

ASX / Media Release

31 January 2017

ASX code: **K2F**

K2F Provides Quarterly Update on Activities for the period ended 31 December 2016

Highlights:

- K2F successfully completed its RTO and listed on the ASX on 22 November 2016 after completing a capital raising of \$4,130,000
 - K2F demonstrated its software sales strategy and participated in tenders in asset intensive sectors across the UK and Europe in collaboration with its FTSE-30 major distribution partner
 - The Company launched an innovative cloud-based real-time asset tagging and inspection platform, known as NovIn and entered a partnership with Singapore-based Archer Systems
 - Strengthened relationship with ASEAN channel partner, Mitrais, through the upgrade of ADAM technology platform – and expanding its footprint in this important market
 - The Company was awarded a milestone contract with a WA-based utility providing K2F with the opportunity to significantly expand its presence within the key utilities sector
 - K2F was awarded a contract extension with a tier-1 mining services client which maintains its exposure to the mining sector
 - Milestone partnering agreement executed with Atlanta-based OBI Partners for the licencing of Operational Business Intelligence Solutions within Australia
 - K2fly is well positioned to win additional contracts within the vertical markets of electricity, gas, water and rail
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Enterprise asset management technology company K2fly Limited (**ASX: K2F**) is pleased to provide shareholders with a quarterly update of its activities for the period ended 31 December 2016.

K2fly Limited ACN 125 345 502

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www.k2fly.com

December quarter commentary

The December 2016 quarter represented a positive and successful period for K2fly, highlighted by the completion of its RTO and listing on the ASX, on 22 November 2016, after an oversubscribed prospectus offer which raised \$4.13 million at an issue price of 20c per share.

Post listing, the Company has made immediate progress in the execution of its business plan, and currently has in place key Partnership Agreements in the UK and Europe as well as the ASEAN region. K2fly has also entered into a number of significant new contracts and partnerships to expand its service provision footprint in the Enterprise Asset Management sector.

K2fly has a sound cash position at the end of the quarter, of approximately \$2.5 million. It is noted that the cash position was impacted by one-off costs associated with the Company's prospectus offer and listing. With the listing now complete, K2fly's total focus is on business growth and it is anticipated that current contracts and partnerships, along with the Company's continuing business development activities will drive revenues over the coming quarters.

Commenting on the quarterly activities and achievements, K2fly CEO and Executive Chairman Brian Miller stated,

"K2fly has undergone a significant transition since the completion of its RTO and listing on the ASX in November last year. In addition to licencing its own IP, the Company has been able to attract highly experienced partners such as OBI Partners which allows the Company to further enhance its software offering in asset intensive sectors."

"K2fly continues to work with its own Australian clients and the recent award of the milestone contract with the WA-based utility has meant that we are now positioned to win additional contracts in this important sector."

"In 2017, we will continue to focus on the electricity, gas, water and rail sectors as we see these vertical industries as having an increased need for better data management."

Contract Extension with Tier-1 WA-Based Mining Services Company

Subsequent to the quarter (ASX announcement, 9 January 2017), the Company announced it had been awarded a significant contract extension with a tier-1 WA-based mining services company. This is K2fly's second contract extension with this client and signifies the strength in relationship it has with its clients. Under the contract extension K2fly will continue to provide asset-specific data management and analysis, and efficient asset maintenance profiling. The mining services company provides Build-Own-Operate-Transfer (BOOT) and turnkey solutions to mining sector projects globally.

Milestone Partnership Agreement with US-based OBI Partners

Also subsequent to the quarter (ASX announcement, 18 January 2017), K2fly entered into a milestone Partnership Agreement with US-based OBI Partners (OBI), of Atlanta, Georgia. Under the Agreement, K2fly has the exclusive right to licence OBI's services and solutions within the utilities and rail sectors in Australia. OBI is an operational business intelligence

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solutions provider focused on the utility industry. It provides operational business intelligence solutions in electric and gas distribution companies, and power generation - ranging from hydro to nuclear.

Significant new contract with major Western Australian-based Utility

In December 2016, the Company was awarded a significant milestone-based new business contract with a major Western Australian-based Utility (ASX announcement, 21 December 2016). K2fly will provide consultancy and advisory services as part of a business transformation program within the utility. It is expected that after the successful completion of phase one of the contract, the scope of contract will increase significantly - in the first half of 2017. The successful completion of this contract will position K2fly to win additional contracts in the utilities sector, which is a core focus for the Company.

ADAM Upgrade and Expansion of South East Asian Footprint

In November 2016, K2fly released an upgrade of its flagship software application, real-time analytical platform, ADAM (ASX announcement, 30 November 2016). The upgrade was completed in conjunction with its ASEAN distribution partner Mitrais, and ensures that ADAM continues to be a market leading software platform for real-time analytical and data management for those key asset-intensive industries. The collaboration with Mitrais and the upgrades to ADAM also strengthened its partnership with Mitrais and facilitates the expansion of K2fly's footprint in South East Asia.

Partnership Agreement with Archer Systems and New Product Offering

Also in November 2016, the Company entered into a two year Distribution and Partnership Agreement with Archer Systems of Singapore to drive sales of its latest innovative software product offering, NovIn (ASX announcement, 25 November 2016). NovIn is a cloud-based asset inspection software that allows asset managers to make decisions in a timely and agile manner and optimise asset maintenance functions. Under the agreement, K2fly will licence NovIn in the UK and Europe, and the ASEAN region, through its distribution partners.

K2fly operates a Software-as-a-Service (SaaS) business model and seeks to develop, market, sell and implement leading edge software in large enterprise-scale companies who rely upon the performance of their assets.

K2fly licences its own proprietary software including the real-time analytical platform, ADAM, as well as a suite of mobile field working solutions. K2fly is also working with its international partners, such as OBI Partners, providing the Company with access to additional systems and software solutions, allowing K2fly to enhance its own software offering and become a value-added reseller in Australia.

K2fly derives revenue from multiple channels including software licencing, consulting, support and configuration.

ENDS

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About K2fly

K2fly Limited is an ASX listed Enterprise Asset Management technology company, which specialises in the provision of infrastructure asset management to asset intensive industries via a software technology platform and services. K2fly's technology allows an organisation to manage and maintain its asset data and deliver more effective and efficient outcomes via a single, centralised system. The technology has a strong track record of empowering organisations to make better informed long term decisions in relation to the operation, management and maintenance of its physical assets.

K2fly's technology is scalable and modular, which will enable the Company to aggressively pursue a broad base of target markets including SMEs, multi-nationals and corporate conglomerates.

K2fly owns the following proprietary asset management and asset maintenance technologies for use in vertically-integrated asset intensive industries:

ADAM Asset Data Analysis Management
NovIn Real Time Asset Inspection Management App
DocMan Mobility Solutions: Task Management App
TagMan Mobility Solutions: Asset Verification App
HandoverNotes Mobility Solutions: Electronic Information Sharing App
PropertyInspector Mobility Solutions: Asset Inspection App

K2fly's technology has been used to deliver operational and maintenance efficiencies to blue chip clients in Australia, North America and South-East Asia with clients including BHP Billiton, Woodside, Leighton, Origin, Port Authority of New South Wales, Visy, Apache and Petronas.

K2fly is seeking to deploy its asset management and asset maintenance technology within vertical market segments and industries with the dominant position to grow market share, taking advantage of the growing need for asset management and asset maintenance technology. These industries include Pharmaceuticals, Hospitality and Tourism, Healthcare, Defence, Telecommunications, Public and Private Utilities, Maintenance and Service Contract Industry, Aviation Industry, Energy Sector and Food Manufacturing.

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Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

K2fly Ltd

ABN

69 125 345 502

Quarter ended ("current quarter")

31 December 2016

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers		
1.2 Payments for		
(a) research and development		
(b) product manufacturing and operating costs		
(c) advertising and marketing		
(d) leased assets		
(e) staff costs	(20)	(20)
(f) administration and corporate costs	(1,190)	(1,215)
1.3 Dividends received (see note 3)		
1.4 Interest received	2	2
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Government grants and tax incentives		
1.8 Other (provide details if material)		
1.9 Net cash from / (used in) operating activities	(1,209)	(1,233)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment		
(b) businesses (see item 10)		
(c) investments		

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6months) \$A'000
(d) intellectual property		
(e) other non-current assets		
2.2 Proceeds from disposal of:		
(a) property, plant and equipment		
(b) businesses (see item 10)		
(c) investments		
(d) intellectual property		
(e) other non-current assets		
2.3 Cash flows from loans to other entities		
2.4 Dividends received (see note 3)		
2.5 Other (provide details if material)		
2.6 Net cash from / (used in) investing activities		

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	4,130	4,130
3.2 Proceeds from issue of convertible notes		
3.3 Proceeds from exercise of share options		
3.4 Transaction costs related to issues of shares, convertible notes or options	(437)	(437)
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 (provide details if material)		
3.10 Net cash from / (used in) financing activities	3,693	3,693

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of quarter/year to date	5	30
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(1,209)	(1,223)
4.3 Net cash from / (used in) investing activities (item 2.6 above)		
4.4 Net cash from / (used in) financing activities (item 3.10 above)	3,693	3,693

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6months) \$A'000
4.5	Effect of movement in exchange rates on cash held		
4.6	Cash and cash equivalents at end of quarter	2,490	2,490

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	2,490	5
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)	2,490	5

6.	Payments to directors of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to these parties included in item 1.2	(149)
6.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	
6.3	Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	

7.	Payments to related entities of the entity and their associates	Current quarter \$A'000
7.1	Aggregate amount of payments to these parties included in item 1.2	
7.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	
7.3	Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities		
8.2 Credit standby arrangements		
8.3 Other (please specify)		
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

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9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	
9.2 Product manufacturing and operating costs	
9.3 Advertising and marketing	
9.4 Leased assets	
9.5 Staff costs	30
9.6 Administration and corporate costs	300
9.7 Other (provide details if material)	
9.8 Total estimated cash outflows	330

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1 Name of entity		
10.2 Place of incorporation or registration		
10.3 Consideration for acquisition or disposal		
10.4 Total net assets		
10.5 Nature of business		

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.

Sign here: Date:
(Director/Company secretary)

Print name:Gino D'Anna.....

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly 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 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.