



K2FLY LIMITED
ACN 125 345 502

ENTITLEMENT ISSUE PROSPECTUS

For a non-renounceable entitlement issue of one (1) Option for every five (5) Shares held by those Shareholders registered at the Record Date at an issue price of \$0.01 per Option to raise up to \$101,335 (based on the number of Shares on issue as at the date of this Prospectus) (**Offer**).

The Offer is conditionally underwritten by K S Capital Pty Limited ACN 124 761 557 AFSL No. 316880 (**Underwriter**). Refer to Section 9.3 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 Options offered by this Prospectus should be considered as speculative.

CONTENTS

1.	CORPORATE DIRECTORY	1
2.	TIMETABLE.....	2
3.	IMPORTANT NOTES.....	3
4.	CHAIRMAN'S LETTER	4
5.	DETAILS OF THE OFFER	5
6.	PURPOSE AND EFFECT OF THE OFFER.....	10
7.	RIGHTS AND LIABILITIES ATTACHING TO SECURITIES.....	13
8.	RISK FACTORS	17
9.	ADDITIONAL INFORMATION.....	22
10.	DIRECTORS' AUTHORISATION.....	34
11.	GLOSSARY.....	35

1. CORPORATE DIRECTORY

Directors

Mr Brian Miller (Executive Chairman & CEO)
Mr Gino D'Anna (Non-Executive Director)
Mr Russell Moran (Non-Executive Director)
Mr Neil Canby (Non-Executive Director)
Mr James Deacon (Non-Executive Director)

Company Secretary

Mr Gino D'Anna

Registered Office & Principal Place of Business

Level 1, Grand Central
26 Railway Road
Subiaco WA 6008
Telephone: + 61 (08) 6333 1833
Facsimile: +61 8 6151 1038
Email: info@k2fly.com

Website: www.k2fly.com

Share Registry*

Advanced Share Registry Limited
110 Stirling Highway
NEDLANDS WA 6009
Telephone: (08) 9389 8033
Facsimile: (08) 9262 3723

Auditor*

HLB Mann Judd
Level 4
130 Stirling Street
PERTH WA 6000
Telephone: (08) 9227 7500

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

*These entities are included for information purposes only. They have not been involved in the preparation of this Prospectus and have not consented to being named in this Prospectus.

2. TIMETABLE

Lodgement of Prospectus with the ASIC	12 April 2017
Lodgement of Prospectus and Appendix 3B with ASX	12 April 2017
Notice sent to Option holders	12 April 2017
Notice sent to Shareholders	18 April 2017
Ex-date	19 April 2017
Record Date for determining Entitlements	20 April 2017 at 5:00pm AWST
Prospectus sent out to Shareholders and Opening Date of the Offer	26 April 2017
Last day to extend the Closing Date	9 May 2017
Closing Date*	12 May 2017 at 5:00pm AWST
Options quoted on a deferred settlement basis	15 May 2017
ASX notified of under subscriptions	16 May 2017
Issue Date for Options. Deferred settlement trading ends	18 May 2017
Quotation of options issued under the Offer*	19 May 2017

*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 Options are expected to commence trading on ASX may vary.

3. IMPORTANT NOTES

This Prospectus is dated 12 April 2017 and was lodged with the ASIC on that date. The ASIC, 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 Options 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 Options the subject of this Prospectus should be considered highly speculative.

Applications for Options offered pursuant to this Prospectus can only be submitted on an original Entitlement and Acceptance Form.

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 Options in the Company involves a number of risks. The key risk factors of which investors should be aware are set out in Section 8. These risks together with other general risks applicable to all investments in listed securities not specifically referred to, may affect the value of the Options 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 Options pursuant to this Prospectus.

4. CHAIRMAN'S LETTER

Dear Shareholder

The Board is pleased to offer Shareholders the opportunity to participate in a 1-for-5 non-renounceable entitlement issue of new Options. This was proposed in the Company's Re-Compliance Prospectus dated 22 August 2016 as a "loyalty option" for those Shareholders who held their issued Shares or new Shareholders supporting the Company in its first four months after listing.

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

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

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

K2fly also re-sells market leading software which has been developed by industry leaders in the USA and UK. These solutions come from OBI Partners (USA) and Capita plc (UK), where they have an outstanding track record of delivering benefits to clients.

Finally, K2fly provides cutting edge advice, consultancy and services when it deploys its subject matter experts who have extensive domain knowledge in such areas as rail, electricity, gas, water, mining, oil & gas, facilities management, aviation and defence.

Eligible Shareholders registered at 5.00 pm AWST on 20 April 2017 will be entitled to participate in a non-renounceable issue of Options on the basis of one (1) Option for every five (5) Shares held.

The Closing Date for acceptances is 5.00pm AWST on 12 May 2017.

The Directors intend to take up their individual entitlement to Options, and recommend that Shareholders join us.

The Board takes this opportunity to thank all Shareholders for their support since listing and looks forward to your continued support in the future.

Yours faithfully

Brian Miller
Executive Chairman & CEO

5. DETAILS OF THE OFFER

5.1 The Offer

The Offer is being made as a non-renounceable entitlement issue of one (1) Option for every five (5) Shares held by Shareholders registered at the Record Date at an issue price of \$0.01 per Option. 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, a maximum of approximately 10,133,507 Options will be issued pursuant to this Offer to raise up to \$101,335.

As at the date of this Prospectus the Company has 2,720,000 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 0 for information on the exercise price and expiry date of the Options on issue.

All of the Options offered under this Prospectus will be issued on the terms and conditions set out in Section 7.1.

All of the Shares issued upon the future exercise of the Options offered under this Prospectus will rank equally with the Shares on issue at the date of this Prospectus. Please refer to Section 7.2 for further information regarding the rights and liabilities attaching to the Shares.

The purpose of the Offer and the intended use of funds raised are set out in Section 6.1.

5.2 Minimum subscription

There is no minimum subscription.

5.3 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, your acceptance will be deemed to be for the maximum Entitlement.

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 or arrange BPAY®, 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 Options 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 or arrange BPAY®, for the appropriate application monies (at \$0.01 per Option); or

- (c) if you do not wish to accept all or part of your Entitlement, you are not obliged to do anything.

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

5.4 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 5:00pm AWST on the Closing Date.

5.5 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 Options 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 5:00pm (AWST) 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 Options (only where the amount is \$1.00 or greater) will be refunded. No interest will be paid on any application monies received or refunded.

5.6 Dilutionary effect

Shareholders should note that if they do not participate in the Offer, their holdings, upon the future exercise of the Options, are likely to be diluted by approximately 16.7% (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 the exercise of the Options, 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	19.7%	2,000,000	10,000,000	16.4%
Shareholder 2	5,000,000	9.9%	1,000,000	5,000,000	8.2%
Shareholder 3	1,500,000	3.0%	300,000	1,500,000	2.5%
Shareholder 4	400,000	0.8%	80,000	400,000	0.66%
Shareholder 5	50,000	0.1%	10,000	50,000	0.08%
Total Shares	50,667,535		10,133,507		60,801,042

Notes:

- The dilutionary effect shown in the table is the maximum percentage on the assumption that those Entitlements not accepted are subsequently placed by the Underwriter. In the event all Entitlements are not accepted and some or all of the resulting Shortfall was not subsequently placed, the dilution effect for each Shareholder not accepting their Entitlement would be a lesser percentage.

5.7 Underwriting

The Offer is conditionally underwritten by K S Capital Pty Limited (**Underwriter**). Refer to Section 9.3 for the material terms of the Underwriting Agreement with the Underwriter.

5.8 Effect on control of the Company

As at the date of this Prospectus, the Underwriter holds 350,000 Shares in the Company. The extent to which shares are issued upon the future exercise of the Options offered under this Prospectus 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 (assuming the Underwriter exercises its Options in the future) under several scenarios are set out in the table below.

Event	Shares held by Underwriter	Voting power of Underwriter
Date of Prospectus	350,000	0.69%
Completion of Offer		
Fully subscribed	350,000	0.69%
75% subscribed	2,883,377	5.42%
50% subscribed	5,416,754	9.72%
25% subscribed	7,950,130	13.64%
0% subscribed	10,483,507	17.24%

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 a corresponding amount for the amount of entitlements under the Offer taken up by the other shareholders.

5.9 Shortfall

If you do not wish to take up any part of your Entitlement, you are not required to take any action. That part of your Entitlement not taken up will form part of the Shortfall and will revert to the Underwriter and be treated in accordance with the Underwriting Agreement.

The Company has not included a Shortfall Offer in this Prospectus. All Shortfall will be placed pursuant to the Underwriting Agreement within 3 months of the Closing Date and will be issued on the same terms as are being offered to Shareholders pursuant to this Prospectus.

5.10 ASX listing

Application for Official Quotation of the Options 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 Options 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 Options and will repay all application monies for the Options within the time prescribed under the Corporations Act, without interest.

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

5.11 Issue of Options

Options 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.

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

5.12 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 Options 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 Options will not be issued to Shareholders with a registered address which is outside Australia or New Zealand.

New Zealand

The Options 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 Securities Act (Overseas Companies) Exemption Notice 2013 (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.

5.13 Enquiries

Any questions concerning the Offer should be directed to Gino D'Anna, Company Secretary, on +61 400 408 878.

6. PURPOSE AND EFFECT OF THE OFFER

6.1 Purpose of the Offer

The purpose of the Offer is to reward Shareholders for supporting the Company, to raise up to \$101,335 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:

Item	Proceeds of the Offer	Full Subscription (\$)	%
1.	Expenses of the Offer ¹	29,569	29.2%
2	Working capital ^{2,3}	71,766	70.8%
	Total	101,335	100.0%

Notes:

1. Refer to Section 9.8 for further details relating to the estimated expenses of the Offer.
2. To the extent the Company is not successful in raising the full subscription and after adjusting for the expenses of the Offer, any funds allocated to working capital will be scaled back accordingly.
3. The working capital budget of the Company identified in the table above will be allocated to the ongoing costs of running the Company, including but not limited to administration costs, salaries and wages and the ongoing investment in the Company's technology platforms.

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.

6.2 Effect of the Offer

The principal effect of the Offer, assuming all Options offered under the Prospectus are issued, will be to:

- (a) increase the cash reserves by \$71,766 (after deducting the estimated expenses of the Offer) immediately after completion of the Offer; and
- (b) increase the number of Options on issue from 2,720,000 as at the date of this Prospectus to 12,853,507 Options.

6.3 Pro-forma balance sheet

The unaudited balance sheet as at 31 December 2016 and the unaudited pro-forma balance sheet as at 31 December 2016 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 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 31 Dec 16	Unaudited Pro-forma 31 Dec 16
	\$	\$
ASSETS		
Current Assets		
Cash and cash equivalents ¹	2,490,014	2,561,780
Trade and other receivables	257,340	257,340
Total Current Assets	2,747,354	2,819,120
Non-Current Assets		
Other financial assets	844	844
Intangible assets	3,422,849	3,422,849
Plant and equipment	11,765	11,765
Other assets	42,357	42,357
Total Non-Current Assets	3,477,815	3,477,815
Total Assets	6,225,169	6,296,935
LIABILITIES		
Current Liabilities		
Trade and other payables	546,151	546,151
Total Current Liabilities	546,151	546,151
Non-Current Liabilities		
Trade and other payables	145,040	145,040
Non-Current Liabilities	145,040	145,040
Total Liabilities	691,191	691,191
Net Assets	5,533,978	5,605,744
EQUITY		
Issued capital ¹	11,674,477	11,674,477
Reserves	107,991	179,757
Accumulated losses	(6,248,490)	(6,248,490)
Total Equity	5,533,978	5,605,744

Note: The pro-forma transaction results in an increase in cash (\$101,335 less costs \$29,569) and a corresponding increase in the option reserve of \$71,766.

6.4 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	50,667,535
Shares offered pursuant to the Offer	Nil
Total Shares on issue after completion of the Offer	50,667,535

Options

	Number
Options currently on issue (but in escrow): (Unquoted exercisable at \$0.25 on or before 17 November 2020)	1,920,000
(Unquoted exercisable at \$0.25 on or before 1 December 2020)	800,000
New Options offered pursuant to the Offer	10,133,507
Total Options on issue after completion of the Offer	12,853,507

The capital structure on a fully diluted basis as at the date of this Prospectus would be 53,387,535 Shares and on completion of the Offer (assuming all Entitlements are accepted and no Options are exercised prior to the Record Date) would be 63,521,042 Shares.

6.5 Details of substantial shareholders

Based on the publicly available information prior to the date of this Prospectus, 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	5,244,681	10.35%
Talos Mining Pty Ltd <Talos Mining A/C>	4,230,007	8.35%

The Offer will have no effect on the quantity of Shares held by these substantial shareholders as only Options are being issued.

7. RIGHTS AND LIABILITIES ATTACHING TO SECURITIES

7.1 Options

(a) **Entitlement**

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

(b) **Exercise Price**

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

(c) **Expiry Date**

Each Option will expire 3 years from the date of issue (**Expiry Date**). An Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.

(d) **Exercise Period**

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

(e) **Notice of Exercise**

The Options may be exercised during the Exercise Period by notice in writing to the Company in the manner specified on the Option certificate (**Notice of Exercise**) and payment of the Exercise Price for each 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 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 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 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 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 Options.

(j) Reconstruction of capital

If at any time the issued capital of the Company is reconstructed, all rights of an 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 Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options without exercising the Options.

(l) Change in exercise price

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

(m) Quoted

The Company will apply for quotation of the Options on ASX.

(n) Transferability

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

7.2 Shares

The following is a summary of the more significant rights and liabilities attaching to Shares being the underlying securities of the Options to be issued 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 any preference Shareholders and 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 determine 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 Company may, by resolution of the Directors, implement a dividend reinvestment plan on such terms and conditions as the Directors think fit.

(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.

(e) Shareholder liability

As the Shares under the Prospectus are 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 or the ASX Listing Rules.

(g) Future increase in capital

The issue of any new Shares is under the control of the Board of the Company as appointed from time to time. 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 and other Securities 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) 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 votes validly cast for Shares 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.

8. RISK FACTORS

8.1 Introduction

The Options 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 Options 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 Shares.

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

8.2 Company specific

(a) Potential for dilution

Upon implementation of the Offer, assuming all Entitlements are accepted the number of Options will increase from 2,720,000 currently on issue to 12,853,507 and this has the potential to increase the number of shares on issue from 50,667,535 to 63,521,042. This means that each Option exercised will represent a lower proportion of the ownership of the Company.

It is not possible to predict how many Options may be exercised and at that time 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 this Prospectus being lodged is not a reliable indicator as to the potential trading price after implementation of the Offer.

(b) New Business Model

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

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

- (i) ADAM Asset Data Analysis Management;
- (ii) NovIn Real Time Asset Inspection Management App;

- (iii) DocMan Mobility Solutions: Task Management App;
- (iv) TagMan Mobility Solutions: Asset Verification App;
- (v) HandoverNotes Mobility Solutions: Electronic Information Sharing App; and
- (vi) PropertyInspector Mobility Solutions: Asset Inspection App,

K2fly also re-sells market leading software which has been developed by industry leaders in the USA and UK. These solutions come from OBI Partners (USA) and Capita plc (UK), where they have an outstanding track record of delivering benefits to clients.

Finally, K2fly provides cutting edge advice, consultancy and services when it deploys its subject matter experts who have extensive domain knowledge in such areas as Rail, Electricity, Gas, Water, Mining, Oil & Gas, Facilities Management, Aviation and Defence.

This business model remains new to K2fly, having successfully re-listed on the Official List of ASX on 22 November 2016, following the Company's acquisition of 100% of the business and assets of K2fly NL. Since re-listing on the ASX, K2F has successfully retained numerous clients. The Software-as-a-Service (SaaS) business model and consulting business model is not unique to the technology sector. Clients of K2fly understand the SaaS business model well.

(c) Data Loss / Theft

K2fly stores data on both internal and third party service providers. Penetration of the system or exploitation of some unidentified vulnerability in its network could lead to loss, theft or corruption of the K2fly's data. Although K2fly 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 K2fly's revenues and profitability.

K2fly 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. K2fly maintains duplicate copies of data at various locations to ensure that data can always be recovered with little downtime to the clients.

(d) Operating System Changes

K2fly uses third party operating systems with the providers of these systems regularly updating their systems. It is possible when these updates occur it could cause some of the K2fly's enterprise asset management technology assets to not operate as efficiently as before. This will require Company to change the code on its system which may take some time to remedy.

K2fly makes use of third party operating systems as it allows the software to deliver more powerful solutions and capture significantly more data than

excel and do so without being cumbersome on the clients' server or data storage medium.

In limited circumstances, a change to the third party operating system has meant that certain codes and designated fields have had to be updated in line with the third party operating system changes. In the past when this has happened, the changes have been simple to re-code and update and clients would be told about these changes with the changes taking place remotely so that clients are not interrupted and clients do not see the changes that are made. Because ADAM works over a URL, changes can be made instantaneously with no impact to the client and no downtime for the client.

(e) Earning Volatility and Limited Financial History

The Company has a limited financial history since completing its re-listing on 24 November 2016. Since re-listing, the Company has built a consulting division through which K2fly provides strategic consulting to its clients across the water, electricity, rail and power sectors. Consulting services and the income derived from consulting is inherently volatile and is based on project deliverables.

8.3 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.

8.4 Investment Speculative

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 Company's securities. Therefore, the Options 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 Options.

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

9. ADDITIONAL INFORMATION

9.1 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.

9.2 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
10/04/2017	K2F Options Entitlement Offer
30/03/2017	Change of Director's Interest Notice – Mr Canby
29/03/2017	K2F Consulting Division Continues to Perform Strongly
24/03/2017	Change of Director's Interest Notice - Mr N Canby
16/03/2017	Change of Director's Interest Notice - Mr Canby
16/03/2017	Change of Director's Interest Notice - Mr Miller
13/03/2017	K2F Strengthens Executive Management Team
09/03/2017	K2F Provides Post AOG Business Update
07/03/2017	K2F Corporate and Investor Presentation
03/03/2017	K2F Executes Major Partnership with Capita plc
01/03/2017	K2F Releases Half Yearly Report and Accounts
24/02/2017	K2F Provides Q1 2017 Operational Update
16/02/2017	K2F to Exhibit at the 2017 Australian Oil and Gas Conference
15/02/2017	Initial Director's Interest Notice - Neil Canby
15/02/2017	Initial Director's Interest Notice - James Deacon
15/02/2017	K2F Appoints High Calibre Directors and Strengthens Board
31/01/2017	K2F Provides Update of Quarterly Activities/4C
27/01/2017	Change of Director's Interest Notice - Mr Miller
20/01/2017	Response to ASX 3Y query
18/01/2017	K2F Executes Milestone Partner Agreement with OBI Partners
17/01/2017	Change of Director's Interest Notice - Mr D'Anna (corrected)
16/01/2017	Change of Director's Interest Notice - Mr Miller
16/01/2017	Change of Director's Interest Notice - Mr D'Anna
09/01/2017	K2F Awarded Contract Extension with Tier-1 Mining Client

Date	Description of Announcement
21/12/2016	K2F Awarded Milestone Contract with Major WA-Based Utility
12/12/2016	K2F Corporate and Investor Presentation
01/12/2016	Results of Meeting
01/12/2016	Appendix 3B
30/11/2016	K2F Releases Upgraded ADAM and Expands ASEAN Footprint
25/11/2016	K2fly Launches New Product Offering and Partnership
23/11/2016	K2fly Provides Operations Update
22/11/2016	K2F Commences Trading on ASX
21/11/2016	Half Year Accounts 30 June 2016
18/11/2016	K2fly NL - 31 December 2015 Accounts
18/11/2016	K2fly NL - 31 December 2014 Accounts
18/11/2016	K2fly NL - 31 December 2013 Accounts
18/11/2016	Confirmations
18/11/2016	Updated Statement of Financial Position
18/11/2016	Updated Statement of Commitments
18/11/2016	Restricted Securities
18/11/2016	Updated Capital Structure
18/11/2016	Constitution
18/11/2016	Securities trading policy
18/11/2016	Distribution schedule and top 20 holders
18/11/2016	Appendix 1A and Information Form and Checklist
18/11/2016	Pre-reinstatement disclosure
18/11/2016	Reinstatement to Official Quotation - 22 November 2016
18/11/2016	ASX Notice - Reinstatement to Official Quotation
17/11/2016	Appendices 3X
17/11/2016	Appendices 3Z
16/11/2016	Appendix 3B
16/11/2016	Close of Capital Raising & Prospectus Offer
01/11/2016	Notice of Annual General Meeting/Proxy Form
31/10/2016	Amended Appendix 5B
31/10/2016	Quarterly Cashflow Report
31/10/2016	Quarterly Activities Report
04/10/2016	Amended Offer Closure Date
30/09/2016	Appendix 5B
27/09/2016	Extension of Offer Period

Date	Description of Announcement
14/09/2016	Appendix 4G

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

9.3 Underwriting Agreement

Pursuant to an agreement between the Underwriter and the Company (**Underwriting Agreement**), the Underwriter has agreed to conditionally underwrite the Offer for 10,133,507 Options (**Underwritten Options**).

Pursuant to the Underwriting Agreement, the Company has agreed to:

- (a) pay the Underwriter an underwriting fee of \$6,080 (being 6% of the amount raised under the Offer); and
- (b) reimburse the Underwriter for all reasonable expenses incidental 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 Underwriter will ensure that no person will acquire, through participation in sub-underwriting the Offer, a holding of Options which, upon exercise, would result in a holding of Shares of, or increase their holding, to an amount in excess of 19.9% of all the Shares on issue on completion of the Offer.

The obligation of the Underwriter to underwrite the Offer is subject to the following conditions:

- (a) the Company becomes capable of accepting applications in respect of the Offer in accordance with section 727(3) of the Corporations Act by the Opening Date;
- (b) the Company has, by the day immediately before the date when the shortfall notice may first be given, received approval (excluding any Standard Conditions) from the ASX that the Options will be granted official quotation, on the securities market operated by ASX;
- (c) any documentation that the Company provides to its shareholders prior to the last date on which the Options are issued is satisfactory to the Underwriter (acting reasonably); and
- (d) the Company giving the Underwriter the 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. The Underwriter may terminate, without cost or liability, its obligations under the Underwriting Agreement if any one of the following events occur and the event has a material adverse effect on the Offer:

- (a) **Misleading statement in the Prospectus:** 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;
- (b) **ASIC stop order, hearing or investigation:** 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;
- (c) **Notices concerning the Prospectus:** 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;
- (d) **Lodgement of 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);
- (e) **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 (as defined in section 50 of the Corporations Act) that is, in the Underwriter's reasonable opinion, material;
- (f) **Breach of constitution:** the Company or any of its subsidiaries (if any) breaches its constitution;
- (g) **Breach of Material Contract:** any person breaches any material contract detailed in the Prospectus (**Material Contract**);
- (h) **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;
- (i) **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 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;
- (j) **Prescribed Occurrence:** a Prescribed Occurrence occurs in relation to the Company or any of the Company's subsidiaries;
- (k) **Insolvency:** a specified insolvency event occurs or, in the reasonable opinion of the Underwriter, is likely to occur;
- (l) **Breach of agreement:** the Company or any of its subsidiaries is in breach of any provision of the Underwriting Agreement that, in the Underwriter's reasonable opinion, is material.

- (m) **Breach of warranty:** any warranty given by the Company under the Underwriting Agreement is not true in any respect that is, in the Underwriter's reasonable opinion, material or has ceased to be true;
- (n) **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;
- (o) **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);
- (p) **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;
- (q) **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;
- (r) **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 Options on the securities market operated by ASX;
- (s) **Grant by ASX:** any grant by ASX referred to in (r) is withdrawn or is made subject to any conditions other than the standard conditions that may be imposed by ASX on its permission for the quotation of the Options;
- (t) **Statements issued in breach of agreement:** during the term of the Underwriting Agreement a breach of certain undertakings made by the Company to the Underwriter occurs;
- (u) **Withdrawal of Prospectus:** the Company withdraws the Prospectus;
- (v) **Significant Change to Management or Board:** there is a significant change to the composition of the senior executives of the Company or of its board of directors without the approval of the Underwriter (which approval may not be unreasonably withheld);
- (w) **Judgement:** A judgement in an amount exceeding \$250,000 is obtained against the Company or any of its subsidiaries and is not set aside or satisfied within 5 Business Days;
- (x) **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;
- (y) **Movement in the All Ordinaries Index:** the All Ordinaries Index of ASX is at any time on any 3 consecutive Business Days prior to allotment of the Options 90% or less of the level that Index attained at the close of trading on the Business Day before the date of signing the Underwriting Agreement; or

- (z) **Movement in the ASX Small Ords Index:** the ASX Small Ords Index is at any time on any 3 consecutive Business Days prior to allotment of the Options 90% or less of the level that Index attained at the close of trading on the Business Day before the date of signing the Underwriting Agreement.

The Underwriting Agreement contains a number of conditions that must be satisfied by the Company before the Underwriters obligation to underwrite the Offer commences that are considered standard for an agreement of this type. If any of these conditions are not satisfied by the relevant date the Underwriter will be entitled to terminate the Underwriting Agreement.

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.

9.4 Market price of shares

The Company is a disclosing entity for the purposes of the Corporations Act and its quoted securities, including 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 most recent respective dates of those sales were:

Highest	\$0.18	20 January 2017
Lowest	\$0.12	11 April 2017
Last	\$0.12	11 April 2017

9.5 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:

- (a) as an inducement to become, or to qualify as, a Director; or
- (b) 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	Entitlement	\$
Brian Miller	319,990 ¹	Nil	63,998	\$640
Gino D'Anna	1,860,760 ²	Nil	370,552	\$3,706
Russell Moran	4,230,007 ³	Nil	846,001	\$8,460
Neil Canby	150,000 ⁴	Nil	30,000	\$300
James Deacon	Nil	Nil	Nil	Nil

Notes:

1. Held directly by Mr Miller.
2. Comprising 63,000 held indirectly by Mr D'Anna <The Internationale A/C> of which Mr D'Anna is a beneficiary and 1,797,760 held indirectly by Internationale Consulting Pty Ltd, an entity controlled by Mr D'Anna.
3. Held by Talos Mining Pty Ltd <Talos Investment A/C> of which Mr Moran is a beneficiary.
4. Held indirectly by Mr Canby <Neil Canby Family A/C> of which Mr Canby is a beneficiary.

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 be not more than the aggregate fixed sum determined by the Company in a 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 \$250,000 per annum.

A Director may be paid fees or other amounts (i.e. 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 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	Financial year ended 30 June 2016	Proposed financial year ending 30 June 2017
Existing Directors		
Brian Miller	\$Nil	\$252,000
Gino D'Anna	\$Nil	\$36,000
Russell Moran	\$Nil	\$36,000
Neil Canby	\$Nil	\$13,500
James Deacon	\$Nil	\$13,500
Previous Directors		
Michael Scivolo	\$Nil	\$8,334
Sol Majteles	\$Nil	\$8,333
Robert Collins	\$Nil	\$8,333
Noel Bonnicks	\$Nil	\$29,900

9.6 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:

- (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 any of these persons for services provided in connection with:

- (a) the formation or promotion of the Company; or
- (b) the Offer.

K S Capital Pty Limited will be paid an underwriting fee of \$6,080 in respect of this Offer. Refer to Section 9.3 for further details of the underwriting agreement. During the 24 months preceding lodgement of this Prospectus with the ASIC, K S Capital Pty Limited has been paid fees totalling \$353,750 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 \$10,000 (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 \$137,937 (excluding GST and disbursements) for legal services provided to the Company.

9.7 Consents

Chapter 6D of the Corporations Act imposes a liability regime on the Company (as the offeror of the Securities), the Directors, the persons named in the Prospectus with their consent as Proposed 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; and
- (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.

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 Pty Limited has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.

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.

9.8 Expenses of the offer

In the event that all Entitlements are accepted, the total expenses of the Offer are estimated to be approximately \$29,569 (excluding GST) and are expected to be applied towards the items set out in the table below:

Item	\$
Underwriter fees	6,080
ASIC fees	2,350
ASX fees	8,139
Legal fees	10,000
Share registry costs	1,000
Printing, distribution and other expenses	2,000
Total	29,569

9.9 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 8 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.

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

The Company will not be issuing 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 Options allotted 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 CHES 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 .

9.11 Privacy Act

If you complete an application for Options, 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 Shares, the Company may not be able to accept or process your application.

10. 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.

Mr Gino D'Anna
Director and Company Secretary
For and on behalf of
K2FLY LIMITED

11. **GLOSSARY**

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

ADAM means Asset Data Analysis and Management.

API Application Programming Interface.

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

Application Form means an Entitlement and Acceptance Form or Shortfall Application Form as the context requires.

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 CHES.

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

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 or **K2fly** 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.

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

Official List means the official list of ASX.

Official Quotation means official quotation on ASX.

Option means an option to acquire a Share.

Optionholder means a holder of an Option.

Prescribed Occurrence means any event listed in section 652C(1) or (2) of the Corporations Act but substituting K2fly for "target".

Prospectus means this prospectus.

Re-Compliance Prospectus means the prospectus lodged by the Company with ASIC and dated 22 August 2016.

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

Section means a section of this Prospectus.

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

Shareholder means a holder of a Share.

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

Standard Conditions means the conditions described below which may be imposed by ASX on its permission for the quotation of the Options on the securities market operated by ASX:

- (a) allotment and registration of all Options in the register of shareholders;
- (b) dispatch of uncertificated security holding statements in respect of all Options;
- (c) dispatch of all refund cheques;
- (d) provision to ASX of a distribution schedule of shareholders; and
- (e) provision to ASX of a list of the top 20 Option holders and the number of Options and percentage of Option holdings held by each.

Underwriter means K S Capital Pty Limited (ACN 124 761 557).