k respectively). Much of this revenue has been generated by services and consultancy assignments in Tier 1 clients. This work requires on-site delivery capability and as such K2F has to increase its staff members with the appropriate capability to deliver this work.

In the short term, increasing staff members will have an upward pressure on K2F's costs, and along with lengthy payment terms of some clients, will impact K2F's working capital management.

However, K2F sees this as appropriate in terms of where it is placed in its growth cycle and also in positioning itself for future growth.

The Board has also decided to "Invest in Growth" for the next 12 to 18 months. The platforming of Infoscope on SAP is now complete both technically and commercially. Now the focus is on enabling the extended sales capability being developed to secure new clients. To do this we invested in the appointment of a Chief Commercial Officer to support the team, as well as focussing key team members on growth ahead of chargeable delivery time. Further, to balance the growth risk, we are investing in an Eastern States based Business Development Manager to focus more on Mobility and Consulting and we are increasing our efforts in assessing potential technology acquisitions. All of this leads to expenditure being incurred ahead of revenue being earned. The recently completed \$1.8m Rights Issue provides us with the working capital to invest in this growth.

OWNED SOFTWARE

As previously announced, we are currently engaged in joint sales campaigns with SAP to 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. We are in discussions with a number of Tier 1 prospective clients which are very encouraging but there is no guarantee that any of these opportunities will become new contract wins.

As stated above, to drive this sales pipeline through to conversion by clients K2F have employed a highly experienced Chief Commercial officer, Nic Pollock. Nic brings a wealth of experience to K2F in particular experience selling enterprise software to large mining companies, nationally and internationally. Nic has been involved in the enterprise software and professional services market at the senior and executive level for over 25 years. Commencing in banking technologies for NatWest in London, he then moved quickly to regional and global leadership roles including at Oracle, a leading enterprise software provider. During the last 15 years, Mr Pollock has been largely focused on successfully growing some of the most recognised global technology brands in the resources' industry such as; Snowden, Gemcom (now Dassault) Surpac, Mincom (now ABB) and Whittle.

3rd PARTY SOFTWARE

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).

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This project saw K2F deliver a turn-key solution which went live in July, and includes software licensing, software support & maintenance, integration services, consultancy, training and project management. K2F has now been engaged to work on Phase II of the Fieldreach project, and this will provide further consultancy revenues until approximately February 2019.

K2F is also on a number of competitive 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 we believe 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 some industry analysts. K2F is a reseller of the Kony product in the Australian marketplace and currently has live bids in with Electricity, Water, Rail, Mining 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.

K2F also regularly assess our 3rd party software relationships to ensure we have the right functionality (functionality that is in demand in our chosen industries) and the right products (products that have strong propositions for our clients). This portfolio consists of mature, proven functionality such as mobility solutions as well as leading edge functionality such as Industrial Internet of Things (IIOT).

CONSULTING

Our staff are subject matter experts who bring leading edge advice to our clients.

In the September quarter we variously delivered consultancy services to; Western Power, Public Transport Authority, Westgold Resources, Programmed and Fortescue Metals Group. Collectively the consulting work completed represented our largest quarter to date in consulting services delivered.

Our consultancy services focus on value rather than volume. We have built a good reputation for delivering cutting edge advice, and as a result these assignments normally attract premium consultancy rates. Consultancy assignments are normally bid for, sold and then executed typically in a matter of months, so unlike Software as a Service (SaaS) there are no annuity revenues associated with them once they are complete. Our consulting revenue relies on our clients having active IT work programs and on our consultants delivering value on every assignment in order to secure further work. In the last few days, K2F has won further contract extensions to existing work within an existing client.

In order to further grow our consulting revenue base, K2F is now seeking to expand geographically in to the eastern states and has commenced the process of securing a Business Development Manager to be based in Sydney or Melbourne.

MARKETING AND INDUSTRY UPDATE

K2F has continued to invest in sales and marketing.

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.

In October and November, K2F was/will be heavily involved in a number of conferences and workshops.

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The Infoscope solution was showcased at the SAP world mining event in Prague. This was a highly successful event with hundreds of attendees. K2fly was heavily promoted by SAP with testimonials given during their keynote presentations, and the SAP Account Executives introduced K2F to many global mining clients during the event.

In November Infoscope will be promoted at Australia's biggest mining conference, the International Mining and Resources Conference (IMARC) in Melbourne. IMARC will have 6,000 attendees. On the opening day which is deemed "Africa Day" K2F will be running a full day seminar on Social Licence. K2F has put together a very impressive list of presenters including Dr Nicky Black from the International Council on Mining and Metals (ICMM).

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, solution offering and a sales model which will be delivered as an Esri Partner solution to its global client base.

As part of our strategy to extend the reach of the Infoscope through indirect channels K2F is actively promoting Infoscope as a "white label" solution to various service providers. Infoscope is already white labelled for one of our key projects "The Keeping Place" <http://thekeepingplace.com/> which is a joint project with The National Trust (WA) for aboriginal corporations and supported by FMG, Rio Tinto and BHP for repatriation of cultural heritage information back to the traditional owners.

This is due to be launched this calendar year.

Further to that engagement, K2F is engaged with various other service providers who have expressed a desire to deliver Infoscope functionality via their own channels in fields such as Environment, Native Title, Legal Services and Mining Industry bodies. This further exemplifies Infoscope's flexibility to scale the solution to a range of different audiences. We expect to have more white label announcements in the near future.

K2F has recently joined Australian African Mining & Energy Group (AAMEG) and will present its Infoscope solution offering for Australian African resource companies at an industry function on 15 November in Perth. Accurate, local data presented spatially will be of great use to Australian resource companies operating in Africa, as well as boosting their social licence to operate in country by using Infoscope across the spectrum of ESG (Environment, Social and Governance) functions.

CORPORATE

Rights Issue

On 12 September 2018, the Company announced a capital raising by way of a fully underwritten non-renounceable pro-rata Rights Issue to raise \$1,812,293 (before costs). Under the Rights Issue, eligible shareholders were invited to subscribe for 1 new share for every existing 10 shares held 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.

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As stated in the Prospectus the proposed use of funds raised under the Rights Issue will be to grow the business including the engagement of executives to drive growth of Infoscope sales (the CCO has already been appointed), assist in the evaluation of technologies for acquisition and drive geographic expansion. Proceeds raised will also be used to further enhance its Infoscope products in relation to the SAP and Esri integration and alignment, the evaluation of different technologies for acquisition as well as for general working capital purposes.

The Rights Issue was fully underwritten by K S Capital Pty Limited. All Directors of K2F participated in the Rights Issue. In addition to this, Brian Miller, Jenny Cutri and James Deacon sub-underwrote a total of \$60,000 of the Rights Issue. Subsequent to the quarter end, pursuant to the Rights Issue a total of 6,040,976 shares and 1,510,244 listed options were issued.

CCO Appointment

On 25 September 2018, the Company announced the appointment of Mr Nic Pollock as Chief Commercial Officer commencing 1 October 2018.

Securities

There were no securities issued during the quarter ended 30 September 2018. Subsequent to the quarter end, the Company has issued the following securities:

- 2,272,670 shares issued on 12 October 2018 pursuant to the entitlement issue
- 568,182 listed options issued on 12 October 2018 pursuant to the entitlement issue
- 3,768,306 shares issued on 24 October 2018 pursuant to the entitlement issue
- 942,062 listed options issued on 24 October 2018 pursuant to the entitlement issue
- 12,000 shares issued on 26 October 2018 upon the exercise of listed options

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 has strategic alliances with global technology companies such as: GE(USA), Esri (USA) and SAP (Germany).

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.

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.