

**ASX Release**

ASX code: K2F

8 March 2022

## Update on Ongoing Investigation

### Summary

- **Suspected fraud event under investigation relating to tax discrepancies in its South African registered subsidiary linked to a former employee**
- **External advisor was appointed to conduct a forensic review; a progress memorandum has identified there are suspicious payments totalling AU\$745,000 to two accounts – which are not yet accounted for and details of the recipients are still to be identified**
- **A contingent liability of AU\$323,500 was disclosed in the Company's Half Year Report for the period ended 31 December 2021, released on 28 February 2022**
- **Investigation remains ongoing and options of financial recovery including insurance channels are being explored**

**K2fly Limited (K2F, K2fly or the Company) (ASX: K2F)**, is a provider of 'net positive impact' solutions 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. The Company provides an update on an ongoing investigation.

In accordance with listing rule 3.1, this announcement provides details of a suspected fraud event which K2fly has recently identified and is currently investigating.

The Company has been investigating discrepancies between the records of its South African registered subsidiary (Subsidiary) and the records of the local taxing authority. A top tier accounting firm has been appointed as an external advisor to conduct a forensic review of the Subsidiary's tax compliance and to investigate the discrepancies. The Company initially disclosed details of a contingent liability of AU\$323,500 in its Half Year Report for the period ended 31 December 2021, released on 28 February 2022.

The Company has now received a progress memorandum on the investigation from our advisors at 9.12pm AWST Monday 7<sup>th</sup> March. Although the investigation is ongoing, based on the progress memorandum the Company suspects that a fraud is likely to have occurred within the Subsidiary's South African office, perpetuated by a former employee of that office and who had been appointed as its public officer to deal with the Subsidiary's taxation affairs.

The suspected fraud may have been ongoing for a period of time. The employee is no longer employed by the Subsidiary and no longer its appointed public officer. The financial management of the Subsidiary has been taken over by the Australian-based team, under the oversight of the Company's Chief Financial Officer.

The progress memorandum has identified there are suspicious payments totalling AU\$745,000 to two accounts – which are not yet accounted for and details of the recipients are still to be identified.



The Company is exploring all options of financial recovery through the investigation process and insurance channels. The Company has insurance cover in place, which is likely to partially cover the exposure, however a claim has not yet been lodged and it remains uncertain whether a claim would be successful. Further details will be provided in due course.

The investigation is ongoing and the Company is working with the relevant authorities.

Announcement released with authority of K2fly Board.

**For further information, please contact:**

Brian Miller, Executive Director, K2fly Limited. T: +61 422 227 489. E: [brian@k2fly.com](mailto:brian@k2fly.com)

Glen Zurcher, Investor Relations. T: +61 420 249 299. E: [glen@viriair.com](mailto:glen@viriair.com)

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**About K2fly**

**K2fly Limited (ASX: K2F)** is an ASX listed technology provider of enterprise-level **'net positive impact'** solutions 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), Descartes Labs (USA) and Cyient (UK).

**Platform**

Area	Solution	Related Acquisition
Natural Resource Governance	<a href="#">Community &amp; Heritage</a>	Infoscope
	<a href="#">Land Access &amp; Monitoring</a>	Infoscope
	<a href="#">Ground Disturbance</a>	Infoscope
	<a href="#">Dams &amp; Tailings</a>	Decipher
	<a href="#">Rehabilitation &amp; Closure</a>	Decipher
Mineral Resource Governance	<a href="#">Resource Inventory &amp; Reconciliation</a>	RCubed
	<a href="#">Block Model Management &amp; Governance</a>	RCubed, Sateva



<b>Technical Assurance</b>	<a href="#">Automated Ore Blocking</a> <a href="#">Mine Geology Data Management</a>	Sateva Sateva
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