

ASX / Media Release

28 October 2020

ASX code: **K2F**

K2fly Acquires SATEVA for Mining Technical Assurance Solutions

Highlights:

- K2fly to acquire 100% of the fully paid ordinary shares of Sateva Pty Ltd and Sateva Development Pty Ltd (together referred to as SATEVA) including software products developed or being developed (SATEVA Software Products)
- SATEVA provides innovative software solutions and IT consulting services, including software development and services for mining, resources, and rail industries
- SATEVA Software Products suite will strengthen K2fly's technical assurance suite of software solutions that address global tier 1 and tier 2 mining companies
- SATEVA Software Products will tie directly into K2F's own leading SaaS based Resource Governance software solutions
- K2fly will acquire SATEVA for the following consideration:
 - Cash consideration of \$1 for each \$1 of consolidated net assets of SATEVA, excluding any amounts relating to intangible assets, with an amount of A\$2,000,000 to be paid on settlement date
 - Fully paid ordinary shares in K2F to the value of A\$2,000,000 (Share Consideration), to be issued at deemed issue price of the lower of 10 day VWAP of K2F Shares calculated for the period ending on the business day before settlement date; and \$0.355
 - Deferred consideration based on SATEVA Software Product and product consulting invoiced amounts until June 2024
- The net effect is an acquisition for scrip of A\$2,000,000 with a 3.5 year contingent consideration based on sales performance
- As at 30 September 2020, SATEVA had current assets of \$2,960,000 with a cash balance of \$2,557,000
- As at 30 September 2020, SATEVA had \$30,000 in payroll liabilities and no debt
- Share Consideration will be subject to 12-month voluntary escrow
- SATEVA has major clients Rio Tinto Iron Ore, Roy Hill, and Fortescue Metals Group (FMG) and will further enhance K2fly's strong position in major iron ore producers. 3 of Australia's top 4 iron ore producers are now K2fly clients
- Mark Forster, current managing director and founder of SATEVA, will join K2fly executive team as Chief Development Officer

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- **As part of his employment agreement, Mark Forster to be issued zero exercise price options valued at A\$50,000, which will vest on performance metrics linked to SATEVA Software Products being achieved**

K2fly Limited (ASX: K2F) (**K2fly or the Company**) is extremely pleased to announce that it has executed a Share Sale Agreement (**SSA**) to acquire Sateva Pty Ltd and Sateva Development Pty Ltd, (together referred to as **SATEVA**).

SATEVA provides innovative software solutions and IT consulting services, including software development and services for mining, resources, and rail industries. SATEVA has an established consulting services business with tier 1 and 2 resource companies and has also developed and is in the process of developing additional Software as a Service (**SaaS**) based solutions within the resource technical assurance space (**SATEVA Software Products**), complementing and adding to the Company's existing software products.

SATEVA is based in Perth and was established by Mark Forster, founder and managing director. Mark will be joining K2F's executive team, as its Chief Development Officer. SATEVA's current clients in the resources sector include Rio Tinto Iron Ore, Roy Hill and FMG. It also has RAC Insurance as a client.

Today SATEVA specialises in building IT applications in areas such as exploration, grade control, planning, ore tracking, inventory management, reconciliation, and data management.

SATEVA is also in the process of developing a new solution for Block Model Management which will dramatically improve and simplify model management for multi-site global miners, as well as provide a direct line of sight and governance from the block model to the annual inventory report. Block models are aggregated to produce annual Mineral Resources and Reserves reports – governed by K2fly Resource Inventory solution (RCubed).

Model Manager is a disruptive new development in geological and mine planning processes, reporting and analysis that exploits cloud computing and analytics and leverages K2fly's leading position in the reporting of mineral resource inventory with global tier 1 and 2 clients.

For further details on SATEVA and Mark Forster refer below.

K2fly CEO Brian Miller commented, "We are constantly looking for complementary software solutions that further improve and extend our customers' experience. SATEVA and our new Block Model Management capabilities will be a game changer in the mining industry and beyond, as we use modern technologies to dramatically improve what is increasingly a big data management and governance problem for the resources industry."

SHARE SALE AGREEMENT

Consideration for Acquisition

K2fly will acquire 100% of the fully paid ordinary shares in SATEVA for the following consideration:

1. Cash payment based on the consolidated net assets of SATEVA, excluding any amounts relating to intangible assets, with an amount of \$2,000,000 to be paid on settlement date

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and any balance or refund to be paid within 20 business days of settlement (**Cash Consideration**); and

2. The issue of fully paid ordinary shares (**Shares**) in the capital of K2fly equal to A\$2,000,000 (**Share Consideration**), to be issued at a deemed issue price of the lower of:
 - a. 10-day VWAP of K2F Shares calculated for the period ending on the business day before settlement date (**10-day VWAP**); and
 - b. \$0.355 (closing share price on 23 October).

The Share Consideration will be subject to a 12-month voluntary escrow period.

In addition to the Cash and Share Consideration outlined above, K2fly will pay additional performance-based consideration (**Deferred Consideration**) to SATEVA.

Deferred Consideration will be payable until 30 June 2024 and equates to an amount equal to 18% of the invoiced amounts relating to product and product consulting sales, during that time, from the SATEVA Software Products, ongoing or additional development of those products and any other documented or concept products that are being developed by SATEVA.

The Deferred Consideration will be calculated from the period from completion of the acquisition to 31 December 2020, and thereafter every 3-month period to 30 June 2024.

SATEVA Financials

For FY20, SATEVA generated total revenue of AUD\$1.4m with an unadjusted EBITDA of \$181,000.

As at 30 September SATEVA's total current assets were AUD\$2,960,000 with \$2,557,000 in cash. The company had current payroll liabilities of \$30,000 and no debt.

Engagement of Mark Forster

Mark Forster has joined K2fly's executive team as its Chief Development Officer and has signed an employment contract with K2F.

As part of employment, Mark Forster will be issued zero exercise price options (**ZEPOs**) to the value of A\$50,000 which vest upon the completion and commercial delivery of 3 software products by SATEVA referred to as Maximum Return, Optimiser and Block Model Manager by 30 June 2021 and Mark remaining as an employee of K2F.

ZEPOs are to be issued will have an expiry date of 18 months from the time of issue and deemed issue price will be the lower of:

- a. 10-day VWAP; and
- b. \$0.355.

SATEVA AND RCUBED COMBINED

K2fly is executing on a range of products that focus on technical assurance solutions that deliver better Environmental, Social and Governance (ESG) outcomes for its resources' customers and their stakeholders. The SATEVA acquisition brings additional depth to K2fly's technical assurance that will

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underpin its resource inventory solutions and provide deeper and richer functionality for resources' clients, particularly senior geologists at corporate level who are the main target audience.

Our Software Solution Suite

Current technical assurance and governance solution suite



Since acquiring the intellectual property of RCubed 17 months ago, the Resource Inventory Management solution has been particularly successful with 14 tier 1 and 2 mining companies now using the cloud-based product. In addition, the mid-year release of the RCubed Reconciliation module is already gaining momentum with several paid-pilot studies underway. The acquisition of SATEVA will further enhance these offerings via an integrated Block Model Management solution, in the form of Model Manager, and other discrete solutions within the technical assurance space.

Model Manager will revolutionise the way annual reporting and planning processes are undertaken in global mining companies. It will include a rigorous governance and compliance overlay, for version control, access permissions, touch tracking and control over resource and reserve models.

Nic Pollock, K2fly Chief Commercial Officer stated, "The SATEVA acquisition contributes to three key strategic objectives for K2fly. It provides additional software solutions that address our technical assurance capability in mining and ESG. It increases our opportunities to deliver improving Annual Recurring Revenues and further strengthens our share of software solutions in major iron ore producers. As a significant additional bonus, we get to leverage Mark Forster and his team to further enhance our local development capability for further scale."

BACKGROUND DETAILS ON SATEVA AND MARK FORSTER

SATEVA is a technology consulting and development firm based in Perth, Western Australia, which specialises in providing technology consulting services to the mining, metals, rail, and related industries.

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SATEVA initially focused on developing geology systems in the areas of exploration, evaluation, and mine geology, and later moved into the development of operational mining systems. SATEVA developed the Maximum Return mine geology system for managing the block-out process and the associated data for large open pit mining operations. The system has been successfully deployed at the Roy Hill mining operation and was integrated with the Roy Hill mine planning and laboratory information systems. Today SATEVA specialises in building IT applications in areas such as exploration, grade control, planning, ore tracking, inventory management, reconciliation, and data management.

SATEVA currently has the following three products in production, development and near commercialisation:

- SATEVA Maximum Return – In Production
- SATEVA Model Manager - due for release late 2020
- SATEVA Automation – due for release late 2020

SATEVA Maximum Return

Mining companies often have poor systems to manage and store geo-metallurgical grade control data which is required for the mine geology grade control process. As a result of this, it is difficult for mine geologists to make accurate predictions of material grade, hardness, and handleability – resulting in a reduction of the feed rate and recovery through the processing plant. In addition, scheduling and production staff are unable to observe and respond to the variations in the broken stocks' material identified by mine geology.

SATEVA Maximum Return addresses these issues with a cohesive solution that streamlines and automates elements of the mine geology discipline within the production process. The system manages all blast and grade block spatial data, has an integrated QAQC (Quality Assurance Quality Control) system, and integrates with the client's mine planning and Laboratory Information Management (LIMs) systems in order to manage the entire ore block-out process.

SATEVA Model Manager

SATEVA Model Manager is a high-performance storage and analytics solution which provides improved block model management, and a direct line of sight and governance from the block model to the annual inventory report. The geological model is the foundation of any mining project as it contains all the geological information required for planning and mining a deposit. The success or failure of a mine will depend on how the block model is used to evaluate mineral assets. Block models are aggregated to produce annual Mineral Resources and Reserves reports – governed by K2fly Resource Inventory (RCubed).

Block models are growing larger (terabytes) making them harder to manage and distribute. They are created in disparate proprietary systems (i.e. Datamine and Vulcan) that are difficult to scale, and the information is difficult to access using third party tools such as Microsoft Power BI or Tableau. SATEVA Model Manager is based on a massively parallel SQL relational database, delivering high-performance model analytics using industry standard business intelligence tools.

SATEVA Model Manager is a disruptive new development in geological and mine planning processes, providing a reporting and analysis capability that leverages cloud computing and analytics.

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Model Management (MM)

In mining, the geological block model is the foundation of any mining project as it contains all the grade and material information for the mining deposit.

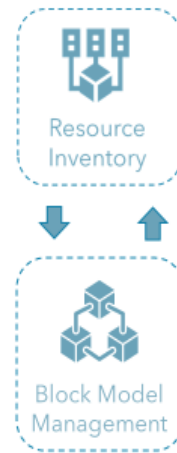
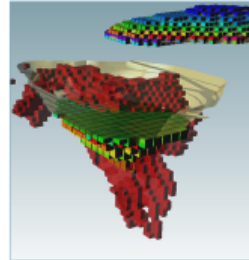
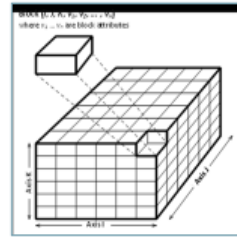
The success and failure of a mining operation can rest largely on how the block model is used to evaluate mineral assets.

It is these foundational blocks that are aggregated to create and produce the mining companies' annual mineral resource and reserve models and reports – K2fly Resource Inventory

Block models are growing larger (terabytes), are harder to manage, and are created in proprietary systems (i.e. Datamine and Vulcan) that are not scalable.

MM will allow simpler data management and a direct line of site and governance from a block in a mine all the way up to the annual inventory report and back again.

MM is a disruptive new development in annual mine planning processes, reporting and analysis that leverages powerful cloud computing and analytics. It is as applicable in Oil and Gas Reservoir modelling



2

SATEVA Automation

SATEVA Automation is an automated ore block-out solution integrated into SATEVA Maximum Return. The technology replaces the manual block-out process, typically performed by a mine geologist, and automatically creates the ore blocks for a blast based on block model grades or blast hole assays. The system allows the geologist to define a series of constraints which include minimum and maximum ore block sizes, adjustable cut-off grades, material dilution rules, and a set of possible flitch heights to optimise the blast in 3 dimensions. By automating the block-out process a mine can improve the ore recovery by 5-10% resulting in additional revenue in the tens of millions of dollars per annum.

Mark Forster

Mark Forster is the founder and managing director of SATEVA. Mark has significant experience in the design, construction, and implementation of large complex systems for organisations which include Rio Tinto Iron Ore, BHP Billiton Iron Ore, BMA Coal, Rio Tinto Exploration, Hamersley Iron. Prior to founding SATEVA, Mark worked at Datamine and Snowden. He also has extensive international experience in the sales of software solutions.

Mark has a B.App.Sc degree in Mathematics and Computing from the Curtin University of Technology, and post-graduate qualifications in Data Science and Machine Learning from Harvard University and the University of Washington, respectively.

SATEVA's Team

SATEVA's business analysts and project managers have years of industry and project experience. SATEVA's developers and database administrators (DBAs) have expertise in Microsoft.Net, ASP.Net, C#.Net, VB.Net, T-SQL, and PL/SQL programming languages, and Oracle, SQL Server, and Microsoft Analysis Services database technologies

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SATEVA has a successful track history of commercially completing numerous projects and developing and deploying a range of software applications.

Announcement released with authority of K2F board.

ENDS

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About K2fly

K2fly Ltd (K2F) is an ASX listed technology company providing enterprise-level technical assurance and reporting solutions across all aspects of the Environmental, Social and Governance functions.

Servicing the mining, oil & gas, utilities and agriculture sectors, K2fly delivers governance and compliance, stakeholder engagement and permits and obligations services for clients covering:

- Land Access
- Community and heritage
- Rehabilitation
- Dams & Tailing
- Resources Inventory
- Ground Disturbance

Underpinning K2Fly's Software as a Service offering are its proprietary technologies:

- **RCubed**, a mineral resource and reserve reporting solution supporting JORC, NI43101 and SAMREC reporting codes across the major stock exchanges, including NYSE, LSE, TSX, ASX and JSE
- **Infoscope**, a solution supporting Enterprise Land Management, Natural Resource Governance and Stakeholder Relations

K2fly has strategic alliances with global technology companies such as Esri (USA), SAP (Germany) and ABB (Switzerland).

In addition, K2fly provides cutting edge business consultancy services with subject matter experts across Rail, Electricity, Gas, Water, Mining, Oil & Gas, and Facilities Management.

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