

ASX Release

ASX code: K2F

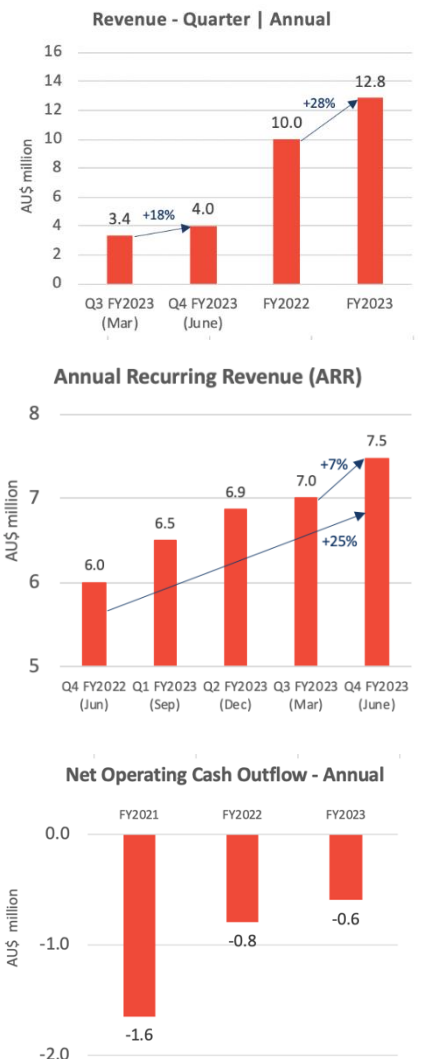
25 July 2023

June Q4 and Full Year FY2023 Quarterly Activities Report

Strong Growth Across Key Financial Metrics; Approaching Cash Breakeven

Highlights

- Revenue of \$4.0m in Q4 FY2023, up 18% from Q3 FY2023 and up 38% from Q4 FY2022
- FY2023 revenue was up 28% on FY2022
- Annual Recurring Revenue (ARR)² of \$7.5m in Q4 FY2023, 7% higher than Q3 FY2023 and 25% higher than in Q4 FY2022
- Net Operating Cash Inflow for the quarter was \$1.0m; Net Operating Cash Outflow for FY2023 was \$0.6m compared to \$0.8m in FY2022
- Material contracts update
 - Eramet SA (Resource Disclosure solution); 3-years - TCV \$564k / ARR \$152k
 - BHP WAIO (Ground Disturbance solution extension); 3-years - TCV \$1.99m / ARR \$664k
 - Post quarter end: Roy Hill (Ground Disturbance solution); 5-years - TCV \$2.0m / ARR \$300k
- Cash balance on 30 June 2023 was \$4.4m
 - A working capital facility of \$2.0m with 24-month term was established with Maptek Pty Ltd, providing K2fly with additional flexibility to manage its working capital requirements
 - The facility is undrawn



K2fly Limited (K2F, K2fly or the Company) (ASX: K2F), is a leading provider of Resource Governance solutions for 'net positive impact' in Environmental, Social and Governance (ESG) compliance, disclosure, and technical assurance. We focus on the operations of mining and asset intensive industries through our platform-based SaaS cloud solutions. K2fly is pleased to provide commentary regarding its activities for the June quarter, Q4 FY2023 and for the full financial year, FY2023.

Nic Pollock CEO of K2fly said "Q4 was a strong result from the K2fly team leaving us 28% up on revenue YoY and very close to our operating cash flow breakeven target. K2fly has achieved a cumulative average growth rate in ARR of 48% over the last three years. Our cash balance and working capital facility collectively give us a \$6.44m cash platform".

K2fly Limited ACN 125 345 502



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We are proud to have our successful implementation of Ground Disturbance at BHP WAIO validated by a three-year extension to that contract as well as adding another new international client in our Resource Disclosure solution in Eramet SA from France.

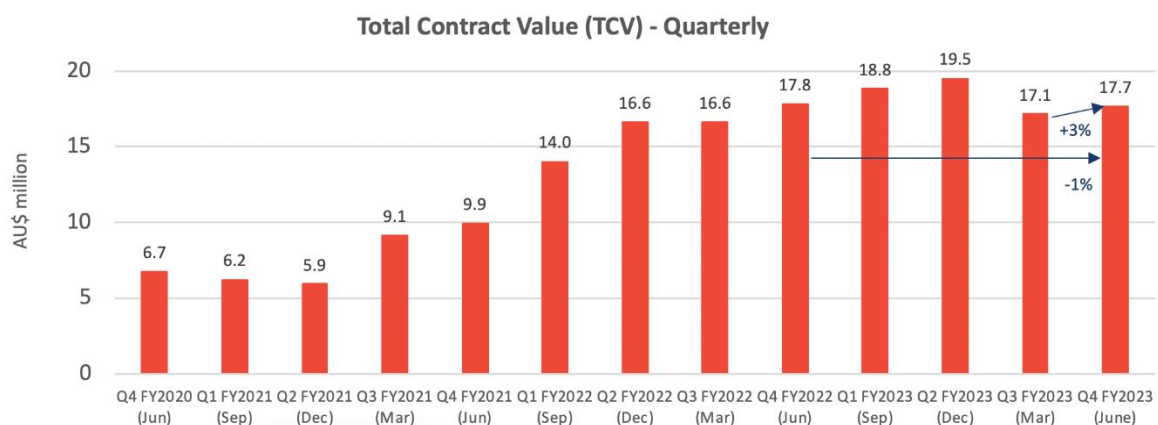
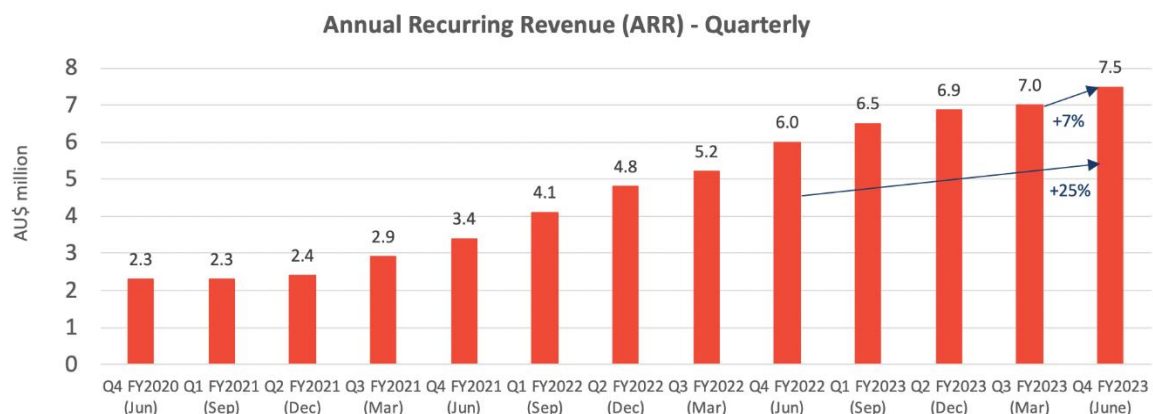
With our focus on cost management and ongoing efficiency improvements we believe that we are very well positioned to continue our strong growth trajectory and approach cash flow breakeven.

CONTRACTS AND FINANCIAL RESULTS¹

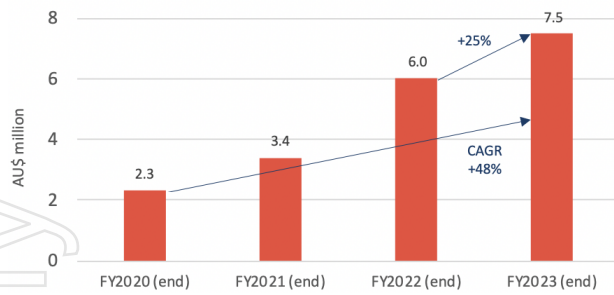
TCV & ARR²:

- **ARR grew 7%** to \$7.5m compared to the prior quarter (end of period) **up 25% compared to Q4 FY2022**. K2fly has achieved a CAGR³ in ARR of 48% p.a. over the past three financial years.
- **TCV grew 3%** to \$17.7m compared to the prior quarter (end of period) and **was down 1% compared to Q4 FY2022**. K2fly has achieved a CAGR³ in TCV of 38% p.a. over the past three financial years.
- Two new material contracts were signed during the quarter and one after the quarter end (see section Major Contracts Update).

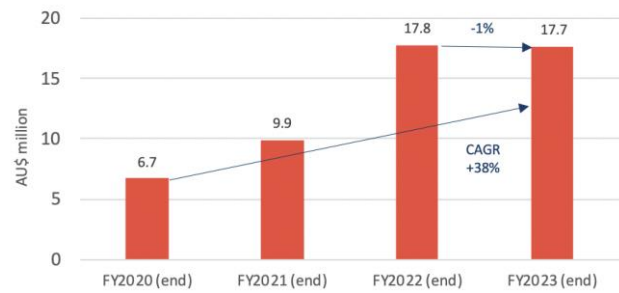
Note: quarter-to-quarter movements in TCV include the net impact of new contracts and the depletion of existing contracts as the remaining term reduces and implementation milestones are achieved.



Annual Recurring Revenue (ARR) - Annual



Total Contract Value (TCV) - Annual



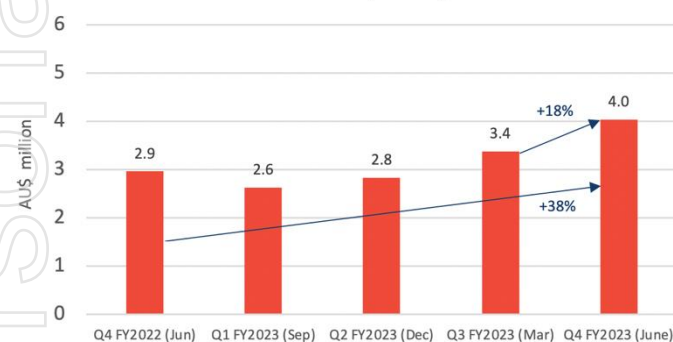
Revenue and Cash Receipts:

Revenue during the quarter was up 18% over Q3 FY2023 at \$4.0m and up 38% over Q4 FY2022. FY2023 Revenue was 28% higher than FY2022. Revenue was up in the quarter due to the achievement of implementation milestones, and provision of services. K2fly has demonstrated a CAGR³ in Revenue of 36% over the past 4 financial years.

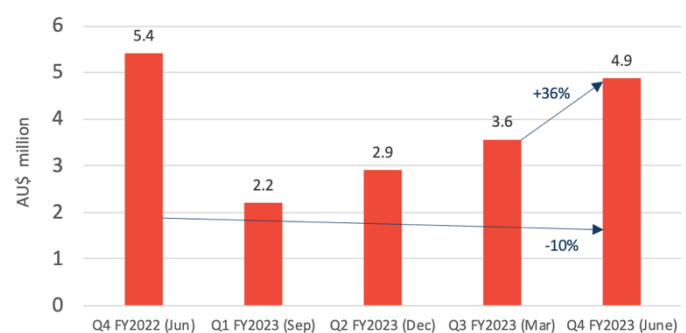
Cash Receipts from Customers are up 36% over Q3 FY2023 at \$4.9m. FY2023 Cash Receipts were up 7% compared to FY2022. K2fly has demonstrated a CAGR³ in Cash Receipts of 34% over the past four financial years.

Note: the timing and collection of Cash Receipts throughout the year vary by month and quarter and are historically concentrated in the June quarter due to anniversary dates of annual contracts. Cash receipts are also influenced by timing of implementation progress against project milestones, contractual and and payment terms.

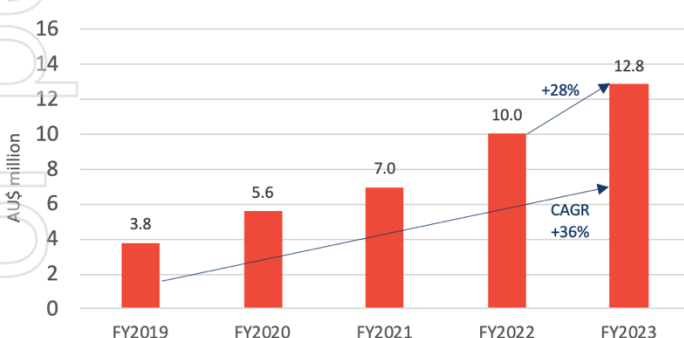
Revenue - Quarterly



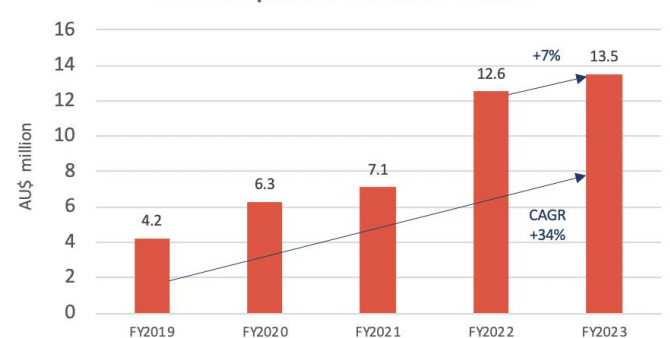
Cash Receipts from Customers - Quarterly



Revenue - Annual



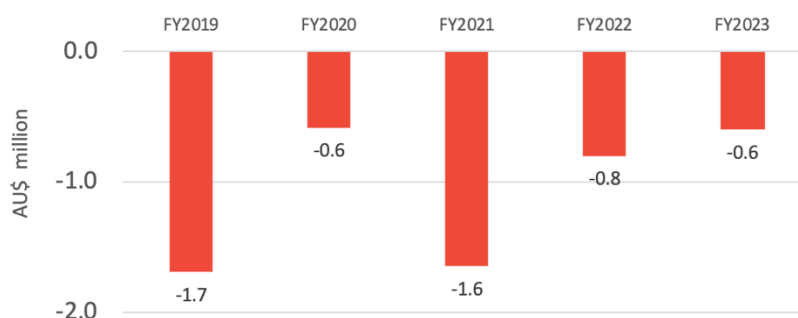
Cash Receipts from Customers - Annual



The June quarter generated a Net Operating Cash Inflow of \$1.0m. FY2023 generated a Net Operating Cash Outflow of \$0.6m compared to \$0.8m for FY2022.

Gross Operating Expenditure (Section 1.2, Appendix 4C) in the June quarter of \$3.840m was slightly lower than the prior quarter of \$3.989m. Cost management remains a strong focus of the Company as the business scales. The Company has demonstrated over recent quarters that it is able to manage its cost base while growing revenues.

Net Operating Cash Outflow - Annual



MAJOR CONTRACTS UPDATE

Eramet SA: A 3-year contract was signed for K2fly's Resource Disclosure solution, used to cover 5 reporting operations and 4 commodities. TCV is \$564k and ARR is \$152k. This contract was deemed as material to K2fly. Eramet is a French-owned multi-national mining and metallurgy player listed on the Euronext. See [ASX announcement](#) 14 June 2023.

BHP: A 3-year contract was signed to extend K2fly's Ground Disturbance Solution, used across its WA Iron Ore (WAIO) operations in the Pilbara, Western Australia. TCV is \$1.99m and ARR is \$664k. This contract was deemed as material to K2fly. See [ASX announcement](#) 20 June 2023.

Post quarter end

Roy Hill: A 5-year contract was signed for K2fly's Ground Disturbance solution, used its integrated iron ore operations in the Pilbara, Western Australia. TCV is \$2.0m and ARR is \$300k. This contract was deemed as material to K2fly. See [ASX announcement](#) 14 July 2023. Roy Hill ARR is not included in June quarter ARR or TCV calculations.

CORPORATE

Market engagement

Coffee Microcaps Conference 'Discover Hidden Gems' – K2fly CEO Nic Pollock presented to investors in Sydney on Thursday 27 April. The investor presentation can be viewed [here](#).

Upcoming events – K2fly will present at the below upcoming conferences:

- **TechKnow investor conference:**
 - Gold Coast (JW Marriott Gold Coast Resort & Spa) on Tuesday 1 August
 - Melbourne (Grand Hyatt) on Thursday 3 August
- **Australian Microcap Investment Conference**
 - Melbourne (Sofitel Melbourne on Collins) on Tuesday 24 and Wednesday 25 October

Working capital facility: A working capital facility of \$2.0m with a 24-month term was established with Maptek Pty Ltd. The facility provides K2fly with additional flexibility to manage its working capital requirements. Maptek Pty Ltd is a K2fly substantial shareholder and a director-related entity. Interest is fixed at 6.77% p.a. and may be paid or capitalised at K2fly's election. The facility is unsecured. See [ASX announcement](#) 1 June 2023.

Cash position: The Company held a cash balance on 30 June 2023 of \$4.4m (and \$2m in undrawn working capital facility available). Trade receivables at 30 June 2023 were \$1.8m.

Operating expenditure: Cash outflows related to ongoing operating expenditures to run business operations and deliver K2fly's platform of 10 solutions to clients which include the key items of: R&D, product manufacturing and operating costs, advertising and marketing, staff costs and administration and corporate costs. Net Cash from Operating Activities was an inflow of \$1.030m (Section 1.9, Appendix 4C). Gross Operating Expenditure in the December quarter amounted to cash outflows of \$3.840m (Section 1.2, Appendix 4C). See commentary section Revenue and Cash Receipts for further insight in to K2fly's billing cycle.

Net cash outflow from investing activities: Outflows relate to investment in software development to enhance the current platform of solutions (\$543k), the remittance of deferred payments in relation to the acquisition of Sateva (\$50k) and PPE (\$8k).

Payments to related parties and their associates: In accordance with ASX Listing Rule 4.7C.3, payments to related parties of the Company and their associates during the quarter totalled \$93k relating to Non-Executive Director fees and payments to director-related entities for consulting services. This amount is included at Item 6.1 of the Appendix 4C. Refer to the Remuneration Report in the 2022 Annual Report for further details on director remuneration.

Footnotes

¹ Unaudited.

² Exchange rate fluctuations impact ARR and TCV.

³ CAGR – compound annual growth rate.

Announcement released with authority of K2fly Board.

For further information, please contact:

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More on K2fly: [Website](#) | [Investor centre](#) | [Subscribe to investor updates](#)

About K2fly

K2fly Limited (ASX: K2F) is an ASX listed technology provider of enterprise-level Resource Governance solutions for **'net positive impact'** in Environmental, Social and Governance (ESG) compliance, disclosure and technical assurance, to operations of mining and asset intensive industries through its platform-based SaaS cloud solutions.

Our solutions address many industry challenges and help manage risk around clients' social license to operate concerning reporting & governance, reputation and disclosure demands.

Product & service offering: We deliver a suite of solutions across three key areas on a single platform:

- Natural Resource Governance
- Mineral Resource Governance
- Technical Assurance

Customers: Spanning all continents, our customer base includes multinational Tier-1 and Tier-2 mining clients operating in 54 countries.

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Strategy: Through acquisition, development, and partnerships, K2fly have assembled a unique platform that generates high margin SaaS recurring revenues, being rolled out globally. Our strategy is to 'land and expand' our offering with clients over time whereby additional solutions are rolled out to support central operational management and efficiency gains.

K2fly works closely with peak industry bodies, regulators, and our own industry advisory groups on ESG topics that are driven by rapidly changing regulations, community and investor expectations to build fit for purpose industry solutions that adhere to recognised codes and standards.

Strategic alliances: K2fly has strategic alliances with global technology companies such as Esri (USA), SAP (Germany), Hitachi-ABB (Japan) and Descartes Labs (USA).

Platform [overview](#)

Area	Solution	Related Acquisition
Natural Resource Governance	Heritage Management Land Access Ground Disturbance Tailings Management Mine Rehabilitation	Infoscope Infoscope Infoscope Decipher Decipher
Mineral Resource Governance	Resource Disclosure Model Manager Mine Reconciliation	RCubed RCubed, Sateva RCubed
Technical Assurance	Ore Blocker Mine Geology	Sateva Sateva

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

K2fly Limited

ABN

69 125 345 502

Quarter ended ("current quarter")

30 June 2023

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	4,867	13,511
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(1,507)	(6,266)
(c) advertising and marketing	(133)	(534)
(d) leased assets	-	-
(e) staff costs	(1,509)	(5,196)
(f) administration and corporate costs	(691)	(2,411)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	8	37
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	(5)	(115)
1.7 Government grants and tax incentives	-	31
1.8 Other (cash restricted to non-restricted)	-	(1)
1.8 Other (R&D refund)	-	362
1.9 Net cash from / (used in) operating activities	1,030	(582)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	(51)	(273)
(c) property, plant and equipment	(8)	(46)
(d) investments	-	-
(e) intellectual property	(543)	(2,720)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
	(f) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other	-	-
2.6	Net cash from / (used in) investing activities	(602)	(3,039)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (repayment of lease liabilities)	(40)	(198)
3.10	Net cash from / (used in) financing activities	(40)	(198)

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	4,068	8,271
4.2	Net cash from / (used in) operating activities (item 1.9 above)	1,030	(582)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(602)	(3,039)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(40)	(198)
4.5	Effect of movement in exchange rates on cash held	(16)	(12)
4.6	Cash and cash equivalents at end of period	4,440	4,440

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	4,440	4,068
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	4,440	4,068

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	93
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i>		

Payments included in item 6.1 relates to payment of director fees and non-executive director consulting fees (total: \$93k).

7. Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1 Loan facilities	2,000	nil
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	2,000	nil
7.5 Unused financing facilities available at quarter end		2,000
7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		
<p>\$2 million working capital facility provided by Maptek Pty Ltd. The facility is unsecured, has a 24-month term expiring on 31 May 2025 and attracts interest at a fixed rate of 6.77%p.a.. (Refer ASX announcement dated 1 June 2023.)</p>		

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	1,030
8.2 Other (software development) (item 2.1e)	(543)*
Other (repayment of lease liabilities) (item 3.9)	(40)
8.3 Total relevant outgoings (item 8.1 + item 8.2)	447
8.4 Cash and cash equivalents at quarter end (item 4.6)	4,440
8.5 Unused finance facilities available at quarter end (item 7.5)	2,000
8.6 Total available funding (item 8.4 + item 8.5)	6,440
<p>* The Company considers it appropriate to include cash outflows related to the development of IP activities. Whilst this is not a permanent component of the Company's cost structure, the Company is currently incurring costs in relation to its product development (refer ASX announcement dated 19 April 2021)</p>	
8.7 Estimated quarters of funding available (item 8.4 divided by item 8.1)	N/A
<p><i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i></p> <p><i>The cash runway calculation does not take into account the timing of cash inflows throughout the annual billing cycle from licence and SaaS fees which are billed annually in advance (aligned with contract anniversary dates).</i></p>	
8.8 If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.8.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
8.8.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	

8.8.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 25 July 2023.....

Authorised by: . By the Board.....
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.