

**K2FLY LIMITED**

ABN 69 125 345 502

# **Appendix 4E**

**Preliminary Final Report – 30 June 2017**

This report has been prepared in compliance  
with ASX Listing Rule 4.3A

## Appendix 4E Preliminary Final Report

<b>Name of entity</b>
K2fly Limited

<b>ABN or equivalent company reference</b>
69 125 345 502

<b>Preliminary final (tick)</b>
✓

<b>Financial year ended ('current period')</b>
30 JUNE 2017

### Results announced to the market

(This information should be read in conjunction with the last annual report and any announcements to the market by K2fly Limited during the period)

	Year Ended 30/06/17 \$A	Year Ended 30/06/16 \$A	Amount change \$A	Percentage change %
Revenue from ordinary activities	626,698	-	626,698	100
Loss from ordinary activities after tax attributable to members	(3,179,025)	(65,999)	(3,113,026)	4,716
Net loss for the year attributable to members	(3,179,025)	(65,999)	(3,113,026)	4,716

### Comment

The increase in revenue from ordinary activities is due to the change in strategic direction for the Company into the Software-as-a-Service sector selling enterprise technology for asset management and asset maintenance for the asset intensive service industries.

### Dividends (distributions)

There are no dividend or distribution reinvestment plans in operation and there have been no dividend or distribution payments during the financial year ended 30 June 2017.

<b>Net tangible asset per ordinary security</b>	<b>30 June 2017</b>	<b>30 June 2016</b>
Net tangible assets	1,706,095	(76,580)
Number of shares on issue at reporting date	50,867,535	47,187,501
Net tangible asset per ordinary security	3.35 cents	(0.16) cents

### Control Gained or Lost over Entities

Not Applicable

<b>Associates and joint ventures</b>
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Not Applicable
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<b>Foreign Entities Accounting Framework</b>
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Not Applicable
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Gino D'Anna  
Executive Director  
31 August 2017

The information required by listing rule 4.2A is contained in both this Appendix 4E and the attached Annual report. This full year reporting information should be read in conjunction with the most recent annual financial report of the company.

# K2FLY LIMITED

ABN 69 125 345 502

## Preliminary Final Report – 30 June 2017

### Consolidated Statement of Comprehensive Income For the year ended 30 June 2017

	2017	2016
	\$	\$
Revenue	626,698	-
Cost of sales	(249,098)	-
<b>Gross profit</b>	<b>377,600</b>	-
Interest revenue	8,956	6
Administration expense	(410,364)	(27,707)
Amortisation expense	(424,274)	-
Compliance & regulatory expense	(119,248)	(38,298)
Consultancy expense	(826,390)	-
Depreciation expense	(2,563)	-
Directors fees	(299,131)	-
Employee benefit expense	(228,142)	-
Impairment of intangible assets	(900,000)	-
Impairment of exploration and evaluation expenditure	(32,091)	-
Occupancy expense	(42,184)	-
Public relation & marketing expense	(50,062)	-
Research costs	(51,214)	-
Share-based payments	(123,500)	-
Travel expense	(56,408)	-
<b>Loss before income tax expense</b>	<b>(3,179,025)</b>	<b>(65,999)</b>
Income tax expense	-	-
<b>Loss for the year</b>	<b>(3,179,025)</b>	<b>(65,999)</b>
<b>Other comprehensive income, net of income tax:</b>		
<i>Items that may be reclassified to profit and loss</i>		
Changes in the fair value of available-for-sale assets	-	120
Income tax relating to these items	-	-
<b>Other comprehensive income for the year, net of tax</b>	<b>-</b>	<b>120</b>
<b>Total comprehensive loss for the year</b>	<b>(3,179,025)</b>	<b>(65,879)</b>
Basic loss per share (cents per share)	(9.53)	(1.31)

**Consolidated Statement of Financial Position  
As at 30 June 2017**

	2017 \$	2016 \$
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	1,743,582	30,126
Trade and other receivables	360,297	2,002
<b>Total current assets</b>	<b>2,103,879</b>	<b>32,128</b>
<b>Non-current assets</b>		
Other financial assets	844	844
Plant and equipment	13,486	-
Intangible assets	2,175,726	-
Exploration and evaluation expenditure	-	24,187
Other assets	2,480	-
<b>Total current assets</b>	<b>2,192,536</b>	<b>25,031</b>
<b>Total assets</b>	<b>4,296,415</b>	<b>57,159</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Trade and other payables	345,844	33,739
Borrowings	-	100,000
<b>Total current liabilities</b>	<b>345,844</b>	<b>133,739</b>
<b>Non-current liabilities</b>		
Trade and other payables	68,750	-
<b>Total non-current liabilities</b>	<b>68,750</b>	<b>133,739</b>
<b>Total liabilities</b>	<b>414,594</b>	<b>133,739</b>
<b>Net assets / (liabilities)</b>	<b>3,881,821</b>	<b>(76,580)</b>
<b>Equity</b>		
Issued capital	11,682,697	4,813,977
Reserves	268,826	120
Accumulated losses	(8,069,702)	(4,890,677)
<b>Total equity</b>	<b>3,881,821</b>	<b>(76,580)</b>

The accompanying notes form part of these financial statements

**Consolidated statement of changes in equity**  
**For the year ended 30 June 2017**

	Issued capital	Share-based payments reserve	Option reserve	Available-for- sale reserve	Accumulated losses	Total equity
	\$	\$	\$	\$	\$	\$
30 June 2015	4,813,977	-	-	-	(4,824,678)	(10,701)
Loss for the year	-	-	-	-	(65,999)	(65,999)
Other comprehensive income for the year	-	-	-	120	-	120
Total comprehensive loss for the year	-	-	-	120	(65,999)	(65,879)
<b>30 June 2016</b>	<b>4,813,977</b>	<b>-</b>	<b>-</b>	<b>120</b>	<b>(4,890,677)</b>	<b>(76,580)</b>
30 June 2016	4,813,977	-	-	120	(4,890,677)	(76,580)
Loss for the year	-	-	-	-	(3,179,025)	(3,179,025)
Other comprehensive income for the year	-	-	-	-	-	-
Total comprehensive loss for the year	-	-	-	-	(3,179,025)	(3,179,025)
Shares issues	9,110,000	-	-	-	-	9,110,000
Share issue costs	(2,241,280)	-	-	-	-	(2,241,280)
Share-based payments	-	123,500	145,206	-	-	268,706
<b>30 June 2017</b>	<b>11,682,697</b>	<b>123,500</b>	<b>145,206</b>	<b>120</b>	<b>(8,069,702)</b>	<b>3,881,821</b>

The accompanying notes form part of these financial statements

**Consolidated Statement of Cash Flows**  
**For the year ended 30 June 2017**

	2017 \$ Inflows / (Outflows)	2016 \$ Inflows / (Outflows)
<b>Cash flows from operating activities</b>		
Receipts from customers	310,610	-
Payments to suppliers and employees	(1,993,685)	(60,794)
Interest received	8,956	6
Interest paid	(2,398)	-
<b>Net cash (used in) operating activities</b>	<b>(1,676,517)</b>	<b>(60,788)</b>
<b>Cash flows from investing activities</b>		
Payments for plant and equipment	(16,049)	-
Payments for exploration and evaluation expenditure	(7,904)	(1,484)
<b>Net cash (used in) investing activities</b>	<b>(23,953)</b>	<b>(1,484)</b>
<b>Cash flows from financing activities</b>		
Proceeds from the issue of shares	4,143,000	-
Payments for share issue costs	(730,410)	-
Proceeds from option entitlement issue	101,335	-
Proceeds from borrowings	30,000	65,000
Repayment of borrowings	(130,000)	-
<b>Net cash provided by financing activities</b>	<b>3,413,926</b>	<b>65,000</b>
<b>Net increase/(decrease) in cash held</b>	<b>1,713,456</b>	<b>2,728</b>
Cash at beginning of the half year	30,126	27,398
<b>Cash and cash equivalents at the end of the half year</b>	<b>1,743,582</b>	<b>30,126</b>

The accompanying notes form part of these financial statements.

## Notes to the consolidated financial statements

### For the year ended 30 June 2017

#### Basis of preparation

The consolidated financial statements have been prepared on an accrual basis and are based on historical cost.

The consolidated financial statements are presented in Australian Dollars.

#### Significant accounting judgements and key estimates

The application of accounting policies requires the use of judgements, estimates and assumptions about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and assumptions are reviewed on an ongoing basis. Revisions are recognised in the period in which the estimate is revised if it affects only that period, or in the period the revision and future periods if the revision affects both current and future periods.

Except as described below, in preparing this financial report, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report for the year ended 30 June 2016.

In the year ended 30 June 2017, management reassessed its estimates in respect of:

- **Impairment of asset**

In assessing impairment, management estimates the recoverable amount of the Technology Assets based on expected cash flows from the sale of the licences associated with the Technology Assets. In addition, management makes an estimate of the overachievement or underachievement of the sales performance of the Technology Assets. Factors such as expected new clients and expected recurring monthly revenue are used as inputs into the gross value ascribed to the Technology Assets. In instances of underperformance of sales, management makes an assessment of the likelihood of sales performance recovering and the life cycle of the Technology Assets. These factors play a role in the impairment of the value of the Technology Assets. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate.

- **Intangible asset**

The Company determines whether intangibles with indefinite useful lives are impaired at least on an annual basis. This requires estimation of the recoverable amount of the cash generating units to which the intangibles with indefinite useful lives are allocated.

- **Performance rights**

The Company measures performance rights at the period end when the conditions of the particular class of rights have been achieved, calculated using 100% probability and the Company share price at the period end. Shareholder approval for the issue of the performance rights is being sought at the Company's 2017 Annual General Meeting to be held in November 2017. No discount has been applied to the probability weighting based on uncertainty of the shareholder approval. During the financial year, three classes of performance rights had their hurdles achieved, which at the time of shareholder approval will convert on a 1-for-1 basis into fully paid ordinary shares.

- **Options**

The Company measures the cost of cash-settled share-based payments at fair value at the grant date using the Black-Scholes model taking into account the terms and conditions upon which the instruments were granted.



**Notes to the consolidated financial statements**  
**For the year ended 30 June 2017**

**Going concern**

The financial report has been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlements of liabilities in the ordinary course of business.

<b>Earnings per share</b>	<b>30 June 2017</b>	<b>30 June 2016</b>
Basic loss per share (cents per share)	(9.48)	(1.31)
Weighted average number of shares	33,357,767	5,019,947

<b>Issued capital</b>	<b>30 June 2017</b>		<b>30 June 2016</b>	
	<b>Number</b>	<b>\$</b>	<b>Number</b>	<b>\$</b>
Opening balance	47,187,501	4,813,977	47,187,501	4,813,977
Share consolidation	(42,167,466)	-	-	-
	5,020,035	4,813,977	47,187,501	4,813,977
Capital raising	20,625,000	4,125,000	-	-
Placement shares	7,750,000	1,550,000	-	-
Consideration shares	16,000,000	3,200,000	-	-
Convertible note shares	1,272,500	217,000	-	-
Escrow shares	200,000	18,000	-	-
Share issue costs	-	(2,241,280)	-	-
Closing balance	50,867,535	11,698,697	47,187,501	4,813,977

**Notes to the consolidated financial statements**  
**For the year ended 30 June 2017**

**Share-based payment reserve**

During the year, \$123,500 was recognised as a share-based payment made to the Directors of the Company.

The fair value of these Directors Performance Rights was calculated by using a probability based valuation methodology with reference to the share price at the grant date to issue the performance rights.

	<b>Number</b>	<b>Value per share</b>	<b>Probability</b>	<b>Condition</b>	<b>Total Value</b>
Class 1	320,000	\$0.20	100%	Non-Market	\$64,000
Class 2	310,000	\$0.20	0%	Market	-
Class 3	310,000	\$0.20	0%	Market	-
Class 4	350,000	\$0.20	0%	Non-Market	-
Class 5	350,000	\$0.085	100%	Non-Market	29,750
Class 6	350,000	\$0.085	100%	Non-Market	29,750
Class 7	410,000	\$0.20	0%	Non-Market	-
Class 8	550,000	\$0.20	0%	Non-Market	-
Class 9	550,000	\$0.20	0%	Non-Market	-
	<u>3,500,000</u>				<u>123,500</u>

These Performance Rights, which, upon their achievement, will convert into shares (on a one for one basis). Milestones attached to the Performance Rights are as follows:

- Class 1 Successfully completing its proposed capital raising of not less than \$4 million and being admitted to the Official List of the ASX following an intellectual property acquisition
- Class 2 Weighted average price (VWAP) of the shares as traded on ASX over 20 days being equal to or exceeding 200% of the initial listing price of the Shares pursuant to the re-listing
- Class 3 Weighted average price (VWAP) of the shares as traded on ASX over 20 days being equal to or exceeding 400% of the initial listing price of the Shares pursuant to the re-listing
- Class 4 Company converting not less than three (3) of the existing users of ADAM software across to an acceptable market-rate subscription of the Company
- Class 5 Company successfully executed a Distribution Partnership Agreement/Re-seller Agreement with an acceptable agent based in the European region
- Class 6 Company successfully executed a Distribution Partnership Agreement/Re-seller Agreement with an acceptable agent based in the Asian region
- Class 7 Company achieving total sales revenue over a full financial year of not less than \$1.5million with a minimum 10% net profit margin (before tax)
- Class 8 Company achieving total sales revenue over a full financial year of not less than \$3million with a minimum 15% net profit margin (before tax)
- Class 9 Company achieving total sales revenue over a full financial year of not less than \$5million with a minimum 20% net profit margin (before tax)

**Notes to the consolidated financial statements  
For the year ended 30 June 2017**

**Option reserve**

**Unlisted options**

On 17 November 2016 and 1 December 2016, the Group issued 1,920,000 and 800,000 options expiring 17 November 2020 and 1 December 2020 respectively.

The Group has rebutted the presumption that the fair value of service can be a reliable measure as a result the options have been separately valued and the fair value determination is as follows:

The assessed fair value at grant date of options issued during the year amounted to \$43,871, determined by internal valuation using Black-Scholes option pricing model.

Set out below are the valuation model inputs used to determine the fair value of the options issued:

Series 1 and 2	
Share price at grant date:	\$0.15
Life of option:	4 years
Expected share price volatility:	32%
Risk free rate:	1.5%

	Number	Grant Date	Expiry Date	Exercise Price \$	Fair Value at Grant Date	Vesting Date
Series 1	1,920,000	17/11/2016	17/11/2020	0.25	\$30,968	17/11/2016
Series 2	800,000	17/11/2016	11/12/2020	0.25	\$12,903	1/12/2020
	2,270,000				\$43,871	

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of options granted were incorporated into the measurement of fair value.

**Listed Options**

Under an Entitlement Issue Prospectus dated 12 April 2017, a non-renounceable entitlement issue was undertaken.

One (1) option was issued for every five (5) shares held by those shareholders registered in Australia or New Zealand on 20 April 2017 at issue price of \$0.01 per option to raise \$101,335.

The amount payable on exercise of the option is \$0.20 each and will expire 3 years from the date of issue. An option not exercised before the expiry date will automatically lapse.

	Number	Grant Date	Expiry Date	Exercise Price \$	Fair Value at Grant Date	Vesting Date
Series 3	10,133,507	31/05/2017	31/05/2020	0.20	101,335	31/05/2017

**Notes to the consolidated financial statements  
For the year ended 30 June 2017**

<b>Investment in controlled entities</b>	<b>2017</b>	<b>2016</b>
	<b>Ordinary shares</b>	
	<b>Percentage owned</b>	
	<b>%</b>	<b>%</b>
<b>Controlled entities</b>		
Power Minerals Pty Ltd	100	100
<b>Acquisition of controlled entities</b>		
There were no acquisitions of controlled entities during the year (2016: Nil)		

<b>Significant events after Balance Date</b>
On 10th July 2017, K2fly Limited acquired InfoScope Pty Ltd by way of cash consideration of \$475,000, repayment of an outstanding loan of \$150,000 plus interest, the issue of \$275,000 worth of K2fly shares and 350,000 options.
Other than noted above, there has been no additional matter or circumstance that has arisen after balance date that has significantly affected, or may significantly affect, the operations of the Company, the results of those operations, or the state of affairs of the company in future financial periods.