

## ASX / Media Release

31 January 2018

ASX code: **K2F**

# Quarterly Activities Update – Period ended 31 December 2017

### Highlights:

- Revenue continues to grow with the outlook for the financial year very positive
- Current quarter revenue up more than 100% from previous quarter
- Revenue growth balanced with prudent cost and cash management
- Infoscope continues to gain significant traction with the global giant SAP company –
  - Land and Tenement Management product is being ported to SAP Cloud Platform and its S4 HANA environment on track for completion in March 2018
  - K2F to showcase Infoscope with SAP at several national and international conferences and exhibitions in 2018
- Mobility division continues to perform:
  - Fieldreach solution enabled the launch of Mobile Inspection and Works Management within ARC Infrastructure
  - Kony –Mobile Application and Development Platform several sizable bids currently live with Utility, Rail and Oil and Gas clients

K2Fly Limited (**ASX: K2F**) (**K2fly** or **the Company**) continues to develop in line with our strategic expectations, and management is extremely pleased to report that significant progress is being made on a number of fronts.

### REVENUES AND CASH RECEIPTS

Customer invoices raised for the December quarter were approximately \$670k, which was \$30k greater than guidance offered in December. Invoices totalled for the equivalent quarter in 2016 was \$144k, and the September 2017 Quarter, was \$319k.

The sales pipeline is larger than it has ever been, and K2F is confident of achieving further sales growth across a number of clients and different product offerings. As of 29 January 2018, K2F has 9 proposals and tenders submitted and under evaluation in the marketplace, some of which are for multi-year provision of software and services. K2F is currently the preferred bidder in two of these situations, and while we are confident, there is no guarantee that these will turn in to full-blown assignments. In all other bids, K2F is on a short-list of tenderers.

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K2F achieved cash collections of approximately \$450k in the December quarter. While cash collections were down from the previous quarter of \$667k however, this included the annual one-off Software As A Service fee from a major Tier 1 client which is received in July of each year.

K2F's cash balance at the end of the December quarter was \$424k. Subsequent to quarter end, the Company announced it would receive a further \$1,224,302 before costs pursuant to a placement, which will have a positive impact on the Company's financial position for the upcoming quarters (refer below for further details regarding the placement).

### OWNED SOFTWARE

The acquisition of Infoscope in July 2017 has led to some significant traction with the global giant SAP company and its mining clients. SAP is a ~ A\$33 billion company.

The Infoscope product for Land and Tenement Management is currently being ported to the SAP Cloud Platform and its S4 HANA environment, and K2F has a number of opportunities which will be pursued in 2018 and beyond. The first phase of this migration went live successfully on January 29th, which was ahead of schedule. As a result of this development with SAP, K2F has been and will be presenting at several national and international industry-specific conferences and exhibitions this year, including the SAP Global International Mining conference in Prague.

The current version of Infoscope continues to deliver revenues from Fortescue Metals Group (FMG) as well as The Keeping Place project which is jointly sponsored by BHP, Rio Tinto and FMG. In addition, clients such as API and Westgold Resources continue to use our software to develop their growing businesses and efficiently manage their tenements. K2F is also pleased to report that the Infoscope product has received enquiries from a number of rail and utility companies who have significant land holdings. Although this is not the typical profile of an Infoscope client, this could represent a new sector for the solution and K2F is currently developing a new sales campaign in this arena.

### 3rd PARTY SOFTWARE

The Mobility division is also continues to perform well. K2F launched the Mobile Inspection and Works Management project within Arc Infrastructure in December, based upon the Fieldreach solution which K2F re-sells on behalf of Capita (UK). This project will see K2F delivering a turn-key solution including software licensing, software support & maintenance, integration services, consultancy, training and project management. This project will run for several months and will have significant impact on K2F's revenues this financial year.

K2F is also on a number of short-lists with bids which are based on our Kony offering.

Kony (USA) is the world leading Mobile Application Development Platform which is rated highly by all of the industry analysts. K2F is a reseller of the Kony product in the Australian marketplace and currently has live bids in with Electricity, Water, Rail and Oil & Gas prospective clients. In addition, K2F has built a Kony-based prototype Health & Safety solution for Programmed Facility Management which is currently being tested in the workplace.

K2F is making good progress with the Affinity Suite Marketflow and Meterflow products from Capita (UK) in the UK. These solutions have been sold to more than 80% of the major energy retailers in the UK including E.On, RWE Npower, EDF Energy and British Gas Centrica. As full market contestability for domestic energy develops in Australia, with these market-tested solutions K2F will be well placed to generate significant

revenues and margins from any contract wins. K2F is currently negotiating with a major systems integrator in Australia to develop a joint sales and marketing campaign within its existing client base.

K2F continues to invest in the growing area of the Internet of Things (IoT) and has built good capability with our specialist consultants. K2F has an Augmented Reality opportunity with an existing client which could lead to a software and services contract in mid-2018. This opportunity is based around the Pointerra (ASX:3DP) technology and if successful, would be a major referenceable site showcasing our capabilities in the IoT space. Augmented Reality specifically and IoT in general, are two of the key cornerstones in what is being described as digital disruption in our target industries, and K2F is well placed to exploit this technology as it becomes more widely accepted within industrial settings.

## CONSULTING

K2F continues to win consulting/advisory contracts, and contract extensions with Tier 1 clients such as Western Power. Some of these contracts are both strategically and financially significant. Our staff are subject matter experts who bring leading edge advice to our clients. We have been awarded contract extensions with more than one client which will run throughout 2018.

## MARKETING

As a Company we were very active at a number of industry-specific conferences and exhibitions in the December quarter, including the International Mining and Resources Conference in Melbourne in October, the AusRail PLUS event in Brisbane last month and the Utility Week Conference in Melbourne last week. K2F will continue to promote its products and brand at similar events in 2018 and we have already participated in two significant SAP events in Australia in January.

K2F is pleased that the market sentiment has improved in the last few months and anticipates that 2018 and 2019 will see significant growth in the IT and services sector in general. While this might bring some upward pressure on salaries and costs, K2F regards this trend as being positive as it indicates a more positive sentiment.

## CORPORATE

### Placement

Subsequent to quarter end, on 24 January 2018, the Company announced it had received firm commitments to raise approximately \$1.2m via an over-subscribed share placement at a price of \$0.25 per share. The issue price represents a discount of approximately 10% to K2fly's last closing price of \$0.28 and a discount of 16.5% to the 5 day volume weighted average price (VWAP).

Funds raised from the placement will be used to grow the business, including employing additional business development staff to support the sales roll out of the Infoscope land management software within the SAP S/4 HANA Enterprise Resource Planning (ERP) system, and for other working capital purposes relating to the training and developing of staff in advance of implementation projects.

The placement of 4,897,209 shares at a price of \$0.25 per share will raise \$1,224,302 before costs. For every three shares subscribed one listed 20 cent option (ASX Code: K2FOA) will be issued. The placement is being made using K2F's existing 15% placement capacity under ASX listing rule 7.1 and therefore shareholder approval will not be required. A placement fee of 6% is payable on funds raised.

### Change in Company Secretary

During the quarter, Gino D'Anna resigned as Company Secretary. Ms Melissa Chapman and Ms Catherine Grant-Edwards were appointed as Joint Company Secretary effective 22 November 2017.

### Shareholder Meetings

The Company's Annual General Meeting (**AGM**) was held 21 November 2017, where all resolutions put to shareholders were passed.

Subsequent to the quarter end, the Company held a general meeting and special general meeting on 15 January 2018 to approve the selection reduction of capital, approve the cancellation of Director shares and approve the issue of shares to Mr Noel Bonnicks (or nominee). All resolutions put to shareholders were passed.

For more information, refer to the Notices of Meetings and Results which are available via the Company's website at [www.k2fly.com](http://www.k2fly.com).

### Securities

During the quarter, the Company issued the following securities:

- 120,000 shares issued on 1 November 2017
- 350,000 unlisted options with an exercise price of \$0.20 expiring 1 November 2019
- 1,000,000 performance rights issued on 27 November 2017
- 2,740,000 performance rights issued on 4 December 2017
- 79,365 shares issued on 28 December 2017
- 400,000 unlisted options with an exercise price of \$0.225 expiring 28 December 2019
- 450,000 unlisted options with an exercise price of \$0.25 expiring 28 December 2019

A total of 9,799,364 fully paid ordinary shares previously held under escrow trading restrictions were released from escrow on 18 November 2017.

ENDS

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**About K2fly**

K2fly Ltd is an ASX listed Technology company which targets asset intensive industries. It supplies people and products, and has strategic alliances focussed on solving problems for clients.

K2fly owns the following technologies for use in Tier 1 companies:

**Infoscope:** A Data Collaboration solution

**ADAM:** Asset Data Analysis Management

**NovIn:** Real Time Asset Inspection Management App

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) and Capita plc (UK), where they have an outstanding track record of delivering benefits to clients. K2fly has strategic alliances with global technology companies such as: GE(USA) and SAP (Germany).

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, Facilities Management, Aviation and Defence.

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