

## ASX / Media Release

31 July 2019

ASX code: **K2F**

### Q4 FY 2019 - Appendix 4C Update

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#### Highlights

- Invoices for Q4 FY19 increased 52% from Q3 FY18 (\$1.49m v. \$978k)
  - Invoices for FY19 increase 61% YoY to total \$4.14M
  - Cash at hand 30 June was \$1,060K with approximately \$850K in receivables
  - Acquisition of RCubed finalised and announced on 3 June 2019, integration progressing well
  - New RCubed client Imerys SA (Paris) immediately signed with a strong pipeline of more potential customers to come
  - Infoscope implementation in Mineral Resources on track with a strong pipeline of potential customers progressing towards further sales
  - More than AUD\$1m in contract extensions signed with existing clients, and in addition K2F has won three new name consulting clients
  - R&D tax refund of more than \$82k received from ATO
  - K2F and Esri Australia signed a reseller agreement allowing Esri Australia to sell Infoscope licences to their existing clients
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#### Billing and Cash Flow

K2fly Limited (ASX: K2F) (**K2fly** or **the Company**) is pleased to announce that it has raised invoices for \$1.49M in Q4 FY19, which is an improvement of 52% over the equivalent quarter in FY18. This means that invoices raised for FY19 totalled \$4,144k, which is a 61% improvement on FY18 (\$2,574k).

As at 30 June 2019, the available cash at hand was \$1,060k. In addition, there was \$850k in aged receivables from Tier 1 clients. There is also another \$50k of work in progress with existing clients which will be invoiced on delivery. These numbers reflect the fact that K2F's current operations are steadily moving towards achieving its goal, of net positive cashflows.

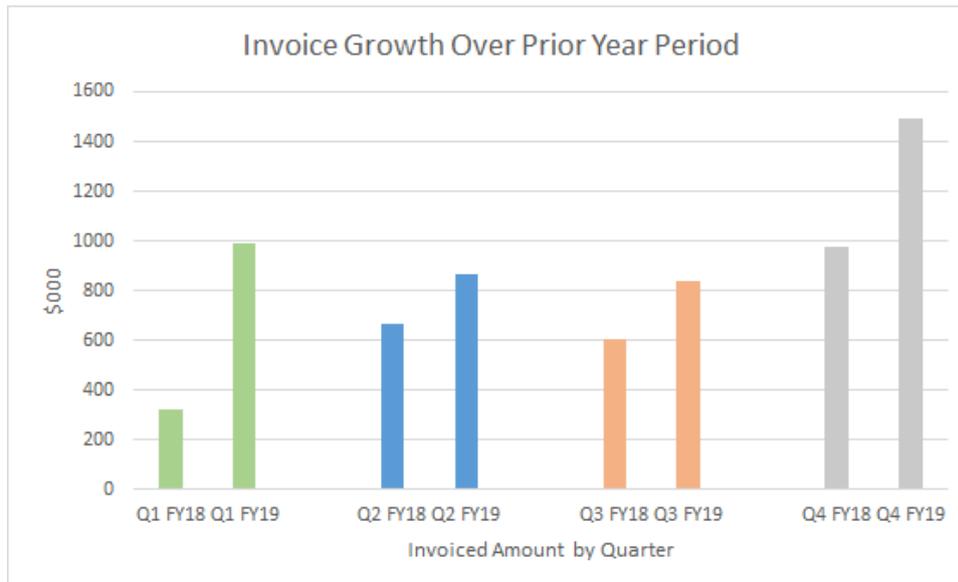
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### RCubed Acquisition and Sales Update

On 3 June K2fly announced the completion of the acquisition of RCubed. RCubed is a resources and reporting solution, and is the only fit for purpose commercial off the shelf (COTS) software system that addresses this major requirement. RCubed is designed to fulfill this function for mining companies across multiple stock exchanges, regulations and reporting codes.

Following completion of the acquisition of RCubed, an agreement was immediately signed with Imerys SA to provide the RCubed Software solution for its mineral sand operations in 85 locations in 25 countries worldwide. Imerys SA is a French multinational company which specialises in the production and processing of industrial minerals. Imerys SA has revenues of over €4.5 billion per annum and has more than 18,000 employees. Imerys SA is listed on the Paris Stock Exchange.

The Imerys contract takes the number of K2fly RCubed sites from 65 to 150 with a single client. Graphic details below.

In October 2018, the U.S. Securities and Exchange Commission (SEC) adopted a final rule that overhauled its existing disclosure requirements for mining company issuers. It represents the first major change to disclosure for mining companies since Industry Guide 7 was adopted almost 30 years ago and brings the U.S. into line with countries following CRIRSCO<sup>1</sup> reporting codes such as Australia, Canada and South Africa. Companies operating in the US or listed on the NYSE will be required to comply with the new rules in their first fiscal year beginning on or after 1 January 2021. This affects many major mining houses that are jointly listed on the NYSE such as BHP, Rio Tinto, Vale, Newmont Goldcorp, Anglo Gold Ashanti and Goldfields to name some, but there are in excess of 50 large mining companies listed on the NYSE.

A combination of the regulatory changes in the US coinciding with the retirement of certain in-house systems has created unprecedented demand for the RCubed solution.

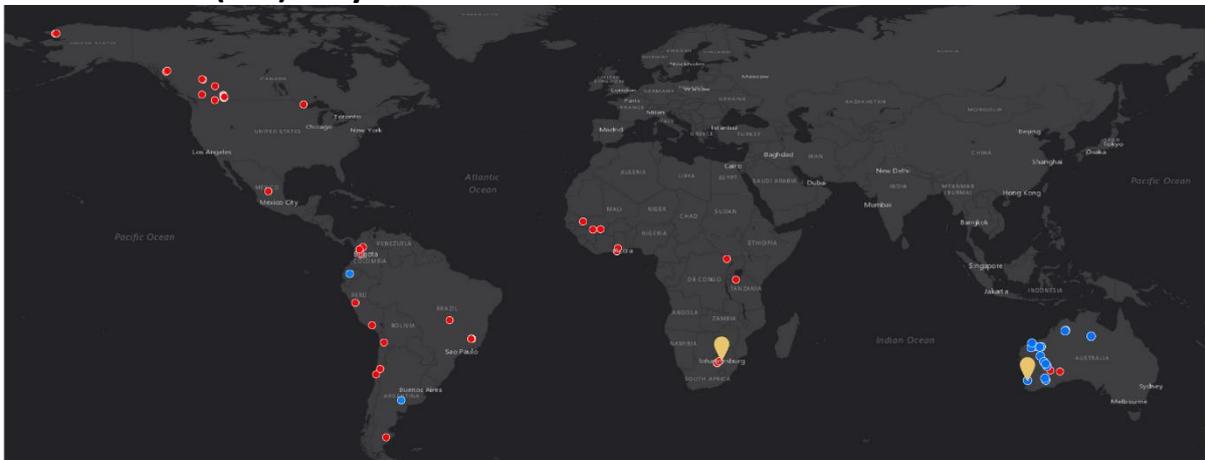
<sup>1</sup> CRIRSCO is the Committee for Mineral Reserves International Reporting Standards

We are in contractual negotiations with major resource companies for our owned RCubed software solution, but caution that, given the enterprise-wide impact and numbers of internal stakeholders involved, these contracts often take considerable time to finalise. K2F is the preferred bidder in a handful of sales situations, but until contracts are signed there is still a risk that the deals will not happen.

Since the acquisition, senior Perth-based staff have visited the South African office, and last week one of the RCubed principals was in Perth participating in meetings with significant prospective clients. The early signs are that the anticipated synergies between K2F and RCubed will be readily achieved.

The graphics below indicate the impact of winning the Imerys deal with the significantly increased number of client sites.

### RCubed Sites (red) May 2019



### RCubed Sites (red) June 2019



As more clients come onto RCubed, driven by increasing regulatory and system requirements, we expect to see significant growth in customer and site numbers globally.

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## New Clients in Quarter

K2F is pleased to announce that as well as the Imerys SA contract, it won 3 new name clients in the quarter. K2F added 3 new consultancy clients being New Hope Group, Queensland Urban Utilities and Stanwell Energy. In addition, in the first weeks of the new financial year, K2F has received purchase orders for contract extensions in existing clients for more than \$1M relating to Infoscope development work and consulting services.

## Strategic Partnerships

K2F continues to build several strategic partnerships, aimed at long term growth and sustainability of the K2F business.

K2F continues to work with both SAP and Esri to jointly position the Infoscope software product suite to both existing and new clients. The Board and Management believe these partnerships are essential to achieve a longer-term global expansion of the Infoscope client base, as well as securing clients in industries beyond mining.

K2F continue to work with The Keeping Place, which using our Infoscope SaaS solution houses our indigenous heritage repatriation program sponsored by BHP, Rio Tinto and FMG. A new fit-for-purpose entity has been formed (previously part of the National Trust WA), and there are more than 20 Indigenous communities looking to join The Keeping Place. K2F received encouraging feedback in the first few days of the new financial year and anticipates significant developments within indigenous communities in the next 6 months.

K2F continues to work closely with its 3<sup>rd</sup> party Mobile Software partners; Capita, Kony and Totalmobile. These partnerships are seeing K2F working alongside our partners in key accounts, such as working with Kony in FMG, implementing Fieldreach in Arc Infrastructure and working with Totalmobile in EDF Energy.

K2F also continues to develop long-term partnerships in consulting. The contract with ABB to support them on a key project is typical of the partnerships we are seeking to develop in consulting services, where K2F becomes a key partner to much larger organisations to assist them in the execution of large complex projects by providing them high-value subject matter expertise.

## Corporate

### Placement

On 13 May 2019, the Company completed a placement of 8,000,000 fully paid ordinary shares at \$0.10 per shares to raise cash funds of \$800,000 (before costs) (**Placement**). Funds raised from the Placement were used to fund the RCubed Resources and Reserve Reporting software acquisition (as detailed above). The Placement share issue price of \$0.10 per share represented a 16% discount on the VWAP over the 15 trading days prior to the date of the Company entering into the trading halt.

A placement fee of 6.375% was paid to Canary Capital Pty Ltd (**Canary Capital**) on the funds raised pursuant to the Placement (**Placement Fee**). Canary Capital elected to take its Placement Fee in shares instead of cash. On 13 May 2019, the Company issued Canary Capital a total of 510,000 fully paid ordinary shares (at a deemed issue value of \$0.10 per share) in settlement of the Placement Fee.

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The Placement shares and Placement Fee shares were issued under the Company's existing 15% and 10% placement capacity under ASX listing rule 7.1 and 7.1A and therefore shareholder approval was not required.

### Securities

During the quarter, the Company issued the following securities:

- 8,000,000 shares issued on 13 May 2019 pursuant to the Placement
- 510,000 shares issued on 13 May 2019 in settlement of the Placement Fee
- 116,460 shares issued on 13 May 2019 pursuant to an investor marketing mandate between the Company and Canary Capital (refer ASX announcement 22 November 2018)

**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 the following Software Solutions:

- **Mineral Resource Governance - RCubed** a resource and reserve reporting solution that supports reporting codes such as JORC, NI43101 and SAMREC across the major stock exchanges – including NYSE, LSE, TSX, ASX and JSE; and
- **Natural Resource Governance - Infoscope**, an Enterprise Land Management, Natural Resource Governance 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), Totalmobile (UK) 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.