

ASX / Media Release

29 October 2019

ASX code: **K2F**

Q1 FY 2020 – Operations Update

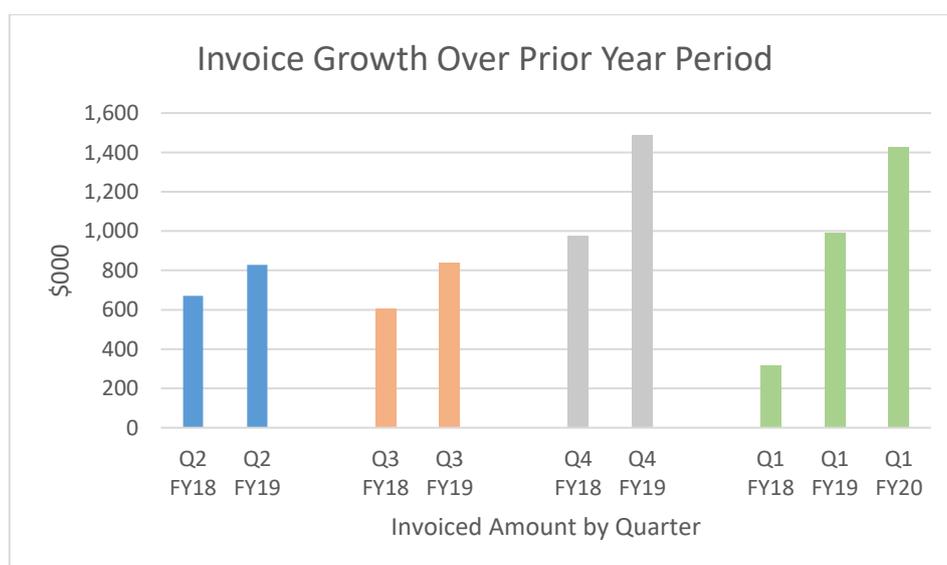
Highlights

- Invoices for Q1 FY20 increased approximately 44% from Q1 FY19 (\$1.43m v. 991k)
- ARR Growth 27% for the Quarter with a CAGR of 150%
- Cash on hand September 30 was \$1.41m with approximately \$955k in receivables
- New contracts signed with Glencore Canada and Newcrest for the RCubed solution with implementation proceeding as planned
- Successful placement undertaken in September to raise \$1m before costs
- Significant progress made with other prospective clients including paid work in advance of contract signing

Billing and Cash Flow

K2fly Limited (ASX: K2F) (**K2fly** or **the Company**) is pleased to announce that it has raised invoices for approximately \$1.43m in the Q1 FY20 quarter, which is an improvement of 44% over the equivalent quarter in FY19.

As at 30 September 2019, the available cash at hand was approximately \$1.41m. In addition, there was nearly \$955k in aged receivables from Tier 1 clients. There was also another \$100k 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.



K2fly Limited ACN 125 345 502

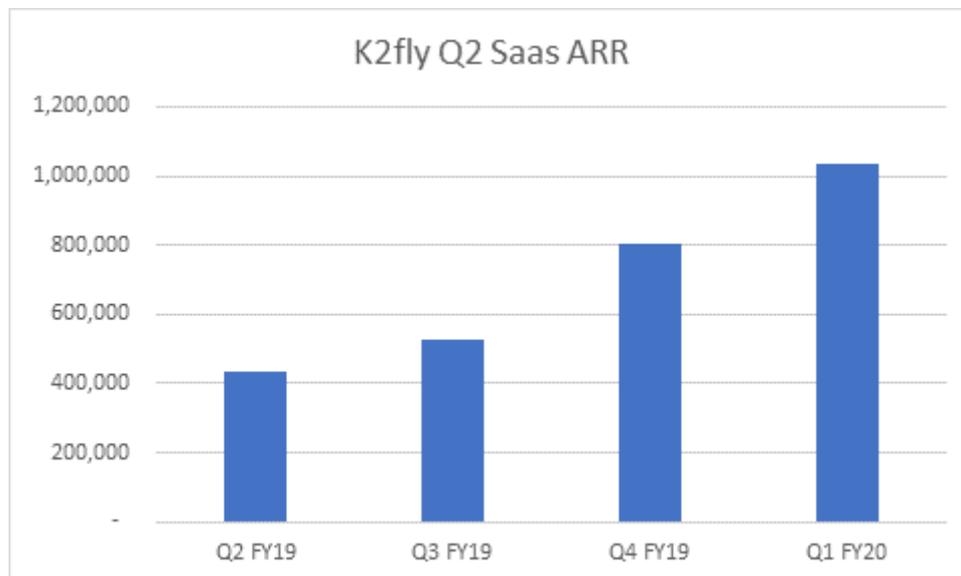
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ARR Growth

K2fly Annual Recurring Revenues (ARR) from Software Subscriptions grew by 27% during the quarter which amounts to a 150% of Compound Annual Growth Rate (CAGR).



Sales Update

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 since Industry Guide 7 was adopted almost 30 years ago and brings the U.S. into line with countries following CRIRSCO 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 its first fiscal year beginning on or after 1 January 2021.

This affects many major mining houses that are joint 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.

On 15 August 2019, Glencore Canada contracted with K2F to deploy the RCubed solution across 56 sites in 7 countries.

On 2 September 2019, Newcrest Mining Ltd. contracted with K2F to deploy the RCubed solution across its global gold operations in Australia, Indonesia and Papua New Guinea.

On 25 October 2019, Nexa Resources from Brazil joined the growing group of RCubed users when it signed to deploy the solution across 12 sites in Brazil and Peru.

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As at the end of September 2019, K2F's Software as a Service offerings (RCubed and Infoscope) have been deployed or are being deployed in more than 40 countries and across more than 200 sites.

K2F is in significant contractual negotiations with 3 major mining companies at the moment. These negotiations cover both Infoscope and RCubed, and while there are no guarantees of success, K2F is confident of making further progress during this quarter.

Mobility

The Fieldreach implementation in Arc Infrastructure continues to go from strength to strength. In early October, the Fieldreach solution was expanded to encompass Track Patrolling Management. This is the first implementation in the world to successfully integrate Fieldreach to Ellipse Inspection and full-cycle defect management.

Consultancy

K2F continues to undertake significant consultancy assignments across rail, water, mining and electricity clients. Much of this work is repeat business with existing clients in West Australia and New South Wales. Some of these projects are scheduled to run until mid-2020. In addition, the acquisition of new SaaS clients will provide additional opportunities to promote our consultancy services to these Tier 1 organisations. Finally, K2F is currently engaged in contract negotiations around major consultancy opportunities in the UK. While there are no guarantees of success, K2F is confident of future progress in this arena.

Brian Miller, K2fly CEO, commented "We can now boast that a number of significant mining companies have invested in our Software as a Service offerings. Companies such as: Fortescue Metals Group, Glencore, Newcrest Mining, Mineral Resources, Teck Resources, Anglo Gold Ashanti, Imerys, Nexa Resources, Westgold Resources and Panoramic Resources have put their faith in our intellectual property and it is heartening to know that we are at the core of what matters to the resources sector. The fact that we are engaged with companies who have taken our software to more than 40 countries is indeed reassuring that we are on the right track."

CORPORATE

Placement

On 26 September 2019, the Company completed a placement of 6,250,000 fully paid ordinary shares at \$0.16 per shares to raise cash funds of \$1,000,000 (before costs) (**Placement**). Funds raised from the Placement will be used to implement the recently announced RCubed contracts, anticipated new contract wins and to deliver further sales growth for the Company. The Placement share issue price of \$0.16 per share was a 12.6% discount on the VWAP over the 30 trading days prior to the date of the Company announcing the Placement.

A placement fee of 6% was paid to Canary Capital Pty Ltd (**Canary Capital**) on the funds raised pursuant to the Placement.

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Securities

During the quarter, the Company issued the following securities:

- 6,250,000 shares issued on 26 September 2019 pursuant to the Placement
- 81,522 shares and 750,000 unlisted options exercisable at \$0.35 each on or before 11 October 2022 issued on 11 October 2019 pursuant to an investor marketing mandate between the Company and Canary Capital (refer ASX announcement 11 October 2019)

ENDS

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