

ASX / Media Release

29 April 2020

ASX code: **K2F**

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

Highlights

- Invoices for Q3 FY20 increased 92% from Q3 FY19 (A\$1.61m** 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
- Since the end of the quarter two more significant SaaS wins: Sibelco and Kinross Gold
- At 31 March total K2fly SaaS Annual Recurring Revenue (ARR*) was A\$1.8m, a 247% compound annual growth rate (CAGR). Since the end of the quarter ARR has grown another 16% to >\$2m
- SaaS business now accounts for 52% of total revenues in Q3
- At 31 March Total Contract Value (TCV*) for SaaS contracts was > A\$4.7M, as more customers took up three- and five-year contracts, a CAGR of 793%. Since the end of the quarter TCV has grown another 27% to >\$6m
- Significant progress made in North America with engagement of new Denver sales team and new leads from PDAC and generating sales with Newmont and Kinross Gold
- Significant 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 not delayed by Covid-19 since installations can be performed remotely
- Implementation of appropriate cost management in current business environment
- Cash at bank on 31 March was A\$0.82m with approximately A\$1.26m 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 A\$1.61m* in the Q3 FY20 quarter, which is an improvement of 92% over the equivalent quarter in FY19. This quarterly figure for Q3 follows on the back of Q2 invoicing which was also greater than A\$1.6m.

** Previously reported on 6 April as A\$1.63M, variation due to finalisation of invoices raised in the quarter

* ARR and TCV values may be affected by exchange rate variations

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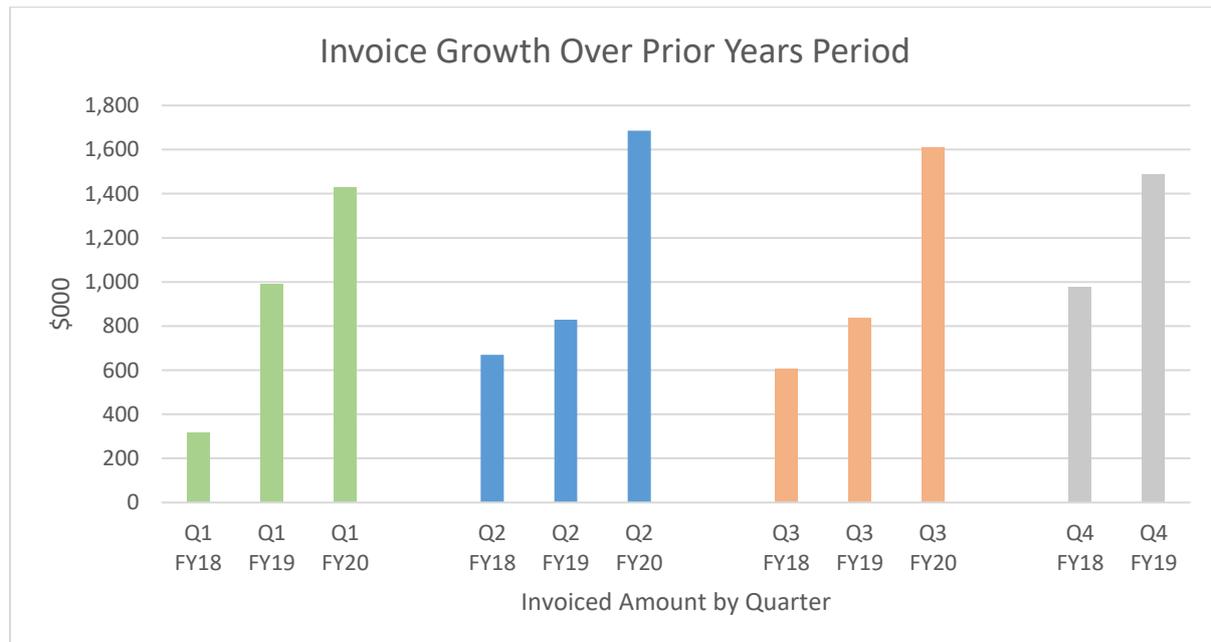
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This brings the total invoicing for this financial year to nearly A\$4.73m, which already exceeds the previous full year's (FY19) invoicing, which was A\$4.15m. Q4 is typically our largest invoicing quarter, so, provided the usual trend continues, the Board is confident that FY20 financial results will see a significant improvement over FY19.

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.

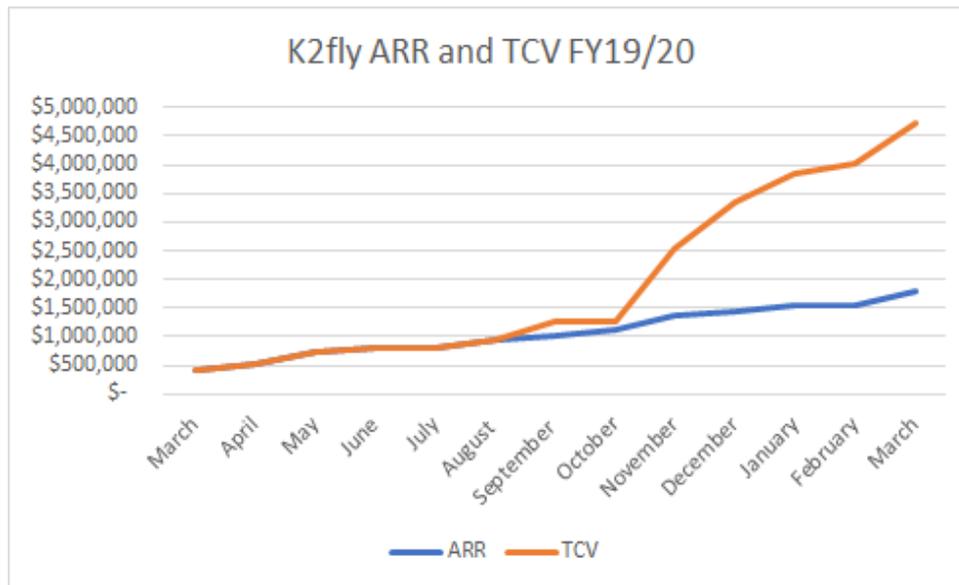


As at 31 March 2020, cash at bank was approximately A\$0.82m. In addition, there was approximately A\$1.26m in receivables from Tier 1 clients and over A\$0.50m of contracted implementation work with existing clients, which will be invoiced on delivery of relevant milestones.

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

- Annual Recurring Revenue (ARR*) grew 25% in Q3, so ARR at the end of Q3 was A\$1.8m. New contract wins since end of quarter now see this number at >A\$2m an increase of 16% in April
- ARR compound annual growth rate (CAGR) was 247% at the end of Q3. Total Contract Value (TCV*) grew 41% in Q3 to >A4.7m, a CAGR of 793%
- TCV now >A\$6m, an increase of 27% in April

* ARR and TCV values may be affected by exchange rate variations



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 (Newmont), 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.

Since the end of Q3 FY 20, K2F has announced these additional contract wins:

- On 20 April, the Company announced that SCR-Sibelco N.V. (Sibelco) has signed a 3-year deal for the use of the RCubed Resource Governance solution across 60 of its sites globally.
- On 21 April, Kinross Gold Corporation (Kinross Gold) signed a 5-year deal with K2F to deploy its RCubed Resource Governance solution to 8 operating mines globally.

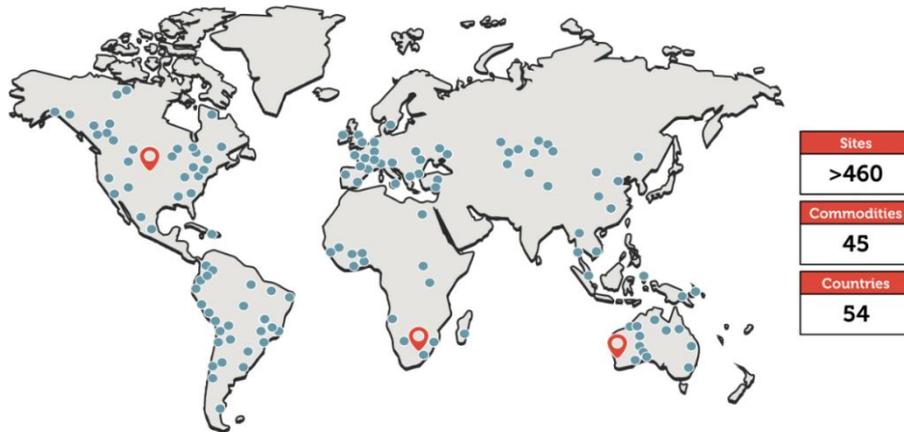
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As at the end of March 2020, K2F's Software as a Service (SaaS) offerings (RCubed and Infoscope) have been deployed, or are being deployed, in 52 countries, with more than 40 commodities and across more than 390 sites. Since the end of the quarter these numbers have increased to over 460 sites in 45 commodities and 54 countries.



Five 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.

In January K2fly engaged a sales team in Denver Colorado. This has proved enormously successful with the winning of Newmont in March and more recently Kinross Gold in April.

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 and 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 its strategy of growing the proportion of its revenue mix from its SaaS business has, to some extent, sheltered it from the negative impact of COVID-19. 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.

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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.

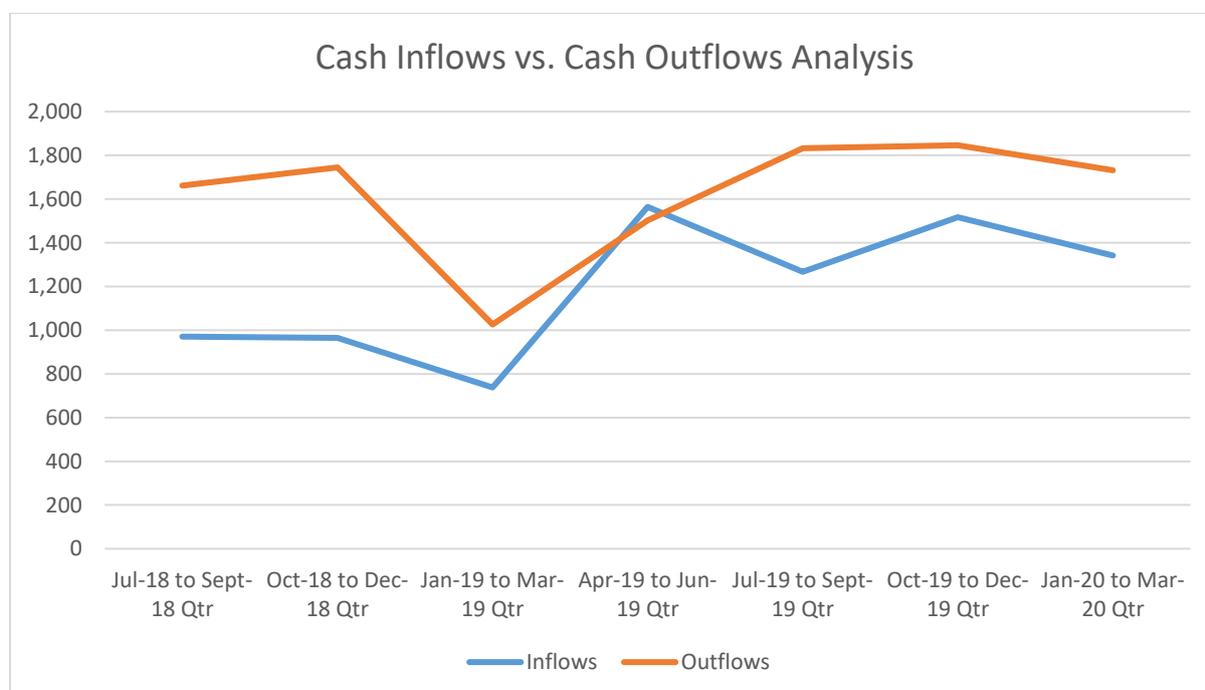
In response to these uncertain times and turbulent capital markets, the K2F Board has implemented prudent cost management measures and cost reductions, including:

- In March, the reduction of staff /personnel by approximately 10 FTEs;
- Until at least 30 June:
 - The Board have deferred all of 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.

More recently, K2F has entered into a Deed of Variation to Asset Sale Agreement with Prodmark Pty Ltd (and associated entities), such that the A\$300,000 incentive milestone payment (due on 31 May for the acquisition of RCubed), is now payable in equal monthly instalment payments (\$50k per month) over a period of 6 months.

In addition to taking measures to manage and more closely monitor 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.

During the Q3 FY20 quarter, net cash-flows used in operating activities was (A\$0.39m) which is largely synchronised with the movement in net cash-inflow for the quarter. The Company is impacted by the timing of cash receipts from its customers which is evidenced by invoices raised in the quarter (A\$1.61m) vs cash inflows for the quarter (A\$1.34m). The Company had approximately A\$1.26m in receivables at 31 March 2020 and is confident that all amounts are recoverable. Since the end of the quarter, K2F has received more than A\$0.45m from clients.



As previously noted, Q4 above is typically our largest invoicing quarter, and last year in Q4 cash inflows exceeded cash outflows. Barring any major unexpected jolts during these turbulent times, and

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provided trends continue, 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.

As at 31 March 2020, the Company had on issue:

- 82,969,319 Shares; and
- 12,883,941 K2FOA options, which have an exercise price of \$0.20 each and are due to expire on 18 May 2020.

Since the end of the quarter, 70,904 K2FOA options held by non-executive Directors (Jenny Cutri, Neil Canby and James Deacon) have been exercised raising \$14,181. Furthermore, 137,500 performance rights held by former director Russell Moran's nominee, and which had previously vested in 2018, have been converted.

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.