

ASX / Media Release

1 February 2021

ASX code: **K2F**

K2fly to acquire Decipher's mining solutions business

Highlights:

- K2fly to acquire the business assets associated with 'Decipher for Mining' (Decipher) from CSBP Limited (CSBP) and Wesfarmers Chemicals, Energy & Fertilisers Limited (WesCEF).
- All scrip consideration comprising 11,366,691 ordinary K2fly shares valued at AUD\$3.7 million plus up to 5,345,633 performance shares, both subject to voluntary escrow periods.
- Wesfarmers subsidiary CSBP will become K2fly's largest shareholder with 10.13% holding.
- Decipher provides cloud-based software-as-a-service (SaaS) monitoring and compliance solutions for mining industry customers.
- Decipher CEO Anthony Walker will be joining K2fly in a senior executive position along with the core of the Decipher team.
- Decipher will bring additional depth to K2fly's growing solution suite in tailings and rehabilitation and extends K2fly's technical assurance and governance footprint inside existing global customers.

K2fly Limited (ASX: K2F) (**K2fly or the Company**) is pleased to announce that it has executed a Business Sale Agreement (**BSA**) to acquire assets held by CSBP Limited (**CSBP**) and Wesfarmers Chemicals, Energy & Fertilisers Limited (**WesCEF**) used in the operation of the 'Decipher for Mining' business (**Decipher**).

Decipher has been developed and operated by CSBP and WesCEF, subsidiaries of Wesfarmers Limited (**Wesfarmers**). Decipher offers cloud-based software-as-a-service monitoring and compliance solutions in tailings management and rehabilitation for mining industry customers.

In 2020, K2fly launched a suite of solution offerings to its predominantly mining customers globally and this acquisition adds solution breadth and customers specifically to our tailings monitoring and rehabilitation solutions as well as underlying platform capability and scalability.

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K2fly Software Solution Suite

Current technical assurance solution suite



Resource Inventory



Dams & Tailings



Land Access



Community & Heritage



Rehab



Ground Disturbance

Governance & Compliance

Stakeholder Engagement

Permits, Approvals & Obligations

Geospatial

Workflow

Analytics

Security

Integration

Reporting

Mobility

Nic Pollock, K2fly's Chief Commercial Officer said: "We have been partnered with Decipher for nearly a year now and we have found many synergies in our joint offering, go to market capabilities, and operational models that the acquisition was a logical combination. We are both lean startup companies and there is virtually no duplication and many upsides to the deal. We are pleased that Anthony Walker, the Decipher CEO, will be joining K2fly in a senior executive position as well as the core Decipher team."

Anthony Walker, Decipher CEO said: "We have formed a very close working relationship with the K2fly team, and we all share a passion for delivering better ESG (Environmental, Social and Governance) monitoring and compliance outcomes to the mining industry and the communities in which they operate. This transaction will dramatically increase our pace of delivery on these aspirations."

BUSINESS SALE AGREEMENT

Conditions Precedent

The acquisition is subject to the following conditions precedent:

- (a) The approval of the Company's shareholders of the issue of the ordinary shares and performance shares to be issued to the vendors at completion.
- (b) ASX approval of the terms of performance shares.

Consideration for Acquisition

K2fly will acquire Decipher's business assets for the following consideration:

1. The issue of 11,366,691 fully paid ordinary shares in the Company (**Consideration Shares**); and
2. The issue of up to 5,345,633 performance shares.

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Consideration Shares are to be held in voluntary escrow for 2 years.

The performance shares issued will convert on an annual basis into a number of fully paid ordinary shares to a value equal to 22% of the annual revenues attributable to the Decipher business (**Revenue**), over a 4 year period following completion. Each tranche of shares issued on conversion of the performance shares will also be subject to voluntary escrow for 12 months. A maximum of 5,345,633 fully paid ordinary shares in the Company can be issued to CSBP as a result of the conversion of the performance shares.

As a result of the transaction, CSBP will hold a 10.13% interest in the Company at completion, with the ability for that interest to increase to 14.22% should all of the performance shares convert into ordinary shares (assuming no other shares are issued in the Company).

INDICATIVE TIMETABLE

The Company expects to dispatch to shareholders shortly a notice of meeting for the purpose of seeking approval of the acquisition, to be held in mid March 2021. Completion of the acquisition is expected to occur shortly after shareholder approval is received.

K2fly CEO Brian Miller commented: "Following on from the Sateva acquisition, and in line with our strategy we continue to expand our own IP. We have already positioned Decipher within our own customer base and strategic partners, such as SAP. Having Decipher now in our own suite of products will enable us to further accelerate our growth in the mining software portfolio."

Ian Hansen, WesCEF Chief Executive Officer said: "Decipher offers some of the best technology available to support rehabilitation and environmental services to the mining industry. Anthony Walker has built a strong team and a world class platform that K2fly is well placed to commercialise."

ADVISERS

Steinepreis Paganin is acting as legal adviser to K2fly in relation to the transaction.

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 a suite of solutions in governance and compliance, stakeholder engagement and permits and obligations services for clients covering:

- Land Access
- Community and heritage
- Rehab
- Dams & Tailing
- Resources Inventory and Mine Geology Systems
- Ground Disturbance

Underpinning K2fly's Software as a Service (SaaS) offering are its proprietary technologies: RCubed, Infoscope and the SATEVA Suite.

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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