

K2FLY LIMITED
ACN 125 345 502

ENTITLEMENT ISSUE PROSPECTUS

For a non-renounceable entitlement issue of one Share for every ten Shares held by those Shareholders registered at the Record Date at an issue price of \$0.30 per Share to raise up to \$1,812,293 (based on the number of Shares on issue as at the date of this Prospectus) (together with one free attaching option for every four Shares subscribed for and issued (**New Option**)) (**Offer**).

The Offer is fully underwritten by K S Capital Pty Limited (ACN 124 761 557) (AFSL 316880) (**Underwriter**). Refer to Section 8.4 for details regarding the terms of the Underwriting Agreement.

IMPORTANT NOTICE

This document is important and should be read in its entirety. If after reading this Prospectus you have any questions about the securities being offered under this Prospectus or any other matter, then you should consult your stockbroker, accountant or other professional adviser.

The Securities offered by this Prospectus should be considered as speculative.

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1. CORPORATE DIRECTORY

Directors

Ms Jenny Cutri
Non-Executive Chair

Mr Brian Miller
Director, Chief Executive Officer

Mr Neil Canby
Non-Executive Director

Mr James Deacon
Non-Executive Director

Company Secretaries

Ms Melissa Chapman
Ms Catherine Grant-Edwards

Share Registry*

Advanced Share Registry
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NEDLANDS WA 6009

Telephone: +61 8 9389 8033
Facsimile: +61 8 9262 3723

Auditor*

HLB Mann Judd
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130 Stirling Street
PERTH WA 6000

Registered Office

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26 Railway Road
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Solicitors

Steinepreis Paganin
Lawyers and Consultants
Level 4, The Read Buildings
16 Milligan Street
PERTH WA 6000

Underwriter

K S Capital Pty Limited
Level 36, Governor Phillip Tower
1 Farrer Place
SYDNEY NSW 2000

* This entity is included for information purposes only. It has not been involved in the preparation of this Prospectus and has not consented to being named in this Prospectus.

2. TIMETABLE

Lodgement of Prospectus with the ASIC	11 September 2018
Lodgement of Prospectus & Appendix 3B with ASX	Prior to the commencement of trading on 12 September 2018
Notice sent to Optionholders	12 September 2018
Notice sent to Shareholders	14 September 2018
Ex date	17 September 2018
Record Date for determining Entitlements	18 September 2018
Prospectus despatched to Shareholders & Company announces despatch has been completed	21 September 2018
Closing Date*	5 October 2018
Securities quoted on a deferred settlement basis	8 October 2018
ASX notified of under subscriptions	10 October 2018
Issue date/Securities entered into Shareholders' security holdings	12 October 2018

*The Directors may extend the Closing Date by giving at least 3 Business Days' notice to ASX prior to the Closing Date. As such the date the Securities are expected to commence trading on ASX may vary.

3. IMPORTANT NOTES

This Prospectus is dated 11 September 2018 and was lodged with the ASIC on that date. The ASIC, the ASX and their respective officers take no responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates.

No Securities may be issued on the basis of this Prospectus later than 13 months after the date of this Prospectus.

No person is authorised to give information or to make any representation in connection with this Prospectus, which is not contained in the Prospectus. Any information or representation not so contained may not be relied on as having been authorised by the Company in connection with this Prospectus.

It is important that investors read this Prospectus in its entirety and seek professional advice where necessary. The Shares the subject of this Prospectus should be considered highly speculative.

Applications for Securities offered pursuant to this Prospectus can only be submitted on an original Entitlement and Acceptance Form, including applying for any additional Shares under the Shortfall Offer.

This Prospectus is a transaction specific prospectus for an offer of continuously quoted securities (as defined in the Corporations Act) and has been prepared in accordance with section 713 of the Corporations Act. It does not contain the same level of disclosure as an initial public offering prospectus. In making representations in this Prospectus regard has been had to the fact that the Company is a disclosing entity for the purposes of the Corporations Act and certain matters may reasonably be expected to be known to investors and professional advisers whom potential investors may consult.

3.1 Risk factors

Potential investors should be aware that subscribing for Securities in the Company involves a number of risks. The key risk factors of which investors should be aware are set out in Section 7 of this Prospectus. These risks together with other general risks applicable to all investments in listed securities not specifically referred to, may affect the value of the Shares in the future. Accordingly, an investment in the Company should be considered highly speculative. Investors should consider consulting their professional advisers before deciding whether to apply for Securities pursuant to this Prospectus.

3.2 Forward-looking statements

This Prospectus contains forward-looking statements which are identified by words such as 'may', 'could', 'believes', 'estimates', 'targets', 'expects', or 'intends' and other similar words that involve risks and uncertainties.

These statements are based on an assessment of present economic and operating conditions, and on a number of assumptions regarding future events and actions that, as at the date of this Prospectus, are expected to take place.

Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of our Company, the Directors and our management.

We cannot and do not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this prospectus will actually occur and investors are cautioned not to place undue reliance on these forward-looking statements.

We have no intention to update or revise forward-looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this prospectus, except where required by law.

These forward looking statements are subject to various risk factors that could cause our actual results to differ materially from the results expressed or anticipated in these statements. These risk factors are set out in Section 7 of this Prospectus.

4. DETAILS OF THE OFFER

4.1 The Offer

The Offer is being made as a non-renounceable entitlement issue of one Share for every ten Shares held by Shareholders registered at the Record Date at an issue price of \$0.30 per Share (together with one free attaching New Option for every four Shares subscribed for and issued). Fractional Entitlements will be rounded up to the nearest whole number.

Based on the capital structure of the Company as at the date of this Prospectus, (and assuming no existing Options are exercised prior to the Record Date) a maximum of 6,040,976 Shares and 1,510,244 New Options will be issued pursuant to this Offer to raise up to \$1,812,293. No funds will be raised from the issue of the New Options.

As at the date of this Prospectus the Company has 16,035,910 Options on issue all of which may be exercised prior to the Record Date in order to participate in the Offer. Please refer to Section 5.4 of this Prospectus for information on the exercise price and expiry date of the Options on issue.

All of the Shares offered under this Prospectus will rank equally with the Shares on issue at the date of this Prospectus. Please refer to Section 6 for further information regarding the rights and liabilities attaching to the Shares.

All of the New Options offered under this Prospectus will be issued on the terms and conditions set out in Section 6.2 of this Prospectus.

All Shares issued on conversion of the New Options will rank equally with the Shares on issue at the date of this Prospectus.

The purpose of the Offer and the intended use of funds raised are set out in Section 5.1 of this Prospectus.

4.2 Minimum subscription

On the basis that the Offer is fully underwritten, the minimum subscription is also the full subscription under the Offer.

4.3 Acceptance

Your acceptance of the Offer must be made on the Entitlement and Acceptance Form accompanying this Prospectus. Your acceptance must not exceed your Entitlement as shown on that form. If it does, you will be taken to have applied for Shortfall Shares under the Shortfall Offer, if there is a Shortfall.

You may participate in the Offer as follows:

- (a) if you wish to accept your **full** Entitlement:
 - (i) complete the Entitlement and Acceptance Form; and
 - (ii) attach your cheque, drawn on an Australian bank or bank draft made payable in Australian currency, for the amount indicated on the Entitlement and Acceptance Form; or
- (b) if you only wish to accept **part** of your Entitlement:

- (i) fill in the number of Shares you wish to accept in the space provided on the Entitlement and Acceptance Form; and
 - (ii) attach your cheque, drawn on an Australian bank or bank draft made payable in Australian currency, for the appropriate application monies (at \$0.30 per Share); or
- (c) if you wish to accept your full Entitlement **and** apply for additional Shortfall Shares:
- (i) complete the Entitlement and Acceptance Form for the amount indicated on your Entitlement and Acceptance Form plus any additional Shortfall Shares you wish to apply for. You will be deemed to have applied for that number of Shortfall Shares which in aggregate with your Entitlement is covered in full by your application monies. In order to participate in the Shortfall Offer, you must apply for your Entitlement in full; and
 - (ii) attach your cheque, drawn on an Australian bank or bank draft made payable in Australian currency, for the appropriate application monies (at \$0.30 per Share); or
- (d) if you do not wish to accept all or part of your Entitlement, you are not obliged to do anything.

4.4 Payment by cheque/bank draft

All cheques must be drawn on an Australian bank or bank draft made payable in Australian currency to “**K2fly Limited – Entitlement Issue Account**” and crossed “Not Negotiable”.

Your completed Entitlement and Acceptance Form and cheque must reach the Company’s share registry no later than 5:00 pm WST on the Closing Date.

4.5 Payment by BPAY®

For payment by BPAY®, please follow the instructions on the Entitlement and Acceptance Form. You can only make a payment via BPAY® if you are the holder of an account with an Australian financial institution that supports BPAY® transactions. Please note that should you choose to pay by BPAY®:

- (a) you do not need to submit the Entitlement and Acceptance Form but are taken to have made the declarations on that Entitlement and Acceptance Form; and
- (b) if you do not pay for your Entitlement in full, you are deemed to have taken up your Entitlement in respect of such whole number of Shares which is covered in full by your application monies.

It is your responsibility to ensure that your BPAY® payment is received by the share registry by no later than 5:00 pm (WST) on the Closing Date. You should be aware that your financial institution may implement earlier cut-off times with regards to electronic payment and you should therefore take this into consideration when making payment. Any application monies received for more than your final allocation of Shares (only where the amount is \$1.00 or greater) will be refunded. No interest will be paid on any application monies received or refunded.

The Offer is non-renounceable. Accordingly, a Shareholder may not sell or transfer all or part of their Entitlement.

One New Option with an exercise price of \$0.20 and an expiry date of 18 May 2020 will be issued for every four Shares subscribed for and issued under the Offer. Fractional entitlements of New Options will be rounded up to the nearest whole number.

4.6 Underwriting and sub-underwriting

The Offer is fully underwritten by K S Capital Pty Limited (ACN 124 761 557) (AFSL 316880) (**Underwriter**). The Company will pay an underwriting fee of 6% of the total amount raised under the Offer (plus GST) to the Underwriter. The obligation of the Underwriter to underwrite the Offer is subject to certain events of termination. Refer to Section 8.4 of this Prospectus for details of the terms of the underwriting.

Brian Miller, Jenny Cutri and James Deacon (or their respective nominees), have entered into agreements with the Underwriter to sub-underwrite the Offer in addition to taking up their Entitlement. The Directors have agreed to sub-underwrite the following amounts:

- (a) Brian Miller will sub-underwrite the Offer up to \$25,000;
- (b) Jenny Cutri will sub-underwrite the Offer up to \$30,000; and
- (c) James Deacon will sub-underwrite the Offer up to \$5,000.

The allocation of the Shortfall between the sub-underwriters will be at the discretion of the Underwriter.

4.7 Effect on control of the Company

The Underwriter presently is a shareholder of the Company and the extent to which shares are issued pursuant to the underwriting will increase the Underwriters' voting power in the Company. The Underwriter is not a related party of the Company for the purpose of the Corporations Act. The Underwriter's present relevant interest and changes under several scenarios are set out in the table below and are based on the assumption that the Underwriter takes up its full Entitlement of 35,000 Shares under each scenario.

Event	Shares held by Underwriter	Voting power of Underwriter
Date of Prospectus	350,000	0.58%
Completion of Entitlement Issue		
Fully subscribed	385,000	0.58%
75% subscribed	1,860,244	2.80%
50% subscribed	3,370,488	5.07%
0.005794% subscribed (being the Underwriter's Entitlement).	6,390,976	9.62%

The number of Shares held by the Underwriter and its voting power in the table above show the potential effect of the underwriting of the Offer. However, it is unlikely that no Shareholders will take up entitlements under the Offer. The

underwriting obligation and therefore voting power of the Underwriter will reduce by an amount corresponding to the Entitlements taken up by Shareholders. Furthermore, the voting power of the Underwriter will also be reduced to the extent that sub-underwriters take up any Shortfall and/or the Underwriter procures subscriptions for the Shortfall from other investors.

If Brian Miller (or his nominee) is required to take up his full sub-underwriting commitment of 83,333 Shares, Mr Miller will, together with his current holding and upon taking up his full Entitlement, have a relevant interest in 3.01% of the Shares on issue following completion of the Offer. Mr Miller will also be entitled to receive 64,450 New Options under the terms of the Offer. On a fully diluted basis (assuming no Options have been exercised, no Performance Rights have been converted and no Shares have been issued prior to the Record Date) Mr Miller's relevant interest upon completion of the Offer would be 5.21%.

If Ms Jenny Cutri (or her nominee) is required to take up her full sub-underwriting commitment of 100,000 Shares, Ms Cutri will, together with her current holding and upon taking up her full Entitlement, have a relevant interest in 0.23% of the Shares on issue following completion of the Offer. Ms Cutri will also be entitled to receive 26,255 New Options under the terms of the Offer. On a fully diluted basis (assuming no Options have been exercised, no Performance Rights have been converted and no Shares have been issued prior to the Record Date) Ms Cutri's relevant interest upon completion of the Offer would be 0.21%.

If Mr James Deacon (or his nominee) is required to take up his full sub-underwriting commitment of 16,667 Shares, Mr Deacon will, together with his current holding and upon taking up his full Entitlement, have a relevant interest in 0.18% of the Shares on issue following completion of the Offer. Mr Deacon will also be entitled to receive 6,254 New Options under the terms of the Offer. On a fully diluted basis (assuming no Options have been exercised, no Performance Rights have been converted and no Shares have been issued prior to the Record Date) Mr Deacon's relevant interest upon completion of the Offer would be 0.15%.

The Company and the Underwriter have confirmed that no sub-underwriter nor existing Shareholder will increase its voting power to above 19.9% as a result of the Offer.

Shareholders should note that if no Shareholders participate in the Offer, the holdings of current Shareholders are likely to be diluted by approximately 9.09% (as compared to their holdings and number of Shares on issue as at the date of the Prospectus). Examples of how the dilution may impact Shareholders assuming no New Options have been exercised is set out in the table below:

Holder	Holding as at Record date	% at Record Date	Entitlements under the Offer	Holdings if Offer not taken Up	% post Offer
Shareholder 1	10,000,000	16.55%	1,000,000	10,000,000	15.05%
Shareholder 2	5,000,000	8.28%	500,000	5,000,000	7.52%
Shareholder 3	1,500,000	2.48%	150,000	1,500,000	2.26%
Shareholder 4	400,000	0.66%	40,000	400,000	0.60%
Shareholder 5	50,000	0.08%	5,000	50,000	0.08%
Total	60,409,751			66,450,727	

4.8 Shortfall Offer

Any Entitlement not taken up pursuant to the Offer will form the Shortfall Offer.

The Shortfall Offer is a separate offer made pursuant to this Prospectus and will remain open for up to three months following the Closing Date. The issue price for each Share to be issued under the Shortfall Offer shall be \$0.30 being the price at which Shares have been offered under the Offer.

Eligible Shareholders who wish to subscribe for Securities above their Entitlement are invited to apply for additional Securities under the Shortfall Offer by completing the appropriate section on their Entitlement and Acceptance Form or by making payment for such Shares in accordance with Section 4.3(c) above. Securities will be issued under the Shortfall Offer at the absolute discretion of the Underwriter (in consultation with the Directors), and as such there is no guarantee that any Shortfall Shares applied for will be issued to Eligible Shareholders. The Company will have no liability to any Applicant who receives less than the number of Shares applied for.

4.9 ASX listing

Application for Official Quotation of the Securities offered pursuant to this Prospectus will be made in accordance with the timetable set out at the commencement of this Prospectus. If ASX does not grant Official Quotation of the Securities offered pursuant to this Prospectus before the expiration of 3 months after the date of issue of the Prospectus, (or such period as varied by the ASIC), the Company will not issue any Securities and will repay all application monies for the Securities within the time prescribed under the Corporations Act, without interest.

The fact that ASX may grant Official Quotation to the Securities is not to be taken in any way as an indication of the merits of the Company or the Securities now offered for subscription.

4.10 Issue

Securities issued pursuant to the Offer will be issued in accordance with the ASX Listing Rules and timetable set out at the commencement of this Prospectus.

Securities issued pursuant to the Shortfall Offer will be issued on a progressive basis. Where the number of Shares issued is less than the number applied for, or where no issue is made, surplus application monies will be refunded without any interest to the Applicant as soon as practicable after the closing date of the Shortfall Offer.

Pending the issue of the Securities or payment of refunds pursuant to this Prospectus, all application monies will be held by the Company in trust for the Applicants in a separate bank account as required by the Corporations Act. The Company, however, will be entitled to retain all interest that accrues on the bank account and each Applicant waives the right to claim interest.

Holding statements for Securities issued under the Offer will be mailed in accordance with the ASX Listing Rules and timetable set out at the commencement of this Prospectus and for Shortfall Securities issued under the Shortfall Offer as soon as practicable after their issue.

4.11 Overseas shareholders

This Offer does not, and is not intended to, constitute an offer in any place or jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or to issue this Prospectus.

It is not practicable for the Company to comply with the securities laws of overseas jurisdictions having regard to the number of overseas Shareholders, the number and value of Shares these Shareholders would be offered and the cost of complying with regulatory requirements in each relevant jurisdiction. Accordingly, the Offer is not being extended and Shares will not be issued to Shareholders with a registered address which is outside Australia or New Zealand.

New Zealand

The Securities are not being offered to the public within New Zealand other than to existing shareholders of the Company with registered addresses in New Zealand to whom the offer of these securities is being made in reliance on the transitional provisions of the Financial Markets Conduct Act 2013 (New Zealand) and the Financial Markets Conduct (Incidental Offers) Exemption Notice 2016 (New Zealand).

This Prospectus has been prepared in compliance with Australian law and has not been registered, filed with or approved by any New Zealand regulatory authority. This document is not a product disclosure statement under New Zealand law and is not required to, and may not, contain all the information that a product disclosure statement under New Zealand law is required to contain.

Nominees and custodians

Nominees and custodians may not submit an Entitlement and Acceptance Form on behalf of any Shareholder resident outside Australia and New Zealand without the prior consent of the Company, taking into account relevant securities law restrictions. Return of a duly completed Entitlement and Acceptance Form will be taken by the Company to constitute a representation that there has been no breach of those regulations.

4.12 Enquiries

Any questions concerning the Offer should be directed to Ms Melissa Chapman or Ms Catherine Grant-Edwards, Joint Company Secretaries, on +61 8 9481 7833.

5. PURPOSE AND EFFECT OF THE OFFER

5.1 Purpose of the Offer

The purpose of the Offer is to raise up to \$1,812,293 and to provide the Company with a potential source of additional capital if Options are exercised.

The funds raised from the Offer are planned to be used in accordance with the table set out below:

Proceeds of the Offer	Full Subscription (\$)	%
Engagement of executive to drive the growth for Infoscope Sales, assist in evaluation of technologies for acquisition and drive geographic expansion	550,000	30.35%
Further enhancement of the Infoscope product in relation to SAP and Esri integration and alignment	250,000	13.79%
Evaluation of different technologies for acquisition	100,000	5.52%
Global promotions in conjunction with SAP and Esri	100,000	5.52%
Expenses of the Offer ¹	144,859	7.99%
Working capital	667,434	36.83%
Total	1,812,293	100%

Notes:

1. Refer to Section 8.8 of this Prospectus for further details relating to the estimated expenses of the Offer.

The above table is a statement of current intentions as of the date of this Prospectus. As with any budget, intervening events (including technical success or failure) and new circumstances have the potential to affect the manner in which the funds are ultimately applied. The Board reserves the right to alter the way funds are applied on this basis.

5.2 Effect of the Offer

The principal effect of the Offer, assuming all Entitlements are accepted, no Options are exercised, and no Performance Rights are converted prior to the Record Date, will be to:

- (a) increase the cash reserves by \$1,667,434 (after deducting the estimated expenses of the Offer) immediately after completion of the Offer;
- (b) increase the number of Shares on issue from 60,409,751 as at the date of this Prospectus to 66,450,727 Shares following complete of the Offer; and
- (c) increase the number of Options on issue from 16,035,910 as at the date of this Prospectus to 17,546,154 Options following completion of the Offer.

5.3 Pro-forma balance sheet

The unaudited balance sheet as at 30 June 2018 and the unaudited pro-forma balance sheet as at 30 June 2018 shown below have been prepared on the basis of the accounting policies normally adopted by the Company and reflect the

changes to its financial position.

The pro-forma balance sheet has been prepared assuming all Entitlements are accepted, no Options are exercised or Performance Rights are converted prior to the Record Date and including expenses of the Offer.

The pro-forma balance sheet has been prepared to provide investors with information on the assets and liabilities of the Company and pro-forma assets and liabilities of the Company as noted below. The historical and pro-forma financial information is presented in an abbreviated form, insofar as it does not include all of the disclosures required by Australian Accounting Standards applicable to annual financial statements.

	UNAUDITED 30 June 2018	PROFORMA 30 June 2018
CURRENT ASSETS		
Cash ¹	774,158	2,441,592
Trade and other receivables	677,228	677,228
TOTAL CURRENT ASSETS	1,451,386	3,118,820
NON-CURRENT ASSETS		
Restricted cash	54,145	54,145
Plant and equipment	25,032	25,032
Intangible assets	0	0
Goodwill	731,543	731,543
Other financial assets	844	844
Other assets	0	0
TOTAL NON-CURRENT ASSETS	811,564	811,564
TOTAL ASSETS	2,262,950	3,930,384
CURRENT LIABILITIES		
Trade and other payables	-975,101	-975,101
TOTAL CURRENT LIABILITIES	-975,101	-975,101
NON- CURRENT LIABILITIES		
Trade and other payables	0	0
Provisions	-29,333	-29,333
TOTAL NON- CURRENT LIABILITIES	-29,333	-29,333
TOTAL LIABILITIES	-1,004,434	-1,004,434

	UNAUDITED 30 June 2018	PROFORMA 30 June 2018
NET ASSETS (LIABILITIES)	1,258,516	2,925,950
EQUITY		
Issued Capital	13,136,705	14,804,139
Reserves	657,846	657,846
Accumulated Losses	-12,536,035	-12,536,035
TOTAL EQUITY	1,258,516	2,925,950

5.4 Effect on capital structure

The effect of the Offer on the capital structure of the Company, assuming all Entitlements are accepted, and no Options are exercised prior to the Record Date, is set out below.

Shares

	Number
Shares currently on issue ¹	60,409,751
Shares offered pursuant to the Offer	6,040,976
Total Shares on issue after completion of the Offer	66,450,727

Notes:

1. Comprising of:
 - (a) 44,266,607 freely tradeable Shares; and
 - (b) 16,143,144 Shares subject to escrow restrictions pursuant to the ASX Listing Rules. The Shares will be released from escrow on 18 November 2018.

Options

	Number
Options currently on issue:	
Quoted exercisable at \$0.20 on or before 18 May 2020	11,765,910
Unquoted exercisable at \$0.25 on or before 17 November 2020 ¹	1,920,000
Unquoted exercisable at \$0.25 on or before 1 December 2020 ¹	800,000
Unquoted exercisable at \$0.25 on or before 7 July 2020	350,000
Unquoted exercisable at \$0.20 on or before 1 November 2019	350,000
Unquoted exercisable at \$0.225 on or before 28 December 2019	400,000
Unquoted exercisable at \$0.25 on or before 28 December 2019	450,000
New Options offered pursuant to the Offer:	
Quoted exercisable at \$0.20 on or before 18 May 2020	1,510,244
Total Options on issue after completion of the Offer	17,546,154

Notes:

1. These classes of Options are subject to escrow restrictions pursuant to the ASX Listing Rules. The Options will be released from escrow on 18 November 2018.

Performance Rights

	Number
Performance Rights currently on issue	2,820,000 ^{1,2}
Performance Rights offered pursuant to the Offer	Nil
Total Performance Rights on issue after completion of the Offer	2,820,000

Notes:

1. As at the date of this Prospectus, a total of 340,000 Performance Rights have vested in accordance with the terms on which they were issued (**Vested Performance Rights**). At the election of the holder, each of these Vested Performance Rights may convert into one Share.
2. The Performance Rights are subject to escrow restrictions pursuant to the ASX Listing Rules. The Performance Rights will be released from escrow on 18 November 2018.

The capital structure on a fully diluted basis as at the date of this Prospectus would be 79,265,661 Shares and on completion of the Offer (assuming all Entitlements are accepted, no Options are exercised, and no Performance Rights are converted prior to the Record Date) would be 86,816,881 Shares.

5.5 Details of substantial holders

Based on publicly available information as at 11 September 2018, those persons which (together with their associates) have a relevant interest in 5% or more of the Shares on issue are set out below:

Shareholder	Shares	%
Kalgoorlie Mine Management Pty Ltd	4,500,000	7.45%
Talos Mining Pty Ltd <Talos Mining A/C>	4,230,007	7.00%

In the event all Entitlements are accepted there will be no change to the substantial holders on completion of the Offer.

6. RIGHTS AND LIABILITIES ATTACHING TO SECURITIES

6.1 Shares

The following is a summary of the more significant rights and liabilities attaching to Shares being offered pursuant to this Prospectus. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of Shareholders. To obtain such a statement, persons should seek independent legal advice.

Full details of the rights and liabilities attaching to Shares are set out in the Constitution, a copy of which is available for inspection at the Company's registered office during normal business hours.

(a) General meetings

Shareholders are entitled to be present in person, or by proxy, attorney or representative to attend and vote at general meetings of the Company.

Shareholders may requisition meetings in accordance with section 249D of the Corporations Act and the Constitution of the Company.

(b) Voting rights

Subject to any rights or restrictions for the time being attached to any class or classes of shares, at general meetings of shareholders or classes of shareholders:

- (i) each Shareholder entitled to vote may vote in person or by proxy, attorney or representative;
- (ii) on a show of hands, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder has one vote; and
- (iii) on a poll, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder shall, in respect of each fully paid Share held by him, or in respect of which he is appointed a proxy, attorney or representative, have one vote for each Share held, but in respect of partly paid shares shall have such number of votes as bears the same proportion to the total of such Shares registered in the Shareholder's name as the amount paid (not credited) bears to the total amounts paid and payable (excluding amounts credited).

(c) Dividend rights

Subject to the rights of the holders of any shares created or raised under any special arrangement as to dividend, the Directors may from time to time declare a dividend to be paid to the Shareholders entitled to the dividend which shall be payable on all Shares according to the proportion that the amount paid (not credited) is of the total amounts paid and payable (excluding amounts credited) in respect of such Shares.

The Directors may from time to time pay to the Shareholders any interim dividends as they may determine. No dividend shall carry interest as against the Company. The Directors may set aside out of the profits of

the Company any amounts that they may think proper as reserves, to be applied at the discretion of the Directors, for any purpose for which the profits of the Company may be properly applied.

Subject to the ASX Listing Rules and the Corporations Act, the Directors may from time to time grant to Shareholders or any class of Shareholders, the right, upon such term as the Directors may determine, to elect to reinvest all or part of the dividends paid by the Company in respect of any holdings, in subscribing for Shares and for any such purposes the Directors may implement and maintain, on such terms as they may determine from time to time, any scheme or plan for such reinvestment (including without limitation any share investment plan, dividend selection plan or dividend reinvestment plan).

(d) **Winding-up**

If the Company is wound up, the liquidator may, with the authority of a special resolution, divide among the Shareholders in kind the whole or any part of the property of the Company, and may for that purpose set such value as he considers fair upon any property to be so divided, and may determine how the division is to be carried out as between the Shareholders or different classes of Shareholders.

The liquidator may, with the authority of a special resolution, vest the whole or any part of any such property in trustees upon such trusts for the benefit of the contributories as the liquidator thinks fit, but so that no Shareholder is compelled to accept any shares or other securities in respect of which there is any liability.

(e) **Shareholder liability**

As the Shares issued will be fully paid shares, they will not be subject to any calls for money by the Directors and will therefore not become liable for forfeiture.

(f) **Transfer of shares**

Generally, shares in the Company are freely transferable, subject to formal requirements, the registration of the transfer not resulting in a contravention of or failure to observe the provisions of a law of Australia and the transfer not being in breach of the Corporations Act and the ASX Listing Rules.

(g) **Future increase in capital**

The issue of any new Shares is under the control of the Directors of the Company. Subject to restrictions on the issue or grant of Securities contained in the ASX Listing Rules, the Constitution and the Corporations Act (and without affecting any special right previously conferred on the holder of an existing share or class of shares), the Directors may issue Shares as they shall, in their absolute discretion, determine.

(h) **Variation of rights**

Under section 246B of the Corporations Act, the Company may, with the sanction of a special resolution passed at a meeting of Shareholders vary or abrogate the rights attaching to shares.

If at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class), whether or not the Company is being wound up, may be varied or abrogated with the consent in writing of the holders of three quarters of the issued shares of that class, or if authorised by a special resolution passed at a separate meeting of the holders of the shares of that class.

(i) **Alteration of constitution**

In accordance with the Corporations Act, the Constitution can only be amended by a special resolution passed by at least three quarters of Shareholders present and voting at the general meeting. In addition, at least 28 days written notice specifying the intention to propose the resolution as a special resolution must be given.

6.2 New Options

(a) **Entitlement**

Each New Option entitles the holder to subscribe for one Share upon exercise of the New Option.

(b) **Exercise Price**

Subject to paragraph (j), the amount payable upon exercise of each New Option will be \$0.20 (**Exercise Price**).

(c) **Expiry Date**

Each New Option will expire on 18 May 2020 (**Expiry Date**). A New Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.

(d) **Exercise Period**

New Options are exercisable at any time on or prior to the Expiry Date (**Exercise Period**).

(e) **Notice of Exercise**

New Options may be exercised during the Exercise Period by notice in writing to the Company in the manner specified on the New Option certificate (**Notice of Exercise**) and payment of the Exercise Price for each New Option being exercised in Australian currency by electronic funds transfer or other means of payment acceptable to the Company.

(f) **Exercise Date**

A Notice of Exercise is only effective on and from the later of the date of receipt of the Notice of Exercise and the date of receipt of the payment of the Exercise Price for each New Option being exercised in cleared funds (**Exercise Date**).

(g) **Timing of issue of Shares on exercise**

Within 15 Business Days after the Exercise Date, the Company will:

- (i) issue the number of Shares required under these terms and conditions in respect of the number of New Options specified in the Notice of Exercise and for which cleared funds have been received by the Company;
- (ii) if required, give ASX a notice that complies with section 708A(5)(e) of the Corporations Act, or, if the Company is unable to issue such a notice, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors; and
- (iii) if admitted to the official list of ASX at the time, apply for official quotation on ASX of Shares issued pursuant to the exercise of the New Options.

If a notice delivered under (g)(ii) for any reason is not effective to ensure that an offer for sale of the Shares does not require disclosure to investors, the Company must, no later than 20 Business Days after becoming aware of such notice being ineffective, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors.

(h) **Shares issued on exercise**

Shares issued on exercise of the New Options rank equally with the then issued shares of the Company.

(i) **Quotation of Shares issued on exercise**

If admitted to the official list of ASX at the time, application will be made by the Company to ASX for quotation of the Shares issued upon the exercise of the New Options.

(j) **Reconstruction of capital**

If at any time the issued capital of the Company is reconstructed, all rights of a New Optionholder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.

(k) **Participation in new issues**

There are no participation rights or entitlements inherent in the New Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the New Options without exercising the New Options.

(l) **Change in exercise price**

A New Option does not confer the right to a change in Exercise Price or a change in the number of underlying securities over which the New Option can be exercised.

(m) **Quoted**

The Company will apply for quotation of the New Options on ASX. The New Options will rank equally with the Company's listed options (ASX Code: K2FOA).

(n) **Transferability**

The New Options are transferable subject to any restriction or escrow arrangements imposed by ASX or under applicable Australian securities laws.

7. RISK FACTORS

7.1 Introduction

The Securities offered under this Prospectus are considered highly speculative. An investment in the Company is not risk free and the Directors strongly recommend potential investors to consider the risk factors described below, together with information contained elsewhere in this Prospectus and to consult their professional advisers before deciding whether to apply for Securities pursuant to this Prospectus.

There are specific risks which relate directly to the Company's business. In addition, there are other general risks, many of which are largely beyond the control of the Company and the Directors. The risks identified in this Section, or other risk factors, may have a material impact on the financial performance of the Company and the market price of the Securities.

The following is not intended to be an exhaustive list of the risk factors to which the Company is exposed.

7.2 Company specific

(a) Potential for dilution

Upon implementation of the Offer, assuming all Entitlements are accepted, and no Options are exercised and no Performance Rights are converted prior to the Record Date the number of Shares in the Company will increase from 60,409,751 currently on issue to 66,450,727. This means that each Share will represent a lower proportion of the ownership of the Company.

It is not possible to predict what the value of the Company or a Share will be following the completion of the Offer being implemented and the Directors do not make any representation as to such matters.

The last trading price of Shares on ASX prior to the prospectus being lodged of \$0.31 is not a reliable indicator as to the potential trading price of Shares after implementation of the Offer.

(b) Owned Software

The Company is building and acquiring a portfolio of software products that provide value to asset intensive organisations in managing their asset portfolio. The Company now offers these products in a Software-as-a-Service (SaaS) model. The Company is also porting components of this portfolio to operate in hosted platforms provided by both generic platforms such as Amazon Web Services, and proprietary platforms such as SAP's Cloud Platform on HANA.

The Company is exposed to the general conditions that face asset intensive industries, including mining, oil and gas, utilities and transport infrastructure industries, particularly those operating within Australia. The Company is also exposed to the rate of adoption of SaaS solutions within these industries, including the delivery of hosted solutions from generic and proprietary platforms.

The Company is also exposed to the requirements and conditions related to the use of the generic and proprietary platforms, including maintaining the Company's products on the current platform version.

This approach is new to the Company for its Infoscope product which is large and functionally rich and now hosted on multiple platforms.

Due to the proprietary nature of these products, the Company is reliant on key personnel within the Company who have developed its owned products over the last 5 to 10 years, and is exposed to associated risks based on this reliance.

(c) **3rd party Software**

The Company resells software products from 3rd parties in the Australian market, predominantly focused on asset intensive industries. The Company's ongoing ability to resell these products is dependent on the 3rd parties' continuation as a commercial legal entity and maintaining a reseller business model for the Australian market.

3rd parties control and develop the functional and technical growth of their products. The Company is reliant on these 3rd parties continuing to invest in these products and maintaining their competitive position in the software market. The Company is also reliant on these 3rd parties to set commercially viable pricing models, including models for resellers, that positions the software products at commercially attractive price propositions for clients.

When entering into these reseller agreements, the Company ensures they are not exclusive arrangements and has the ability to terminate a reseller arrangement should the product no longer be considered commercially attractive in the Australian market.

The Company actively monitors the trends and competitive position of our 3rd party software providers and their products to ensure these reseller arrangements remain commercially attractive to the Company.

(d) **Consultancy**

The Company provides consulting services associated with the implementation and ongoing use of its owned software products, 3rd party software products the Company resells, and advisory and implementation services associated with technology adoption and business improvement in asset intensive industries.

Demand for consultancy services in owned software and 3rd party software is dependent on the growth in the user base, functional scope and geographic scope of the Company's products. The purchase of these software products by new clients results in a significant increase in the demand for these consultancy services.

Demand for advisory and implementation services is dependent on the technology work programs in place within the asset intensive industry sectors in Australia, and Western Australia in particular. These services are not recurring, typically having to be secured each year. The Company is exposed to a small number of large clients currently procuring these services. Further, the Company is exposed to key personnel who deliver these advisory services.

(e) **Data Loss / Theft**

The Company stores data on both internal infrastructure and third-party service providers' infrastructure. Penetration of the system or exploitation of some unidentified vulnerability in its network could lead to loss, theft or corruption of the Company's data. Although the Company has strategies and protections in place to try and minimise security breaches and to protect data, these strategies might not be successful. In that event, it could negatively impact upon the Company's revenues and profitability.

The Company is comfortable that this risk is manageable and that the security precautions implemented to ensure the safety of the data is comparable to other companies operating in the software sector where data is being managed on behalf of clients.

Unfortunately, data corruption, loss and theft are not unique risks to the business of software companies. The Company maintains duplicate copies of data at various locations to ensure that data can always be recovered with little downtime to the clients.

7.3 General risks

(a) **Additional requirements for capital**

The Company's ability to effectively implement its business and operations plans in the future, to take advantage of opportunities for acquisitions or other business opportunities and to meet any unanticipated liabilities or expenses which the Company may incur may depend in part on its ability to raise additional funds. The Company may seek to raise further funds through equity or debt financing or other means. Failure to obtain sufficient financing for the Company's activities and future projects may result in delay and indefinite postponement of technology development. There can be no assurance that additional finance will be available when needed or, if available, the terms of the financing might not be favourable to the Company and might involve substantial dilution to Shareholders.

Loan agreements and other financing rearrangements such as debt facilities, convertible note issue and finance leases (and any related guarantee and security) that may be entered into by the Company may contain covenants, undertakings and other provisions which, if breached, may entitle lenders to accelerate repayment of loans and there is no assurance that the Company would be able to repay such loans in the event of an acceleration. Enforcement of any security granted by the Company or default under a finance lease could also result in the loss of assets.

(b) **Unforeseen expenditure risk**

Expenditure may need to be incurred that has not been taken into account. Although the Company is not aware of any such additional expenditure requirements, if such expenditure is subsequently incurred, this may adversely affect the financial performance of the Company.

(c) **Management of growth**

There is a risk that management of the Company will not be able to implement its growth strategy. The capacity of the Company's

management to properly implement the strategic direction of the Company may affect the Company's financial performance.

As part of its business strategy, the Company may make acquisitions of, or significant investments in, additional complementary companies or prospects (although no such acquisitions or investments are currently planned). Any such transactions will be accompanied by risks commonly encountered in making such acquisitions.

(d) **Regulatory risk**

Changes in relevant taxes, legal and administration regimes, accounting practice and government policies may adversely affect the financial performance of the Company.

(e) **Litigation risk**

The Company is exposed to possible litigation risks including intellectual property disputes, product liability claims and employee claims. Further, the Company may be involved in disputes with other parties in the future which may result in litigation. Any such claim or dispute if proven, may impact adversely on the Company's operations, financial performance and financial position. The Company is not currently engaged in any litigation.

(f) **Market conditions**

Share market conditions may affect the value of the Company's quoted securities regardless of the Company's operating performance. Share market conditions are affected by many factors such as:

- (i) general economic and political outlook;
- (ii) introduction of tax reform or other new legislation;
- (iii) interest rates and inflation rates;
- (iv) changes in investor sentiment toward particular market sectors;
- (v) the demand for, and supply of, capital; and
- (vi) terrorism or other hostilities.

The market price of securities can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general and technology stocks in particular. Neither the Company nor the Directors warrant the future performance of the Company or any return on an investment in the Company.

(g) **Force Majeure**

The Company and its projects, now or in the future may be adversely affected by risks outside the control of the Company including labour unrest, civil disorder, war, subversive activities or sabotage, extreme weather conditions, fires, floods, explosions or other catastrophes, epidemics or quarantine restrictions.

7.4 Speculative investment

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the Securities offered under this Prospectus.

Therefore, the Securities to be issued pursuant to this Prospectus carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those Securities.

Potential investors should consider that the investment in the Company is speculative and should consult their professional advisers before deciding whether to apply for Securities pursuant to this Prospectus.

8. ADDITIONAL INFORMATION

8.1 Litigation

As at the date of this Prospectus, the Company is not involved in any legal proceedings and the Directors are not aware of any legal proceedings pending or threatened against the Company.

8.2 Continuous disclosure obligations

The Company is a “disclosing entity” (as defined in section 111AC of the Corporations Act) for the purposes of section 713 of the Corporations Act and, as such, is subject to regular reporting and disclosure obligations. Specifically, like all listed companies, the Company is required to continuously disclose any information it has to the market which a reasonable person would expect to have a material effect on the price or the value of the Company’s securities.

This Prospectus is a “transaction specific prospectus”. In general terms a “transaction specific prospectus” is only required to contain information in relation to the effect of the issue of securities on a company and the rights attaching to the securities. It is not necessary to include general information in relation to all of the assets and liabilities, financial position, profits and losses or prospects of the issuing company.

This Prospectus is intended to be read in conjunction with the publicly available information in relation to the Company which has been notified to ASX and does not include all of the information that would be included in a prospectus for an initial public offering of securities in an entity that is not already listed on a stock exchange. Investors should therefore have regard to the other publicly available information in relation to the Company before making a decision whether or not to invest.

Having taken such precautions and having made such enquires as are reasonable, the Company believes that it has complied with the general and specific requirements of ASX as applicable from time to time throughout the 3 months before the issue of this Prospectus which required the Company to notify ASX of information about specified events or matters as they arise for the purpose of ASX making that information available to the stock market conducted by ASX.

Information that is already in the public domain has not been reported in this Prospectus other than that which is considered necessary to make this Prospectus complete.

The Company, as a disclosing entity under the Corporations Act states that:

- (a) it is subject to regular reporting and disclosure obligations;
- (b) copies of documents lodged with the ASIC in relation to the Company (not being documents referred to in section 1274(2)(a) of the Corporations Act) may be obtained from, or inspected at, the offices of the ASIC; and
- (c) it will provide a copy of each of the following documents, free of charge, to any person on request between the date of issue of this Prospectus and the Closing Date:
 - (i) the annual financial report most recently lodged by the Company with the ASIC;

- (ii) any half-year financial report lodged by the Company with the ASIC after the lodgement of the annual financial report referred to in (i) and before the lodgement of this Prospectus with the ASIC; and
- (iii) any continuous disclosure documents given by the Company to ASX in accordance with the ASX Listing Rules as referred to in section 674(1) of the Corporations Act after the lodgement of the annual financial report referred to in (i) and before the lodgement of this Prospectus with the ASIC.

Copies of all documents lodged with the ASIC in relation to the Company can be inspected at the registered office of the Company during normal office hours.

Details of documents lodged by the Company with ASX since the date of lodgement of the Company's latest annual financial report and before the lodgement of this Prospectus with the ASIC are set out in the table below.

Date	Description of Announcement
10/09/2018	Trading Halt
04/09/2018	Additional Contract Order from Existing Clients
30/08/2018	Appendix 4E
29/08/2018	K2Fly's Infoscope Solution Enters Partner Program with Esri
28/08/2018	Revised Securities Trading Policy
31/07/2018	K2F Appendix 4C - Quarterly Cash Flow Report
31/07/2018	K2F Quarterly Activities and Operational Report
30/07/2018	K2F Fieldreach solution goes live in Arc Infrastructure
11/07/2018	K2fly Announces New Contract Extension
25/06/2018	Board Restructure - Chair
25/06/2018	Release of Shares from Escrow
20/06/2018	K2fly's Infoscope Land Management listed on SAP App Center
14/06/2018	Operational Update
31/05/2018	K2fly Announces New Contract Win
04/05/2018	Change of Director's Interest Notice (Mr B Miller)
26/04/2018	K2F Appendix 4C - Quarterly Cash Flow Report
26/04/2018	K2F Quarterly Activities and Operational Report
16/04/2018	Change of Director's Interest Notice (Mr B Miller)
16/04/2018	Issue of Securities - Appendix 3B and S708A Notice
03/04/2018	Update on Integration of K2ly's Infoscope Solution with SAP
13/03/2018	Operational Update
05/03/2018	Ceasing to be a substantial holder
01/03/2018	Change of Director's Interest Notice (Ms J Cutri)
20/02/2018	Half Yearly Report and Accounts
06/02/2018	K2fly Announces New Contract Win (Revised Announcement)

Date	Description of Announcement
05/02/2018	Trading Halt
05/02/2018	K2fly Announces New Contract Win
02/02/2018	Appendix 3B
01/02/2018	Appendix 3B
01/02/2018	Investor Conference Call
31/01/2018	K2F Quarterly Activities and Operational Report
31/01/2018	K2F Appendix 4C - Quarterly Cash Flow Report
30/01/2018	Reduction of Share Capital
24/01/2018	K2Fly Raises \$1.2m in Over-Subscribed Placement
22/01/2018	Trading Halt
15/01/2018	Results of Special General Meeting
15/01/2018	Results of General Meeting
29/12/2017	Change of Director's Interest Notice (Ms J Cutri)
29/12/2017	Issue of Securities - Appendix 3B and S708A Notice
20/12/2017	Prospectus Offer Closed
19/12/2017	Cleansing Prospectus
14/12/2017	Change in Substantial Holding
14/12/2017	Appendix 3Y and Appendix 3B Corrections
12/12/2017	Notice of Special General Meeting / Proxy Form
12/12/2017	Notice of General Meeting / Proxy Form
11/12/2017	Operational Update
07/12/2017	Investor Marketing Mandate with Canary Capital
04/12/2017	Change of Director's Interest Notice (Mr B Miller)
04/12/2017	Appendix 3B
01/12/2017	Appendix 3B
27/11/2017	Change of Director's Interest Notice (Mr N Canby)
22/11/2017	Resignation and Appointment of Company Secretary
22/11/2017	K2fly wins major contract in transport infrastructure sector
21/11/2017	Results of Annual General Meeting
21/11/2017	Chairman's Address to Shareholders
20/11/2017	Appendix 3B
10/11/2017	Response to ASX Query
10/11/2017	K2F Updated Corporate Governance Manual
10/11/2017	K2F Non-Deal Roadshow Presentation
09/11/2017	Becoming a substantial holder
06/11/2017	Appendix 3B
30/10/2017	K2F Quarterly Activities and Operational Report

Date	Description of Announcement
30/10/2017	K2F Appendix 4C - Quarterly Cash Flow Report
19/10/2017	Notice of Annual General Meeting/Proxy Form
17/10/2017	K2fly and the SAP Partner Edge Program
12/10/2017	K2F Corporate and Investor Presentation
10/10/2017	K2F Awarded New Contract Win With Western Power
09/10/2017	K2FOA Top 20 Security Holders
05/10/2017	K2fly Awarded New Contract Win With API Management
02/10/2017	Change of Director's Interest Notice (Mr B Miller)
02/10/2017	Appendix 4G - K2fly Corporate Governance Policies
02/10/2017	K2fly Limited 2017 Annual Report to Shareholders

ASX maintains files containing publicly available information for all listed companies. The Company's file is available for inspection at ASX during normal office hours.

The announcements are also available through the Company's website www.k2fly.com.

8.3 Market price of shares

The Company is a disclosing entity for the purposes of the Corporations Act and its Shares are enhanced disclosure securities quoted on ASX.

The highest, lowest and last market sale prices of the Shares on ASX during the three months immediately preceding the date of lodgement of this Prospectus with the ASIC and the respective dates of those sales were:

Highest	\$0.39	23 August 2018
Lowest	\$0.22	12 June 2018
Last	\$0.31	7 September 2018

8.4 Underwriting Agreement

By an agreement between the Underwriter and the Company (**Underwriting Agreement**), the Underwriter agreed to fully underwrite the Offer for 6,040,976 Shares and 1,510,244 Options.

Pursuant to the Underwriting Agreement, the Company has agreed:

- (a) to pay the Underwriter an underwriting fee of \$108,738 (being 6% of the total amount to be raised under the Offer); and
- (b) reimburse the Underwriter for out-of-pocket expenses directly related to the Offer.

The Underwriter may procure such persons to sub-underwrite the Offer as the Underwriter in its sole and absolute discretion thinks fit.

The Underwriting Agreement is conditional upon:

- (a) the Company lodging the Prospectus in terms satisfactory to the Underwriter (acting reasonably) with ASIC on or before 11 September 2018;
- (b) the Company becoming capable of accepting applications in respect of the Offer in accordance with section 727(3) of the Corporations Act by 21 September 2018;
- (c) the Company by the day immediately before the date when the shortfall notice may first be given under the Underwriting Agreement, received approval (excluding any standard conditions) received approval from the ASX that the Shares and New Options will be granted Official Quotation;
- (d) any documentation that the Company provides to its Shareholders prior to the date of issue of Shares under the Offer, being satisfactory to the Underwriter (acting reasonably); and
- (e) the Company giving the Underwriter shortfall notice and the closing certificate as required under the Underwriting Agreement.

The obligation of the Underwriter to underwrite the Offer is subject to certain events of termination. Subject to the material adverse effect qualification described below, the Underwriter may terminate its obligations under the Underwriting Agreement if one or more of the following occurs:

- (a) **Prospectus:** any of the following occurs in relation to the Prospectus:
 - (i) a material statement in the Prospectus is found to be untrue, misleading or deceptive or it is found that the Prospectus contains a material omission;
 - (ii) ASIC issues a stop order under section 739(1) or (3) of the Corporations Act, gives notice of intention to hold a hearing in relation to the Prospectus pursuant to section 739(2) of the Corporations Act, applies for an order under Part 9.5 of the Corporations Act in relation to the Prospectus or the Offer or commences any investigation, examination or hearing or gathers information under Part 3 of the ASIC Act in connection with the Prospectus or the Offer;
 - (iii) any person (provided that if that person is the Underwriter, the Underwriter must act in good faith) gives a notice under section 730 or section 733(3) of the Corporations Act or withdraws a consent previously given under section 720 of the Corporations Act, in relation to the Prospectus;
- (b) **Supplementary Prospectus:** a supplementary or replacement prospectus is lodged under the Corporations Act without the prior written approval of the Underwriter (which approval may not be unreasonably withheld);
- (c) **Changes in prospects of the Company:** any adverse change occurs in the condition, financial position or prospects of the Company or a Related Body Corporate that is, in the Underwriter's reasonable opinion, material;
- (d) **Breach of Constitution:** the Company or any of its subsidiaries breaches its Constitution;

- (e) **Breach of Material Contract:** any person breaches a material contract referred to in this Prospectus (**Material Contract**);
- (f) **Termination of Material Contracts:** a Material Contract is terminated (whether by breach or otherwise), rescinded, altered or amended, without the prior consent of the Underwriter, or any such contract is found to be void, voidable or unenforceable;
- (g) **Breach of law or regulation:** the Company or any of its subsidiaries or any officer of the Company or a subsidiary contravenes any provision of the Corporations Act, the ASX Listing Rules or any other legislation of the Commonwealth of Australia or any State or Territory of Australia which would, in the Underwriter's reasonable opinion, materially and adversely affect the Company or the Offer;
- (h) **Prescribed Occurrence:** a Prescribed Occurrence occurs in relation to the Company or any of the Company's subsidiaries;
- (i) **Insolvency:** a specified insolvency event occurs or, in the reasonable opinion of the Underwriter, is likely to occur;
- (j) **Breach of agreement:** the Company or any of its subsidiaries is in breach of any provision of this agreement that, in the Underwriter's reasonable opinion, is material;
- (k) **Breach of warranty:** any warranty given by the Company under this agreement is not true in any respect that is, in the Underwriter's reasonable opinion, material or has ceased to be true;
- (l) **Conviction of Officers:** any officer of the Company or any of its subsidiaries is charged with or convicted of any criminal offence involving fraudulent or dishonest conduct;
- (m) **Unapproved alteration of capital:** the Company alters, or announces an intention to alter, its capital structure or its constitution without the prior consent of the Underwriter (such consent not to be unreasonably withheld);
- (n) **Unapproved encumbrances:** the Company or any of its subsidiaries gives security in favour of any person who is not a security holder at the date of the Underwriting Agreement;
- (o) **False or misleading information given to the Underwriter:** any information that is, in the Underwriter's reasonable opinion, material that was supplied at any time by or on behalf of the Company to the Underwriter in respect of any aspect of the Company or any of its subsidiaries or the Offer is or becomes misleading or deceptive;
- (p) **Quotation on ASX:** 3 months or such other period agreed by the Underwriter elapses after the date of issue of the Prospectus without ASX granting quotation of the Shares and New Options on the securities market operated by ASX;
- (q) **Grant by ASX:** any grant by ASX referred to in clause (p) is withdrawn or is made subject to any conditions other than the standard conditions;
- (r) **Statements issued in breach of agreement:** during the term of this agreement the Company or its officers knowingly make any statement or

communicate, publish, broadcast or issue by any means any notice, circular or advertisement (whether or not in writing), relating to the Company or its activities or the Offer which is prejudicial or which the Company might reasonably expect to be prejudicial to the prospects of the Offer being fully subscribed by persons other than the Underwriter, unless:

- (i) the statement or communication is required by law or by the ASX Listing Rules; or
 - (ii) the statement or communication is made with the approval of the Underwriter, such approval not to be unreasonably withheld, although the Underwriter will be entitled to insist as a condition of any approval that it be named as Underwriter in any such statement or communication;
- (s) **Withdrawal of Prospectus:** the Company withdraws the Prospectus;
- (t) **Significant Change to Management or Board:** there is a significant change to the composition of the senior executives of the Company or of the Board without the approval of the Underwriter (which approval may not be unreasonably withheld);
- (u) **Judgement:** a judgement in an amount exceeding \$250,000 is obtained against the Company or any subsidiary and is not set aside or satisfied within 5 Business Days;
- (v) **Requirement to repay application money:** any circumstance arises after the Prospectus is lodged a consequence of which is either that the Company is required to repay the money received from applicants or to offer applicants an opportunity to withdraw their applications and receive a refund of their application money;
- (w) **Movement in the All Ordinaries Index:** the All Ordinaries Index of ASX (**All Ordinaries Index**) is at any time on any 3 consecutive Business Days prior to allotment of the Shares 90% or less of the level the All Ordinaries Index attained at the close of trading on the Business Day before the date of signing this agreement;
- (x) **Movement in the ASX Small Ords Index:** the ASX Small Ords Index (**Small Ords Index**) is at any time on any 3 consecutive Business Days prior to allotment of the Shares 90% or less of the level that Small Ords Index attained at the close of trading on the Business Day before the date of signing this agreement,

(each, a **Termination Event**)

The Underwriter may not exercise its rights to terminate unless the occurrence of a Termination Event has a material adverse effect on the condition, trading or financial position and performance, profits and losses, results, prospects, business or operations of the Company and its subsidiaries.

The Underwriting Agreement also contains a number of indemnities, representations and warranties from the Company to the Underwriter that are considered standard for an agreement of this type.

8.5 Interests of Directors

Other than as set out in this Prospectus, no Director or proposed Director holds, or has held within the 2 years preceding lodgement of this Prospectus with the ASIC, any interest in:

- (a) the formation or promotion of the Company;
- (b) any property acquired or proposed to be acquired by the Company in connection with:
 - (i) its formation or promotion; or
 - (ii) the Offer; or
- (c) the Offer,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to a Director or proposed Director:

- (d) as an inducement to become, or to qualify as, a Director; or
- (e) for services provided in connection with:
 - (i) the formation or promotion of the Company; or
 - (ii) the Offer.

Security holdings

The relevant interest of each of the Directors in the securities of the Company as at the date of this Prospectus, together with their respective Entitlement, is set out in the table below.

Director	Shares	Options	Performance Rights	Entitlement ³	\$
B Miller	1,744,610	63,998 ¹	1,820,000	174,461	\$52,388.30
J Cutri	50,169	Nil	Nil	5,017	\$1,505.10
J Deacon	94,273	Nil	Nil	9,428	\$2,828.40
N Canby ²	325,000	30,000 ¹	Nil	32,500	\$9,750.00

Notes:

1. Quoted Options exercisable at \$0.20 on or before 18 May 2020.
2. Securities are held by Mr Neil Canby <Neil Canby Family A/C>.
3. Mr Brian Miller, Ms Jenny Cutri and Mr James Deacon (or their respective nominees) have agreed to sub-underwrite the Offer and as such, may be issued additional securities in excess of their respective Entitlements. Refer to Sections 4.6 and 4.7 for further details.

The Board recommends all Shareholders take up their Entitlement and advises that all Directors intend to take up their respective Entitlements.

Remuneration

The remuneration of an executive Director is decided by the Board, without the affected executive Director participating in that decision-making process. The total maximum remuneration of non-executive Directors will not be more than the aggregate fixed sum determined by the Company in general meeting in

accordance with the Constitution, the Corporations Act and the ASX Listing Rules, as applicable. The determination of non-executive Directors' remuneration within that maximum will be made by the Board having regard to the inputs and value to the Company of the respective contributions by each non-executive Director. The current amount has been set at an amount not to exceed \$350,000 per annum.

A Director may be paid fees or other amounts (ie non-cash performance incentives such as Options, subject to any necessary Shareholder approval) as the other Directors determine where a Director performs special duties or otherwise performs services outside the scope of the ordinary duties of a Director. In addition, Directors are also entitled to be paid reasonable travelling, hotel and other expenses incurred by them respectively in or about the performance of their duties as Directors.

The following table shows the total (and proposed) annual remuneration paid to both executive and non-executive Directors.

Director	Year ended 30 June 2017	Year ended 30 June 2018	Year ending 30 June 2019 ⁴
B Miller	307,040 ¹	563,413 ²	\$281,453 ⁵
J Cutri ³	Nil	30,000	36,000
J Deacon	13,500	36,000	36,000
N Canby	13,500	36,000	36,000

Notes:

1. Includes a cash-based payment of \$254,000 and a share-based payment of \$53,040.
2. Includes a cash-based payment of \$281,453, a cash bonus of \$60,000 and a share-based payment of \$221,960.
3. Ms Cutri was appointed on 15 September 2017.
4. Proposed remuneration includes cash-based payments only. The Company is proposing to seek shareholder approval at the annual general meeting to issue securities to the executive and non-executive Directors. The proposed number of securities to be issued has not yet been determined.
5. In addition, Mr Miller may be eligible to receive a performance-based bonus (which may be paid either in cash or through the issue of securities) in the financial year ending 30 June 2019. The payment of such bonus will depend on Mr Miller's performance.

8.6 Interests of experts and advisers

Other than as set out below or elsewhere in this Prospectus, no:

- (a) person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus;
- (b) promoter of the Company; or
- (c) underwriter (but not a sub-underwriter) to the issue or a financial services licensee named in this Prospectus as a financial services licensee involved in the issue,

holds, or has held within the 2 years preceding lodgement of this Prospectus with the ASIC, any interest in:

- (d) the formation or promotion of the Company;
- (e) any property acquired or proposed to be acquired by the Company in connection with:
 - (i) its formation or promotion; or
 - (ii) the Offer; or
- (f) the Offer,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to any of these persons for services provided in connection with:

- (g) the formation or promotion of the Company; or
- (h) the Offer.

K S Capital Pty Limited will be paid an underwriting fee of approximately \$108,738 in respect of this Offer. During the 24 months preceding lodgement of this Prospectus with the ASIC, K S Capital Pty Limited has been paid fees totalling \$349,830 (excluding GST) by the Company.

Steinepreis Paganin has acted as the solicitors to the Company in relation to the Offer. The Company estimates it will pay Steinepreis Paganin \$15,000 (excluding GST and disbursements) for these services. During the 24 months preceding lodgement of this Prospectus with the ASIC, Steinepreis Paganin has been paid fees totalling \$288,872 (excluding GST and disbursements) for legal services provided to the Company.

8.7 Consents

Chapter 6D of the Corporations Act imposes a liability regime on the Company (as the offeror of the Securities), the Directors, any underwriters, persons named in the Prospectus with their consent having made a statement in the Prospectus and persons involved in a contravention in relation to the Prospectus, with regard to misleading and deceptive statements made in the Prospectus. Although the Company bears primary responsibility for the Prospectus, the other parties involved in the preparation of the Prospectus can also be responsible for certain statements made in it.

Each of the parties referred to in this Section:

- (a) does not make, or purport to make, any statement in this Prospectus other than those referred to in this Section;
- (b) in light of the above, only to the maximum extent permitted by law, expressly disclaim and take no responsibility for any part of this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of that party as specified in this Section;
- (c) K S Capital Pty Limited has given its written consent to being named as underwriter to the Offer in this Prospectus, in the form and context in which it is named. K S Capital Limited. has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC;
- (d) K S Capital Pty Limited (including its related entities) is a Shareholder of

the Company and currently has a relevant interest in 350,000 Shares and 70,000 Options. K S Capital Pty Limited has indicated that it is its current intention to subscribe for its full Entitlement under the Offer in respect of all of the Shares in which it has a relevant interest; and

- (e) Steinepreis Paganin has given its written consent to being named as the solicitors to the Company in this Prospectus. Steinepreis Paganin has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.

8.8 Expenses of the offer

In the event that all Entitlements are accepted, the total expenses of the Offer are estimated to be approximately \$144,859 (excluding GST) and are expected to be applied towards the items set out in the table below:

	\$
ASIC fees	3,206
ASX fees	11,068
Underwriting fees	108,738
Legal fees	15,000
Printing	4,847
Roadshow and promotion	2,000
Total	144,859

8.9 Electronic prospectus

If you have received this Prospectus as an electronic Prospectus, please ensure that you have received the entire Prospectus accompanied by the Application Forms. If you have not, please phone the Company on +61 6333 1833 and the Company will send you, for free, either a hard copy or a further electronic copy of the Prospectus, or both. Alternatively, you may obtain a copy of this Prospectus from the Company's website at www.k2fly.com.

The Company reserves the right not to accept an Application Form from a person if it has reason to believe that when that person was given access to the electronic Application Form, it was not provided together with the electronic Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered.

8.10 Financial forecasts

The Directors have considered the matters set out in ASIC Regulatory Guide 170 and believe that they do not have a reasonable basis to forecast future earnings on the basis that the operations of the Company are inherently uncertain. Accordingly, any forecast or projection information would contain such a broad range of potential outcomes and possibilities that it is not possible to prepare a reliable best estimate forecast or projection.

8.11 Clearing House Electronic Sub-Register System (CHES) and Issuer Sponsorship

The Company will not be issuing share or option certificates. The Company is a participant in CHES, for those investors who have, or wish to have, a sponsoring stockbroker. Investors who do not wish to participate through CHES will be issuer

sponsored by the Company. Because the sub-registers are electronic, ownership of securities can be transferred without having to rely upon paper documentation.

Electronic registers mean that the Company will not be issuing certificates to investors. Instead, investors will be provided with a statement (similar to a bank account statement) that sets out the number of Shares issued to them under this Prospectus. The notice will also advise holders of their Holder Identification Number or Security Holder Reference Number and explain, for future reference, the sale and purchase procedures under CHESS and issuer sponsorship.

Further monthly statements will be provided to holders if there have been any changes in their security holding in the Company during the preceding month.

8.12 Privacy Act

If you complete an application for Securities, you will be providing personal information to the Company (directly or by the Company's share registry). The Company collects, holds and will use that information to assess your application, service your needs as a holder of equity securities in the Company, facilitate distribution payments and corporate communications to you as a Shareholder and carry out administration.

The information may also be used from time to time and disclosed to persons inspecting the register, bidders for your securities in the context of takeovers, regulatory bodies, including the Australian Taxation Office, authorised securities brokers, print service providers, mail houses and the Company's share registry.

You can access, correct and update the personal information that we hold about you. Please contact the Company or its share registry if you wish to do so at the relevant contact numbers set out in this Prospectus.

Collection, maintenance and disclosure of certain personal information is governed by legislation including the *Privacy Act 1988* (Cth) (as amended), the Corporations Act and certain rules such as the ASX Settlement Operating Rules. You should note that if you do not provide the information required on the application for Securities, the Company may not be able to accept or process your application.

9. DIRECTORS' AUTHORISATION

This Prospectus is issued by the Company and its issue has been authorised by a resolution of the Directors.

In accordance with section 720 of the Corporations Act, each Director has consented to the lodgement of this Prospectus with the ASIC.

Brian Miller
Chief Executive Officer
For and on behalf of
K2Fly Limited

10. GLOSSARY

\$ means the lawful currency of the Commonwealth of Australia.

Applicant means a Shareholder who applies for Shares pursuant to the Offer or a Shareholder or other party who applies for Shortfall Shares.

Application Form means an Entitlement and Acceptance Form, that includes a section to apply for additional Shares pursuant to the Shortfall Offer .

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited (ACN 008 624 691) or the financial market operated by it as the context requires.

ASX Listing Rules means the listing rules of the ASX.

ASX Settlement Operating Rules means the settlement rules of the securities clearing house which operates CHESS.

Board means the board of Directors unless the context indicates otherwise.

Business Day means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day and any other day that ASX declares is not a business day.

Closing Date means the date specified in the timetable set out at the commencement of this Prospectus (unless extended).

Company means K2Fly Limited (ACN 125 345 502).

Constitution means the constitution of the Company as at the date of this Prospectus.

Corporations Act means the Corporations Act 2001 (Cth).

Directors means the directors of the Company as at the date of this Prospectus.

Entitlement means the entitlement of a Shareholder who is eligible to participate in the Offer.

Entitlement and Acceptance Form means the entitlement and acceptance form either attached to or accompanying this Prospectus.

New Option means an Option issued on the terms set out in Section 6.2 of this Prospectus.

Offer means the non-renounceable entitlement issue the subject of this Prospectus.

Official Quotation means official quotation on ASX.

Option means an option to acquire a Share.

Optionholder means a holder of an Option.

Performance Right means a performance right that can convert into a Share subject to satisfaction of vesting conditions.

Prescribed Occurrence in relation to any company means any event listed in section 652C(1) or (2) of the Corporations Act but substituting the company in question for “target”.

Prospectus means this prospectus.

Record Date means the date specified in the timetable set out at the commencement of this Prospectus.

Related Body Corporate has the meaning given in section 50 of the Corporations Act.

Section means a section of this Prospectus.

Securities means Shares and/or New Options offered pursuant to the Entitlement.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a holder of a Share.

Shortfall means the Shares not applied for under the Offer (if any).

Shortfall Offer means the offer of the Shortfall on the terms and conditions set out in Section 4.8 of this Prospectus.

Shortfall Shares means those Shares issued pursuant to the Shortfall.

Shortfall Securities means those Securities issued pursuant to the Shortfall.

WST means Western Standard Time as observed in Perth, Western Australia.