

ASX / Media Release

31 January 2020

ASX code: **K2F**

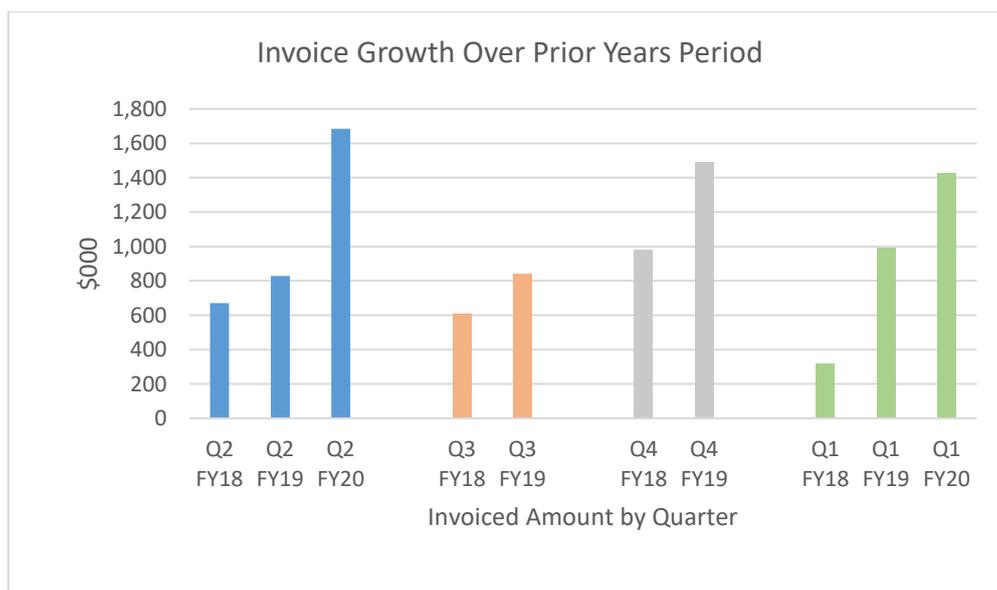
Q2 FY 2020 – Operations Update

Highlights

- Invoices for Q2 FY20 increased 103% from Q2 FY19 (A\$1.68m v. A\$0.83m)
- Current Annual Recurring Revenue (ARR) grew by 40% in Q2 to >\$1.4m
- Current Total Contract Value (TCV) grew by 188% in Q2 to >\$3.5m
- SaaS subscription (ARR) business hits milestone of 33% of total invoices for Q2
- Cash at hand on 31 December was \$1.1m with \$1.12m in receivables
- New contracts signed with Rio Tinto and Nexa Resources for the RCubed Resource Governance solution
- Multiyear SaaS contract extensions with Teck Resources (RCubed) and Westgold Resources (Infoscope)
- K2F has expanded its sales capability in the US market due to the opportunities resulting from SEC regulation changes

Invoicing and Cash Flow

K2fly Limited (ASX: K2F) (**K2fly** or **the Company**) is pleased to announce that it has raised invoices for \$1.68m in the Q2 FY20 quarter, which is an improvement of 103% over the equivalent quarter in FY19. This is the largest quarterly figure for invoicing ever achieved by K2fly.



K2fly Limited ACN 125 345 502

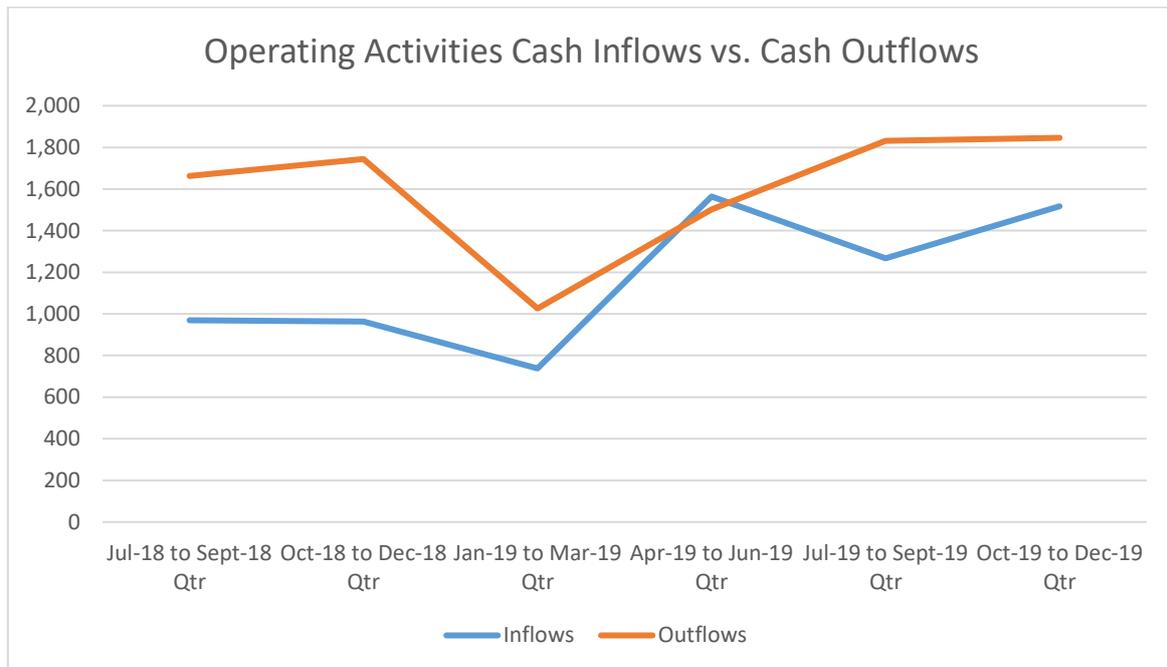
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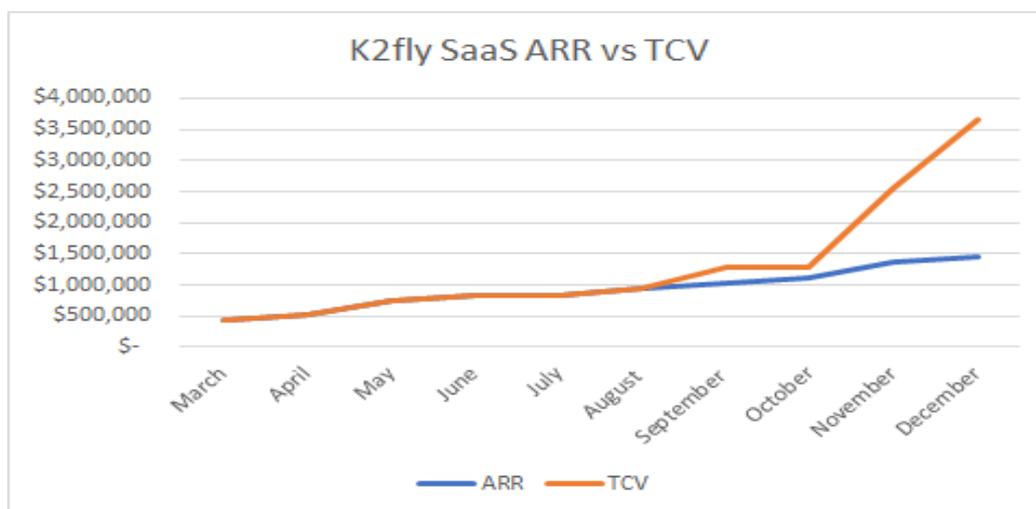
As at 31 December 2019, the available cash at hand was approximately \$1.1m. In addition, there was \$1.12m in aged receivables largely from Tier 1 clients. There is also another \$0.10m of Work in Progress with existing clients which will be invoiced on delivery.

During the Q2 FY20 quarter, net cash-flows used in operating activities was (\$329k) which is an improvement from Q1 FY20 which had a net cash-outflow from operating activities of (\$565k). This reflects that (and as also shown in the graph below) K2fly's current operations are steadily moving towards achieving its goal of net positive cashflows,



SaaS contracts - ARR and TCV

Current ARR has grown 40% in Q2 to >\$1.4m
 Current TCV has grown 188% in Q2 to >\$3.5m



Sales Update

On 25 October 2019 NYSE listed Nexa Resources from Brazil signed a one-year contract for RCubed Mineral Resource and Reserve software solution across 12 sites. Nexa Resources operates 5 polymetallic mines across Brazil and Peru.

On 19 November 2019 multi listed (NYSE, ASX, LSE) Rio Tinto contracted with K2fly to deploy its RCubed software solution across 20 sites in a 5-year agreement.

On 13 December 2019 existing client Teck Resources extended its contract with K2fly for its RCubed solution for a further 3 years.

On 15 December 2019 a newly formed entity, “The Place of Keeping” agreed to take over the roll-out of the Infoscope software and services to Aboriginal groups across Australia. This new entity is expected to give momentum to the rollout of the Keeping Place solution, which is based upon Infoscope functionality, to many communities in 2020 who will potentially want to deploy the solution. ‘The Keeping Place’ is built on K2fly’s Infoscope solution and is, a secure, customisable online platform that enables Traditional Owners to regain data sovereignty, apply cultural protocols, manage native title, improve governance and unlock social and economic opportunities for current and future generations.

On 18 December 2019 existing Infoscope client, Westgold Resources extended the length and breadth of its contract with K2Fly when it signed for a further 5 years.

On 24 January 2020 Gold Fields Australia contracted to implement the RCubed solution for a 5-year term on behalf of a Gold Fields Limited in a global roll-out to all 9 operating mines and two major projects. This has taken the K2fly ARR to over \$1.5m per annum and increased TCV by over \$500k.

As at the end of January 2020, K2fly had consultants or developers undertaking billable work in: Teck Resources, Anglo Gold Ashanti, Imerys, Newcrest Mining, Glencore, Nexa Resources, Fortescue Metals Group, Westgold Resources, Rio Tinto, Gold Fields, South32, Adani, Programmed, Western Power, ABB, SA Water, Arc Infrastructure, Horizon Power, The Place of Keeping, New Hope Resources and Stanwell Energy. K2fly is building a healthy backlog of additional work.

As at the end of January 2020, K2fly’s Software as a Service offerings (RCubed and Infoscope) have been deployed or are being deployed in 45 countries and across more than 250 sites. As at 31 January K2F is in contractual negotiations for its SaaS solutions with several other major mining companies, and while there are no guarantees of success, K2fly is well placed to win these contracts before 30 June 2020.

Business Mix

Q2 was a major milestone for K2fly and our strategy to become a SaaS business. Subscription invoices (SaaS, ARR) amounted to 33% of invoices for Q2 FY20. Furthermore, the additional implementation fees from those SaaS contracts meant that the total SaaS business was 48.5% of invoices raised for the quarter.

US Update

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On the back of very strong demand from US listed companies, Rio Tinto, Anglo Gold Ashanti, Teck Resources, Nexa and recently Gold Fields, the K2fly board decided in November to invest in sales capability in the US market for 2020.

On 15 January 2020 K2fly executed an agreement with Orbital RPM to represent K2fly in the North American market. Orbital has strong experience in implementing software solutions within the mining industry and the team is based in Denver. The initial engagement is for 6 months and will be re-assessed at that time.

The increased demand from US NYSE listed companies is due, in part, because of the changing US SEC regulations around mining company disclosures (20F) which is designed to modernise the reporting standard and to bring them more into line with global reporting standards that comply with the CRIRSCO template such as JORC in Australia. More information is available at <https://www.sec.gov/corpfin/secg-modernization-property-disclosures-mining-registrants>.

The changes to the regulations mean that increasingly more Resource and Reserve Reporting functionality is required by the companies operating in that environment. Many of the world's biggest miners – Rio Tinto, Vale and BHP are joint listed on the NYSE. RCubed is the only fit for purpose off the shelf software system designed specifically to help clients manage this critically important process.

Corporate

Securities

During the quarter, the Company issued the following securities:

- 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)
- 323,419 shares issued on 11 December 2019 upon the exercise of 323,419 unlisted options exercisable at \$0 each which expired on 26 November 2020
- 1,751,200 unlisted options issued on 20 December 2019 to directors and consultants, as approved by shareholders at the Company's AGM
- 2,150,580 unlisted options issued on 20 December 2019 to employees under its shareholder-approved Employee Incentive Option Plan
- 380,000 shares issued on 27 December 2019 upon the exercise of \$0.225 options which expired on 28 December 2019
- 200,000 shares issued on 27 December 2019 upon the exercise of \$0.25 options which expired on 28 December 2019

Announcement released with authority of K2fly board.

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, and Facilities Management.

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