

25 January 2019

ASX / Media Release

ASX code: **K2F**

Quarterly Activities Update Period ended 31 December 2018

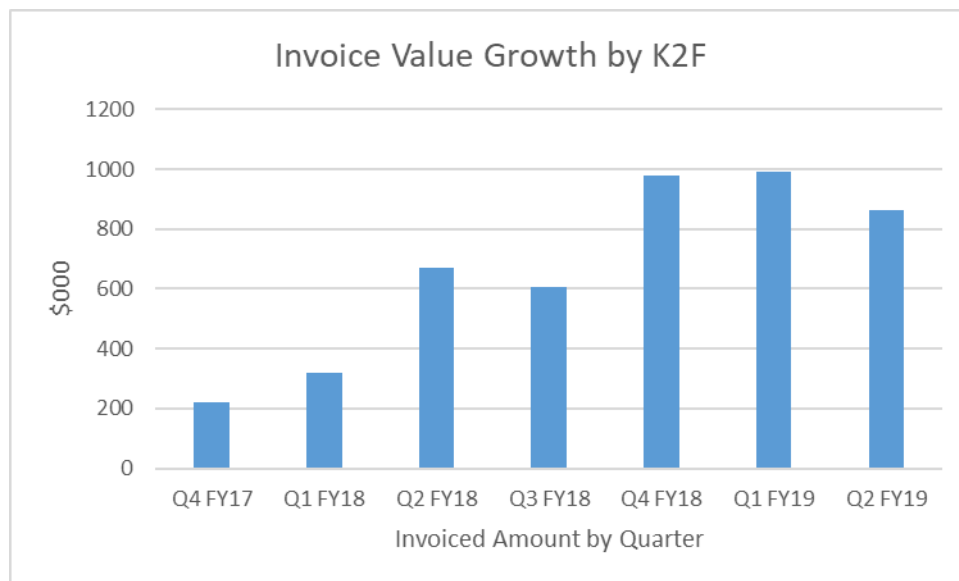
Highlights:

- A strong quarter with revenues in excess of \$860k. Approximately 30% greater than the equivalent quarter for previous year
- Revenue continues to grow with the outlook for remainder of FY19 remaining positive
- K2F engaged with SAP in joint sales campaigns for Infoscope with a number of significant Tier 1 Resource Companies
- Fieldreach solution, Mobile Inspection and Works Management, currently being rolled out in Phase II for Arc Infrastructure
- Awarded contract to deploy Kony software in an existing Tier 1 client
- Continued wins in consulting and advisory contracts, including Tier 1 clients
- Implemented an Employee Option Incentive Plan to encourage excellence and to retain the talent critical to K2F success
- Completion of fully underwritten non-renounceable rights issue, raising approximately \$1.8m (before costs)

K2Fly Limited (**ASX: K2F**) (**K2F**, **K2fly** or **the Company**) continues to develop the business in line with our strategic plan, and management is extremely pleased to report that significant progress is being made against our long-term strategy.

REVENUES AND COST

In the December quarter (Q2 FY2019) K2F raised invoices to the value of approximately \$863k. This number was approximately 31% greater than the equivalent quarter last year where the number for Q2 FY2018 was approximately \$659k.



K2F has also demonstrated impressive performance over the longer term. Comparing the total value of invoices raised for the calendar year, 2017 (Approximately \$1,526k) to 2018 (Approximately \$3,464k). This represents an increase of about 127%, year-on-year. The biggest clients by revenue for calendar year 2018 were: Western Power at approximately \$1.7m; Fortescue Metals Group (FMG) with nearly \$615k; and Arc Infrastructure with more than \$565k.

January is traditionally a very quiet revenue month in the software and services sector. The Australian holiday season often sees decision-makers and influencers absent from clients (and prospective clients). In response to this, K2F limits staffing over the holiday season to billable project resources and critical operational services thereby reducing costs. Despite this, with a few days to go before period end K2F has invoiced approximately \$200k compared to zero invoices raised in January 2018.

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. Although no SAP-led Infoscope sales occurred in Q2 2019, the company is still in negotiations with several major prospective clients. Due to the breadth of the Infoscope software solution as a tool to manage mining companies' "social licence to operate" the sales process can involve many departments covering many activities in mining and exploration. Although this is positive in the long run because it will likely lead to a larger number of Infoscope users, it does lead to longer sales cycles. K2F and its Infoscope team (including our Chief Commercial Officer Nic Pollock who was engaged partially to drive Infoscope sales) are very much focussed on achieving multiple Infoscope sales during the remainder of FY2019 and beyond.

The Board continues to support the plan to "Invest in Growth" for the next 12 to 18 months. The platforming of Infoscope on SAP was completed in 2018 and we will continue to work with existing clients, SAP and Tier 1 consultancy firms to promote this capability. As of 24 January, K2F had cash reserves in excess of \$950k and also had outstanding cash receivables from Tier 1 clients of more than \$600k.

OWNED SOFTWARE

As previously announced, we are currently engaged in various 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 firmly 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 although there is no guarantee that any of these

K2fly Limited ACN 125 345 502

E info@k2fly.com

Registered Office Level 1, 26 Railway Road, Subiaco WA 6008

www.k2fly.com

opportunities will become new contract wins. Unfortunately, these sales cycles are typically longer than we originally anticipated and we are tuning our sales efforts and approaches as a result. Despite this we remain confident, based on our discussions with a number of resource companies, that most of these companies globally are wrestling with the challenges associated with emerging Environmental, Social and Governance demands, and are therefore looking for software solutions that effectively satisfy that requirement and Infoscope is ideally positioned to do this.

We are in contract negotiations with a Tier 1 WA-based miner for our Infoscope solution. Although the first stage of project would centre on only one department the likelihood is that the Infoscope footprint would grow after the initial implementation. Although as previously stated there are no guarantees until the contract is signed, we anticipate final sign-off from this new name client before the end of this quarter.

In addition, we are the preferred bidder with our Infoscope solution for another new name, Australian mining company.

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).

This project saw K2F deliver a solution which went live in 2018, and includes software licensing, software support & maintenance, integration services, consultancy, training and project management. On the back of this success K2F is now engaged in a second phase project and is providing further on-site consultancy which is likely to continue until mid-2019.

The demand for digital products that support ever-increasingly mobile workforces is strong and shows no signs of slowing. K2F is on a number of competitive short-lists where we are offering the Fieldreach solution, especially with rail, electricity and resource companies. The Federal and State governments are investing significantly in public infrastructure and the software required to maintain their assets. 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 many industry analysts. K2F is a reseller of the Kony product in the Australian marketplace and currently has bids in with Electricity, Water, Rail, Mining and Oil & Gas prospective clients.

One of K2F's key strategic objectives is to be a trusted advisor to Tier 1 clients as this provides truly beneficial relationships for both parties. We believe we demonstrated this with FMG who is one of our long-standing Infoscope clients. K2F was recently awarded a contract with FMG for Kony software and services. The project will run throughout 2019 and is a good example of being able to provide additional services and solutions to existing clients, when you are valued as a trusted supplier.

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

To be a long-term trusted advisor to our chosen industries, K2F must 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). Our clients demand a portfolio of solutions that consists of mature functionality (such as mobility) as well as cutting edge functionality such as Industrial Internet of Things (IIoT). As a result of such analyses, K2F has recently entered in to a software reseller agreement with Totalmobile from the UK. This award-winning software solution is

K2fly Limited ACN 125 345 502

[E info@k2fly.com](mailto:info@k2fly.com)

Registered Office Level 1, 26 Railway Road, Subiaco WA 6008

www.k2fly.com

particularly strong as a workforce scheduling tool, and K2F will be its sole Australian reseller. The initial, 3-year term can be extended by mutual consent.

CONSULTING

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

In the December quarter we variously delivered consultancy services to; Western Power, Public Transport Authority, Westgold Resources, Programmed and FMG.

Our consultancy services are typically of low volume (shorter timeframe) and high value rather than long term operational support services. 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) products there are no annuity revenues associated with them once they are complete. Our consulting revenue relies both 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 signed a Time & Materials contract with ABB for consulting services in 2019 amounting to approximately \$1.5M. It is hoped that this partnership will grow in 2019 and beyond.

MARKETING AND INDUSTRY UPDATE

K2F has continued to invest in sales and marketing.

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

The Infoscope solution was showcased at the SAP world mining event in Prague in October. 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. This activity has led to us developing a significant pipeline of Tier 1 prospects and we are hopeful of future contract wins from this new and expanding sales pipeline.

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

K2F joined Australian African Mining & Energy Group (AAMEG) and presented its Infoscope solution 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.

In the first few days of January, two senior colleagues attended the SAP annual Field Kick Off Meeting (FKOM) in Sydney and promoted Infoscope's Environmental, Social and Governance capabilities to a significant number of SAP staff.

CORPORATE

Rights Issue

As previously announced, the Company undertook 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 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.

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.

In October 2018 a total of 6,040,976 shares and 1,510,244 listed options were issued pursuant to the Rights Issue.

Canary Mandate

On 22 November 2018, the Company announced it had executed a new mandate with Canary Capital Pty Ltd (**Canary Capital**), a boutique Sydney headquartered investment management and corporate advisory firm, to continue to provide investor marketing services to the Company (**Investor Marketing Mandate**).

AGM

The Company's Annual General Meeting (**AGM**) was held 26 November 2018, where all resolutions put to shareholders were passed.

For more information, refer to the Notices of Meetings and Results which are available via the Company's website at www.k2fly.com.

Change in Constitution

On 26 November 2018, the Company adopted a new constitution following the passing of a special resolution at the AGM.

Employee Incentive Option Plan

On 26 November 2018, the Company adopted an employee incentive scheme (**Employee Incentive Option**), as approved by shareholders at the AGM.

The purpose of the Employee Incentive Option plan is to encourage excellence and retain staff critical to K2F with appropriate rewards on a non-cash basis, thereby preserving K2F's cash.

The options which were issued have vesting conditions attached including both company and individual performance metrics. The metrics relate to overall company revenue and performance; product and revenue diversification including client diversification.

Securities

During the quarter, the Company issued the following securities:

- 2,272,670 shares issued on 12 October 2018 pursuant to the Rights Issue
- 568,182 listed options issued on 12 October 2018 pursuant to the Rights Issue
- 3,768,306 shares issued on 24 October 2018 pursuant to the Rights Issue

K2fly Limited ACN 125 345 502

E info@k2fly.com

Registered Office Level 1, 26 Railway Road, Subiaco WA 6008

www.k2fly.com

- 942,062 listed options issued on 24 October 2018 pursuant to the Rights Issue
- 12,000 shares issued on 26 October 2018 upon the exercise of listed options
- 202,500 shares issued on 5 November 2018 on conversion of performance rights
- 1,304,371 unlisted options issued on 21 December 2018 to directors and consultants, as approved by shareholders at the Company's AGM
- 1,962,045 unlisted options issued on 21 December 2018 to employees under its shareholder-approved Employee Incentive Option Plan
- 62,454 shares issued on 21 December 2018 to advisor Canary Capital pursuant to the Investor Marketing Mandate

During the quarter, the following securities were released from escrow:

- 16,345,644 fully paid ordinary shares released from escrow on 18 November 2018
- 2,617,500 performance rights released from escrow on 18 November 2018
- 1,920,000 unlisted options at \$0.25 expiring 17 November 2020 released from escrow on 22 November 2018
- 800,000 unlisted options at \$0.25 expiring 1 December 2020 released from escrow on 22 November 2018

In addition to the above, on 20 November 2018 a total of 1,820,000 performance rights held by Mr Brian Miller were cancelled.

ENDS

For further information, please contact:

Brian Miller
CEO & Executive Director
K2fly Limited
T: +61 422 227 489
E: brian@k2fly.com

Investor Inquiries
Paul Hart
Canary Capital
T: +61 421 051 474
E: phart@canarycapital.com.au

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 Land Management and Stakeholder Relations solution for the Energy and Resources market.

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.