

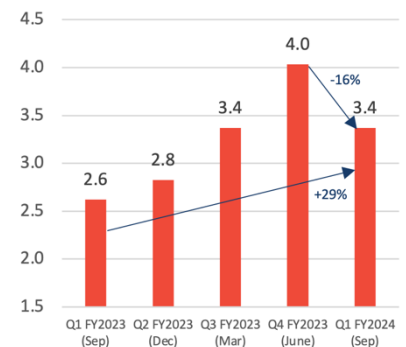
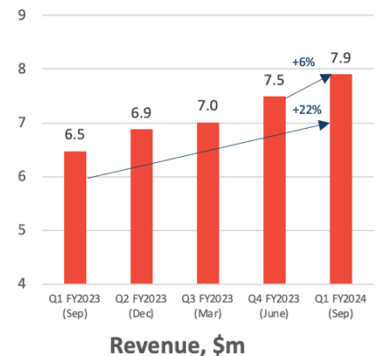
September Q1 FY2024 Quarterly Activities Report

Continued ARR Growth Following Further Material Contract Sales and Continued Movement Towards Operating Cash Breakeven

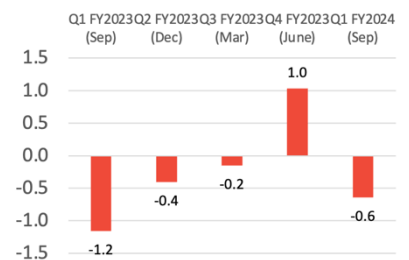
Highlights

- Annual Recurring Revenue (ARR)² of \$7.9m in Q1 FY2024, 6% higher than Q4 FY2023 and 22% higher than in Q1 FY2023
- Revenue of \$3.4m in Q1 FY2024, down 16% from Q4 FY2023 and up 29% from Q1 FY2023; impacted by lower one-off implementation fees compared to the prior quarter
- Net Operating Cash Outflow for the quarter was \$0.6m, a 47% reduction from the prior comparable period; improvement trend continues YoY
- Material contracts update
 - Roy Hill (Ground Disturbance solution); 5-years – ARR \$300k / TCV \$2.0m
- Release of the Resource Governance solution – next generation cloud first resource governance platform
- Cash balance on 30 September 2023 was \$2.9m (\$2.0m working capital facility remains undrawn)

Annual Recurring Revenue (ARR), \$m



Net Operating Cash Flow, \$m



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 September quarter, Q1 FY2024.

Nic Pollock CEO of K2fly said "Q1 FY24 was a steady ARR growth quarter for K2fly of 22% pcp that was coupled with some major company milestones.

We continue to successfully execute on our 'land and expand' strategy building on our customer relationships in Australia and globally, adding a second solution to Roy Hill.

Pleasingly, we continue working with operators in the Pilbara Region of Western Australia to reduce risks to their license to operate by implementing our Natural Resource Governance solutions. Roy Hill join an esteemed client list in the region using our solutions including BHP, FMG and Rio Tinto. Globally, we have gone live with our first sites in Europe as the first phase of a global rollout for Imerys for our Land Access solution.

Operationally, I'm particularly proud of the progress we have made in our software development function (Product Development Group) and the successful launch of the Product Release Process (PRP) which will benefit our customers greatly but also drives predictability, development efficiencies and scale in our business which are key drivers of our path to more customer contracts, revenue growth and breakeven. This project is the culmination of a number of quarters of effort.

Benefits of the PRP are already evident as demonstrated by the successful launch of our Resource Disclosure solution to Anglo American on schedule. We set ourselves a KPI to deliver the new solution to a tier 1 (top 10 global miner) in this timeframe and have succeeded in that key milestone. We will continue to grow our moat in this space where we are mostly uncontested by packaging and promoting a Mineral Resource Governance Suite, including Model Manager and Mine Reconciliation.

The ESG and transparency tailwinds that have been the foundation of K2fly's success continue to grow stronger as we anticipate the rollout of the new JORC code (mineral resource and reserve reporting) for listed mining companies in Australia (ASX) and other regulatory domains (likely in 2024). Our intimacy with these codes and their derivation, through in-house subject matter experts, means that we are uniquely placed to serve more ASX customers with addressing the new requirements on ESG disclosures and Reconciliation.

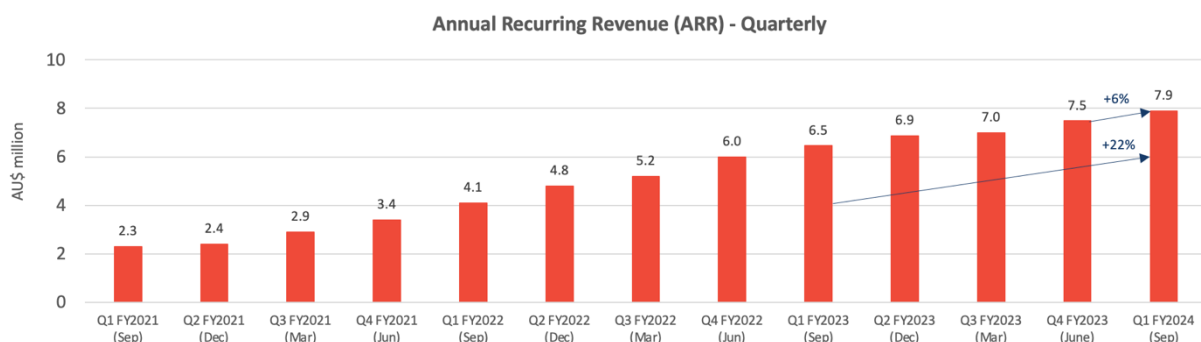
K2fly has consistently grown ARR, its key value indicator, each quarter over the last 13 quarters to \$7.9m, by focusing on its chosen sector of resources. Internal estimates value K2fly's serviceable obtainable market (SOM) for mining at \$62m ARR suggesting ample capacity for further growth. The value of the revenue opportunity grows as adjacent markets such as oil & gas and asset intensive sectors are developed.

CONTRACTS AND FINANCIAL RESULTS¹

ARR²:

- **ARR grew 6%** to \$7.9m compared to the prior quarter (end of period) **up 22% compared to Q1 FY2023**. Total Contract Value (TCV) at the end of the quarter was \$17.7m.
- A new material contract was signed during the quarter (Roy Hill). 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.



Revenue and Cash Receipts

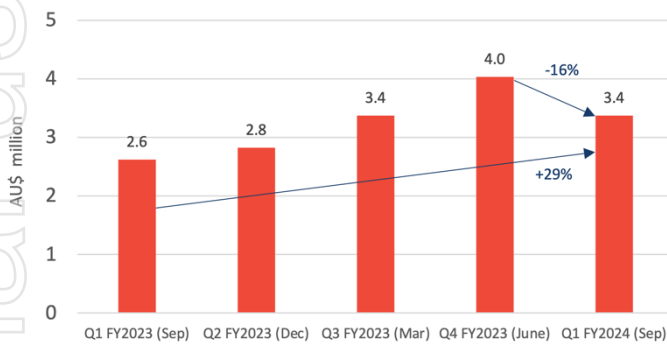
Revenue during the quarter was down 16% over Q4 FY2023 at \$3.4m and up 29% over Q1 FY2023.

Revenue was impacted by lower one-off implementation fees compared to the prior quarter, which saw a number of project go-lives and milestones achieved.

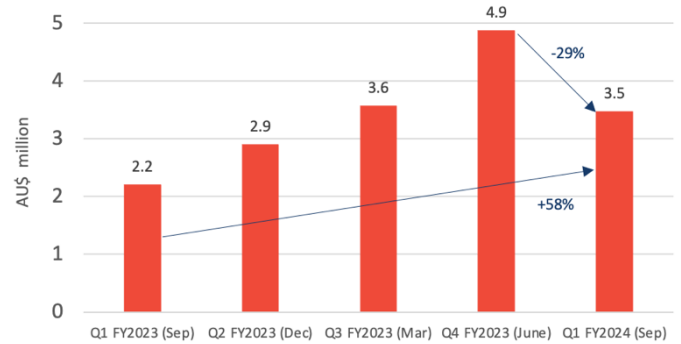
Cash Receipts from Customers are down 29% over Q4 FY2023 (which is historically a high-collections quarter) at \$3.5m and up 58% over Q1 FY2023.

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, and payment terms.

Revenue - Quarterly



Cash Receipts from Customers - Quarterly

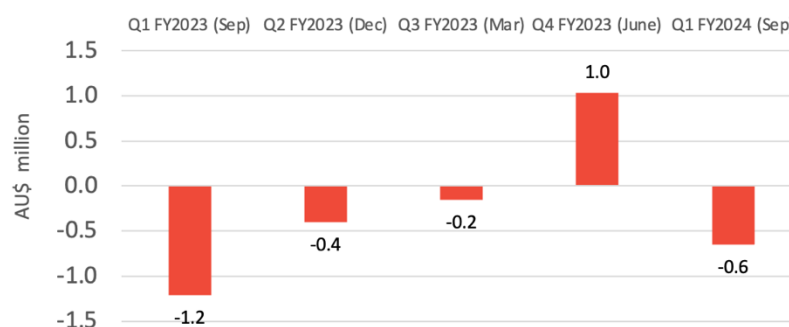


Net Operating Cashflow

The September quarter generated a Net Operating Cash Outflow of \$0.6m; continuing the overall improving trend. Like the variability in the timing of annual fees, the company incurs some annual costs which have a similarly variable profile. These contribute to overall variability on a quarter on quarter basis.

Gross Operating Expenditure (Section 1.2, Appendix 4C) in the September quarter of \$4.16m was slightly higher than the prior quarter of \$3.84m due to the increase in product manufacturing & operating costs (with offsetting reductions in investments in intellectual property). 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.

Net Operating Cash Flow - Quarterly



OPERATIONAL UPDATE

K2fly's Product Release Process (PRP): We have implemented an integrated cross-company product release process. Intended to create predictability and quality outcomes for our customers and implementation personnel, the PRP is a major step forward in K2fly's maturity as a product-led software company.

Led by the Product Development Group but spanning all departments, the synchronicity afforded by the PRP not only creates substantially more mature 'enterprise-class' products, but also allows all departments to come together in an orchestrated way to ensure that each release achieves all go-to-market criteria from sales, marketing, customer-success/implementation, and support.

Feedback from our customers has been overwhelmingly supportive, as they value the benefit of predictability in their own operations, and will now see similar benefits from their K2fly partnership.

Resource Governance solution (next generation cloud first): We are very proud to announce that one of the first outcomes of the PRP process is the general availability release of the Resource Governance solution.

K2fly has completed its major capital investment program which is the redevelopment of the RCubed system which allows our enterprise customers to disclose their mineral resources and reserves with precision, informs insight, and enables full auditability in line with global reporting regulations such as JORC.

As part of the 'Resource Disclosure' product release (one of three products sitting in the Mineral resource governance suite), we have deployed to Anglo American (LSE listed), who were the inaugural Tier 1 Resource Disclosure customer (see [ASX announcement](#) 12 December 2022).

K2fly Resource Disclosure is the first of K2fly's products developed on a platform architecture which is cloud first offering not only scale and flexibility, but also provides an ability to onboard customers more rapidly which expands the opportunity across Tier 1 and Tier 2 miners while also addressing smaller companies. K2fly is planning migration of existing RCubed customers across to the Resource Disclosure solution which also offers substantial uplifts in key functional areas like additional integrated modules of Model Manager

In 2024 the new JORC code will likely be released with new requirements incorporating ESG disclosures and Reconciliation as well as other items that increase the reporting overhead for ASX listed mining companies. We saw significant uptick in customer growth in our US market following changes to the SEC SK-1300 requirements for those companies listed in the US (particularly NYSE). We expect to see similar growth in the ASX listed space as companies turn to K2fly to ease increased reporting and disclosure demands.

MAJOR CONTRACTS UPDATE

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.

Post quarter end

Fortescue Metals Group: A software development services contract was received past quarter end. The Total Contract Value (TCV) is \$700k. Services will be provided on a time and materials basis over an expected period of 6 months. K2fly has previously provided Fortescue Metals Group



with such services and announced a contract in September 2022 with a TCV of \$1.2m, which was completed.

CORPORATE

Market engagement

- **Annual Report FY2023** – the report can be viewed [here](#)
- **Coffee Microcaps Investor Webinar** – K2fly CEO Nic Pollock presented to investors on 30 August. The investor presentation can be viewed [here](#).
- **Australian Microcap Investment Conference** – K2fly CEO Nic Pollock presented to investors on 25 October.

Cash position: The Company held a cash balance on 30 September 2023 of \$2.9m (and \$2.0m in undrawn working capital facility available). Trade receivables at 30 September 2023 were \$1.4m.

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 outflow of \$0.647m (Section 1.9, Appendix 4C). Gross Operating Expenditure in the September quarter amounted to cash outflows of \$4.16m (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 (\$428k), payments for the purchase of businesses (\$419k consisting of a commission relating to the purchase of Sateva and stamp duty on the purchase of Decipher) and PPE (\$16k).

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 \$71k 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 2023 Annual Report for further details on director remuneration.

Footnotes

¹ Unaudited.

² Exchange rate fluctuations impact ARR and TCV.

Announcement released with authority of K2fly Board.

For further information, please contact:

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Glen Zurcher, Investor Relations. T: +61 420 249 299. E: glen.z@k2fly.com

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.

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	Solutions	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 September 2023

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	3,474	3,474
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(1,794)	(1,794)
(c) advertising and marketing	(78)	(78)
(d) leased assets	-	-
(e) staff costs	(1,463)	(1,463)
(f) administration and corporate costs	(825)	(825)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	9	9
1.5 Interest and other costs of finance paid	(5)	(5)
1.6 Income taxes paid	(2)	(2)
1.7 Government grants and tax incentives	37	37
1.8 Other (cash restricted to non-restricted)	-	-
1.8 Other (R&D refund)	-	-
1.9 Net cash from / (used in) operating activities	(647)	(647)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(g) entities	-	-
(h) businesses	(419)	(419)
(i) property, plant and equipment	(16)	(16)
(j) investments	-	-
(k) intellectual property	(428)	(428)

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Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
	(l) 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	(863)	(863)

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)	(39)	(39)
3.10	Net cash from / (used in) financing activities	(39)	(39)

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	4,440	4,440
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(647)	(647)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(863)	(863)

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

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(39)	(39)
4.5	Effect of movement in exchange rates on cash held	20	20
4.6	Cash and cash equivalents at end of period	2,911	2,911

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	2,911	2,911
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)	2,911	2,911

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	71
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

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.

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

7. Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<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>		
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%. (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)	(647)
8.2 Other (software development) (item 2.1e)	(428)*
Other (repayment of lease liabilities) (item 3.9)	(39)
8.3 Total relevant outgoings (item 8.1 + item 8.2)	(1,114)
8.4 Cash and cash equivalents at quarter end (item 4.6)	2,911
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)	4,911
* 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)	
8.7 Estimated quarters of funding available (item 8.4 divided by item 8.1)	4
<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?	
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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: 31 October 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.