

ASX / Media Release

6 April 2020

ASX code: **K2F**

Q3 FY20 Operational Update - Record invoices, SaaS ARR and TCV has significantly grown and cost management implemented

Highlights

- Invoices for Q3 FY20 increased 94% from Q3 FY19 (A\$1.63m v. A\$0.84m)
- Invoices raised to date in FY20 already exceed total FY19 invoices
- New contracts signed with Golds Fields Australia, Newmont, South 32 and Vale
- Multiyear SaaS contract extension with Anglo Gold Ashanti
- Total K2fly SaaS Annual Recurring Revenue (ARR) now stands at A\$1.8m, a 247% compound annual growth rate (CAGR)
- SaaS business now accounts for 52% of total revenues in Q3
- Total Contract Value (TCV) for SaaS contracts now > A\$4.7M, as more customers take up three- and five-year contracts, a CAGR of 793%
- Significant progress made with generating new leads following PDAC event in Canada in February
- High level of interest from NYSE listed companies continues due to US SEC regulation changes to come into effect in January 2021
- Implementation of previously announced RCubed and Infoscope contracts continues despite Covid-19 since installations can be managed remotely
- Implementation of appropriate cost management in current business environment
- Cash at bank on 31 March was A\$0.82m with approximately A\$1.28m in receivables and >A\$0.5m contracted implementation work in hand
- K2F Board expects company to be cash flow positive for Q4

Invoicing and Cash Flow

K2fly Limited (ASX: K2F) (K2fly or the Company) is pleased to announce that it has raised invoices for approximately \$1.63m in the Q3 FY20 quarter, which is an improvement of 94% over the equivalent quarter in FY19. This quarterly figure for Q3 follows on the back of Q2 invoicing which was also greater than \$1.6m.

This brings the total invoicing for this financial year to nearly \$4.75m, which already exceeds the previous full year's (FY19) invoicing, which was \$4.15m. Q4 is typically our largest invoicing quarter, so, provided the usual trend continues, the Board is confident that FY20 financial results will see a significant improvement over FY19.

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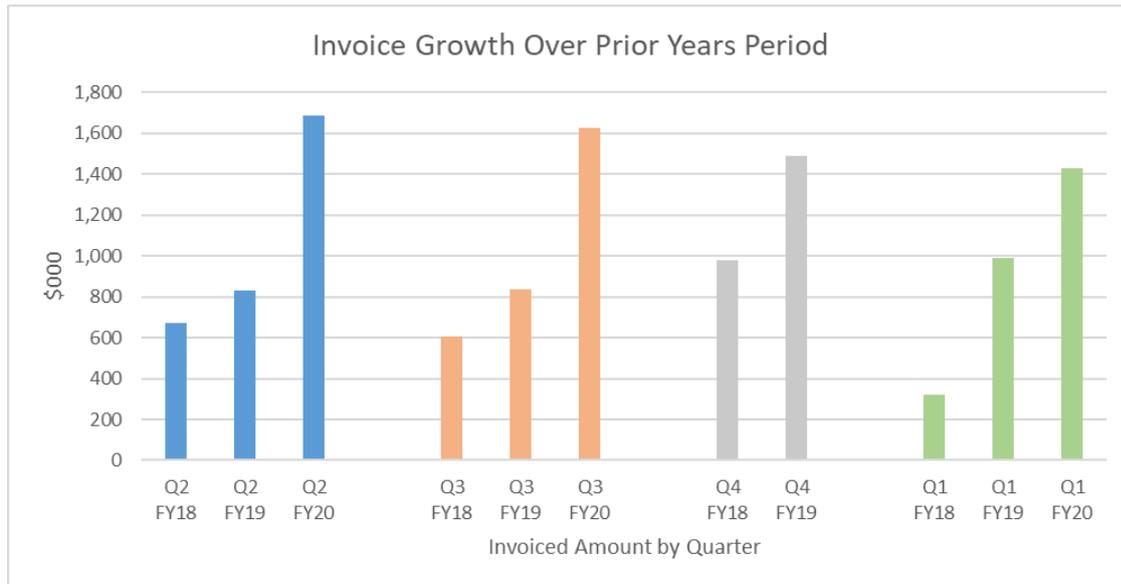
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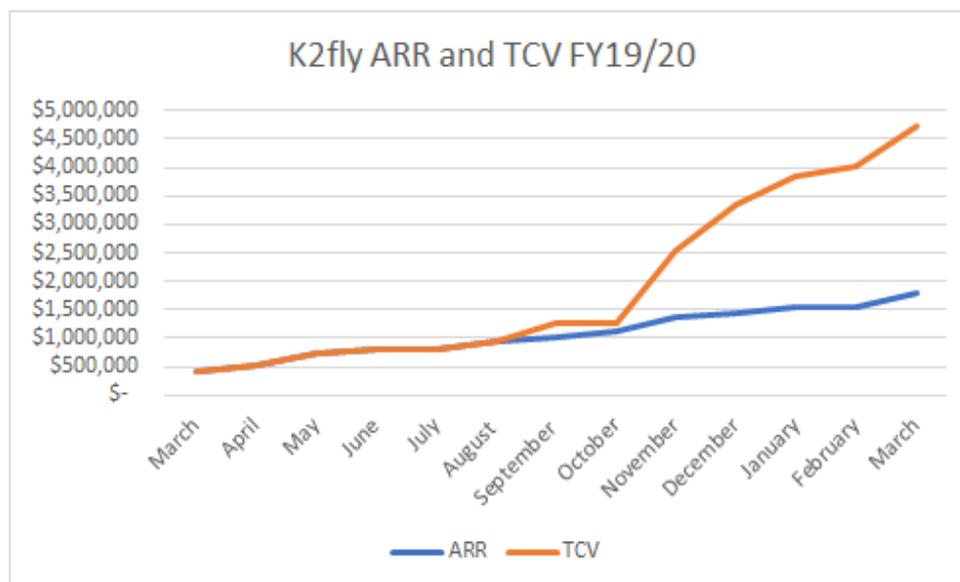
The Q3 performance comes against a background of a normally quiet January and includes March, which has seen the global economies in turmoil. The positive financial result and the recent announcements of new name contracts and contract extensions with existing clients points to a robust performance by K2fly.

As at 31 March 2020, cash at bank was approximately \$0.82m. In addition, there was approximately \$1.28m in receivables from Tier 1 clients and over \$500k of contracted implementation work with existing clients, which will be invoiced on delivery.



In terms of K2fly’s SaaS contracts (for its own software, RCubed and Infoscope):

- Annual Recurring Revenue (ARR) has grown 25% in Q3, so ARR now \$1.8m
- ARR compound annual growth rate (CAGR) is now at 247%
- Total Contract Value (TCV) has grown 41% in Q3
- TCV now >\$4.7m, a CAGR of 793%



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Sales Update

In Q3 FY20 K2F announced significant contract wins and sales.

- On 9 January 2020 The National Trust of Australia had novated the license of The Keeping Place (an Infoscope solution) to a new entity called The Place of Keeping Ltd. This organisation is the new indigenous owned and controlled not-for-profit company that has been established to own and manage The Keeping Place.
- On 24 January 2020 Gold Fields Australia signed a 5-year deal with K2F to deploy its RCubed Resource Governance solution software for all global operations.
- On 26 February 2020 K2F announced that two of the world's largest resource companies (South32 and Vale; the world's number one producer of iron ore) had signed contracts for the delivery of a solution analysis (proof of concept) to support and inform a potential global deployment of RCubed Resource Governance solution.
- On 12 March 2020 Newmont Inc, the world's biggest gold miner signed a 3-year deal with K2F to deploy its RCubed Resource Governance solution globally.
- On 16 March 2020, foundation client Anglo Gold Ashanti extended its contract with K2F when it signed a new 3-year deal for the use of the RCubed Resource Governance solution.

As at the end of March 2020, K2F's Software as a Service (SaaS) offerings (RCubed and Infoscope) have been deployed or are being deployed in 52 countries, with more than 40 commodities and across more than 390 sites.

Four of the world's top 10 gold companies are using our RCubed Resource Governance solution and three of the world's big 4 iron ore miners use K2fly's SaaS solutions across Resource Governance and Land Management.

K2F and its existing clients featured prominently at the recent PDAC (the world's premier mineral exploration & mining convention) conference in Canada. Several encouraging sales leads emerged from that event and K2F is actively pursuing these opportunities.

Currently, K2F is in discussions or negotiations for SaaS solutions with 3 other major mining companies. Although K2F is optimistic based on our recent track record of success, there are no guarantees of success in any of these situations until a contract is signed from the prospective client.

Operations Update and cost management

The world is currently being impacted by the COVID-19 virus and most businesses have been affected by the changing environment. As working remotely was a normal part of K2fly's operating model, it was relatively easy for the Company to shift fully to a Work from Home state. Indeed, its software development teams in Australia and South Africa have been working from home since the early news surfaced about the growth of the virus.

K2F is also fortunate that it has been historically growing the proportion of its revenue mix from its SaaS business, and this trend has, to some extent, sheltered it from the negative impact of COVID-19.

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Demand for the RCubed Resource Governance solution is primarily driven by regulatory requirements. The reporting of a resource company's mineral resources and reserves is essential for operations under any economic conditions.

The implementation of the RCubed Resource Governance solution can be conducted entirely remotely and is therefore not impacted by the travel restrictions affecting so many other businesses.

In response to these uncertain times and turbulent capital markets, K2F Board has implemented prudent cost management measures and cost reductions, including:

- In March reduction of staff /personnel by approximately 10 FTEs;
- Until at least 30 June:
 - The Board have deferred all their remuneration;
 - The CEO voluntarily agreed to defer 50% of his remuneration;
 - Some Senior Executives have voluntarily deferred part of their remuneration; and
- Significant reductions in travel, marketing, promotional and non-essential expenses.

In addition to more closely monitoring cash flow, the Company is assessing the stimulus measures announced by the Government and where possible it is availing itself of benefits it can apply for.

Barring any major unexpected jolts during these turbulent times, the Board is confident that the implemented cost reduction measures will bring K2F to a cash flow positive position for Q4 FY20 and beyond.

Capital Update

On 9 March 2020 a total of 380,237 fully paid ordinary shares (Shares) were issued upon the exercise of listed options (K2FOA) raising \$76,047. This included the exercise and conversion of 330,237 K2FOA options held by Brian Miller, CEO and Executive Director.

The Company has 12,883,941 K2FOA options on issue, which have an exercise price of \$0.20 each and are due to expire on 18 May 2020.

The Company currently has 82,969,319 Shares on issue.

Announcement released with authority of K2F 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.