

K2FLY LIMITED
ACN 125 345 502

PROSPECTUS

For the offer of up to 100 Shares at an issue price of \$0.26 per Share to raise approximately \$26 (before expenses).

This Prospectus has been prepared primarily for the purpose of Section 708A(11) of the Corporations Act to remove any trading restrictions on the sale of Shares issued by the Company prior to the Closing Date.

IMPORTANT NOTICE

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

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

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1. CORPORATE DIRECTORY

Directors

Mr Brian Miller
Executive Chairman & CEO

Mr Neil Canby
Non-Executive Director

Mr James Deacon
Non-Executive Director

Ms Jenny Cutri
Non-Executive Director

Company Secretary

Ms Melissa Chapman
Ms Catherine Grant-Edwards

Share Registry*

Advanced Share Registry Limited
110 Stirling Highway
Nedlands WA 6009

Telephone: (08) 9389 8033
Facsimile: (08) 9262 3723

Registered Office

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

Lawyers

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

Auditors*

HLB Mann Judd
Level 4
130 Stirling Street
Perth WA 6000

Telephone: (08) 9227 7500

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

2. TIMETABLE

Lodgement of Prospectus with the ASIC and ASX	19 December 2017
Opening Date of Offer	3:00pm (AWST) on 19 December 2017
Closing Date of Offer*	3:00pm (AWST) on 20 December 2017

* The Directors reserve the right to extend the Closing Date at any time after the Opening Date without notice. The Company also reserves the right not to proceed with the Offer at any time before the issue of Shares to applicants.

3. IMPORTANT NOTES

This Prospectus is dated 19 December 2017 and was lodged with the ASIC on that date. The ASIC, the ASX and their respective officers take no responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates.

The expiry date of the Prospectus is 13 months after the date the Prospectus was lodged with the ASIC. No Shares will be issued on the basis of this Prospectus after the expiry date.

The Offer is only available to those who are personally invited to accept the Offer. Applications for Shares offered pursuant to this Prospectus can only be submitted on an original Application Form which accompanies this Prospectus.

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

3.2 Overseas Investors

The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and therefore persons into whose possession this document comes should seek advice on and observe any such restrictions. Any failure to comply with these restrictions constitutes a violation of those laws. This Prospectus does not constitute an offer of Shares in any jurisdiction where, or to any person to whom, it would be unlawful to issue in this Prospectus.

3.3 Disclaimer

No person is authorised to give any information or to make any representation in connection with the Offer described in this Prospectus which is not contained in this Prospectus. Any information or representations not so contained may not be relied upon as having been authorised by the Company or any other person in connection with the Offer. You should rely only on information in this Prospectus.

4. DETAILS OF THE OFFER

4.1 Summary of the Offer

Under this Prospectus, the Company invites investors identified by the Directors to apply for up to 100 Shares at an issue price of \$0.26 per Share payable in full on application, to raise up to \$26.

The Offer will only be extended to specific parties on invitation from the Directors. Application Forms will only be provided by the Company to these parties.

All of the Shares offered under this Prospectus will rank equally with Shares on issue at the date of this Prospectus. A summary of the material rights and liabilities attaching to the Shares is set out in Section 6.

4.2 Minimum subscription

There is no minimum subscription.

4.3 Oversubscriptions

No oversubscriptions will be accepted by the Company.

4.4 Purpose of the Offer

The primary purpose of this Prospectus is to remove any trading restrictions that may have attached to Shares issued by the Company prior to the Closing Date (including prior to the date of this Prospectus).

Relevantly, section 708A(11) of the Corporations Act provides that a sale offer does not need disclosure to investors if:

- (a) the relevant securities are in a class of securities that are quoted securities of the body; and
- (b) either:
 - (i) a prospectus is lodged with the ASIC on or after the day on which the relevant securities were issued but before the day on which the sale offer is made; or
 - (ii) a prospectus is lodged with ASIC before the day on which the relevant securities are issued and offers of securities that have been made under the prospectus are still open for acceptance on the day on which the relevant securities were issued; and
- (c) the prospectus is for an offer of securities issued by the body that are in the same class of securities as the relevant securities.

On 1 November 2017, the Company issued 120,000 Shares to Canary Capital Pty Ltd (**Canary Capital**) pursuant to the terms of a marketing and advisory mandate between the Company and Canary Capital (**Canary Capital Shares**). The Canary Capital Shares have not been traded since their issue and, on 9 November 2017, a temporary holding lock was placed on the Canary Capital Shares (with Canary Capital's agreement). The issue of this Prospectus will allow for the secondary trading of the Canary Capital Shares and, following close of the Offer, the temporary holding lock will be lifted from the Canary Capital Shares.

In addition to the above, the Company issued:

- (a) 3,525,642 Shares in consideration for the Company's acquisition of Infoscope Pty Ltd (**Infoscope Shares**) on 7 July 2017. The Infoscope Shares are escrowed for 12 months from the date of issue (until 7 July 2018).

As announced on 7 December 2017, the Company may issue a further \$15,000 worth of Shares and 850,000 Options to Canary Capital.

A cleansing notice under section 708A(5) of the Corporations Act could not be issued by the Company at the time of these Share issues as the Company had been suspended for more than a total of 5 days during the 12 months prior to the Share issues (due to the Company undergoing a back door listing of its securities).

Notwithstanding that the Infoscope Shares are currently held in escrow, for the avoidance of doubt, the issue of this Prospectus will also allow for the secondary trading of the Infoscope Shares once they are released from escrow.

4.5 Opening and Closing Date of the Offer

The Opening Date of the Offer will be 3:00pm (AWST) on 19 December 2017 and the Closing Date for the Offer will be 3:00pm (AWST) on 20 December 2017.

The Directors reserve the right to close the Offer early or extend the Closing Date (as the case may be), should it be considered by them necessary to do so.

4.6 Application for Shares

Applications for Shares under the Offer must only be made by investors at the direction of the Company and using the Application Form accompanying this Prospectus. By completing an Application Form, you will be taken to have declared that all details and statements made by you are complete and accurate and that you have received personally the Application Form together with a complete and unaltered copy of the Prospectus.

Payment for Shares must be made in full at the issue price of \$0.26 per Share.

Completed Application Forms and accompanying cheques, made payable to "**K2FLY LIMITED**" and crossed "**Not Negotiable**", must be mailed or delivered to the address set out on the Application Form by no later than the Closing Date.

The Company reserves the right to close the Offer early.

4.7 Underwriter

The Offer is not underwritten.

4.8 ASX Listing

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

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

4.9 Issue of Shares

The issue of Shares offered by this Prospectus will take place as soon as practicable after the Closing Date. Pending the issue of the Shares 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.

The Directors will determine the recipients of all the Shares. The Directors reserve the right to reject any application or to allocate any applicant fewer Shares than the number applied for. Where the number of Shares issued is less than the number applied for, or where no issue is made, surplus application monies will be refunded without any interest to the applicant as soon as practicable after the Closing Date. Interest will not be paid on moneys refunded.

The Company's decision on the number of Shares to be allocated to an Applicant will be final.

4.10 Defects in Applications

If an Application Form is not completed correctly or if the accompanying payment is the wrong amount, the Company may, in its discretion, still treat the Application Form to be valid. The Company's decision to treat an application as valid, or how to construe, amend or complete it, will be final.

4.11 Applicants outside Australia

The distribution of this Prospectus outside the Commonwealth of Australia may be restricted by law.

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.

Residents of countries outside Australia should consult their professional advisers as to whether any government or other consents are required, or whether any formalities need to be observed should they wish to make an application to take up Shares on the basis of this Prospectus. The return of a duly completed Application Form will be taken to constitute a representation and warranty that there has been no breach of such laws and that all approvals and consents have been obtained.

4.12 Enquiries

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

5. PURPOSE AND EFFECT OF THE OFFER

5.1 Purpose of the Offer

The primary purpose of this Prospectus is to remove any trading restrictions that may have attached to Shares issued by the Company prior to the Closing Date (including prior to the date of this Prospectus).

Under the Offer, an amount of approximately \$26 (before expenses) will be raised. All of the funds raised from the Offer will be applied towards the expenses of the Offer. Refer to Section 8.8 for further details relating to the estimated expenses of the Offer.

5.2 Effect of the Offer

The effect of the Offer on the capital structure of the Company is set out below.

Shares

	Number
Shares currently on issue ¹	54,513,177
Shares offered pursuant to the Offer	100
Total Shares on issue after completion of the Offer and the Placement	54,513,277

Notes:

1. Comprising of:
 - a. 35,444,391 freely tradeable Shares.
 - b. 120,000 Shares (being the Canary Capital Shares) subject to a temporary holding lock as detailed in section 4.4.
 - c. 3,525,642 Infoscope Shares issued to Infoscope Pty Ltd are subject to escrow for 12 months from the date of issue of the Shares (voluntary escrow) to be released from escrow on 6 July 2018.
 - d. 200,000 Shares subject to escrow until 1 October 2018 (voluntary escrow). These Shares were issued to Noel Bonnick in contravention of ASX Listing Rule 10.11 and s200B and 200E of the Corporations Act. General meetings of shareholders are scheduled to be held on 15 January 2018 to seek approval to make a selective reduction of capital to cancel the 200,000 Shares held by Mr Bonnick's controlled entity and issue 200,000 Shares to r Noel Bonnick.
 - e. 15,223,144 Shares subject to escrow for 24 months from the date of quotation of the Shares (ASX restricted) due to be released from escrow on 18 November 2018.

Options

Options currently on issue:	Number
Listed Options exercisable at \$0.20 on or before 18 May 2020 being the date that is three (3) years from the date of grant of the Options	10,133,507
Unlisted Options exercisable at \$0.25 on or before 17 November 2020 being the date that is 4 years from the date of grant of the Options (escrowed for 24 months from the date of quotation)	1,920,000

Unlisted Options exercisable at \$0.25 on or before 1 December 2020 being the date that is 4 years from the date of grant of the Options (escrowed for 24 months from the date of quotation)	800,000
Unlisted Options exercisable at \$0.25 on or before 7 July 2020 being the date that is 3 years from the date of grant of the Options	350,000
Unlisted Options exercisable at \$0.20 on or before 1 November 2019	350,000
Options offered pursuant to the Offer	Nil
Total Options on issue after completion of the Offer	13,553,507

Performance Rights

Performance rights currently on issue:	Number
Performance rights escrowed for 24 months from the date of quotation ¹	3,740,000
Total performance rights on issue after completion of the Offer	3,740,000

Notes:

1. As at the date of this Prospectus, a total of 1,260,000 performance rights have vested in accordance with the terms in which they were provided. The shares due upon vesting have not yet been issued.

5.3 Financial Effect of the Offer

After paying for the expenses of the Offer of approximately \$12,400, there will be no proceeds from the Offer. The expenses of the Offer (exceeding \$26) will be met from the Company's existing cash reserves. The Offer will have an effect on the Company's financial position, being receipt of funds of \$26 less expenses of the Offer of \$12,400.

6. RIGHTS AND LIABILITIES ATTACHING TO SHARES

The following is a summary of the more significant rights and liabilities attaching to Shares 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 Company's Constitution, a copy of which is available for inspection at the Company's registered office during normal business hours.

6.1 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.

6.2 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:

- (a) each Shareholder entitled to vote may vote in person or by proxy, attorney or representative;
- (b) 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
- (c) on a poll, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder shall, in respect of each 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 a fraction of a vote equivalent to the proportion which the amount paid up bears to the total issue price for the share.

6.3 Dividend Rights

The Directors may from time to time declare and pay or credit a dividend in accordance with the Corporations Act. Subject to any special right as to dividends attaching to a Share, all dividends will be declared and paid according to the proportion which the amount paid on the Share is to the total amount payable in respect of the Shares (but any amount paid during the period in respect of which a dividend is declared only entitles the Shareholder to an apportioned amount of that dividend as from the date of payment). The Directors may from time to time pay or credit to the Shareholders such interim dividends as they may determine. No dividends shall be payable except out of profits. A determination by the Directors as to the profits of the Company shall be conclusive. No dividend shall carry interest as against the Company.

The Directors may from time to time grant to Shareholders or any class of shareholders the right to elect to reinvest cash dividends paid by the Company by subscribing for Shares in the Company on such terms and conditions as the Directors think fit. The Directors may, at their discretion, resolve in respect of any dividend which it is proposed to pay or to declare on any Shares of the Company,

that holders of such Shares may elect to forgo their right to the whole or part of the proposed dividend and to receive instead an issue of Shares credited as fully paid to the extent and on the terms and conditions of the Constitution. The Directors may set aside out of the profits of the Company such amounts as 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.

6.4 Winding-Up

If the Company is wound up, the liquidator may, with the authority of a special resolution, divide among the Shareholders in kind the whole or any part of the property of the Company, and may for that purpose set such value as he considers fair upon any property to be so divided, and may determine how the division is to be carried out as between the Shareholders or different classes of Shareholders. The liquidator may, with the authority of a special resolution, vest the whole or any part of any such property in trustees upon such trusts for the benefit of the contributories as the liquidator thinks fit, but so that no Shareholder is compelled to accept any Shares or other securities in respect of which there is any liability.

6.5 Transfer of Shares

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

6.6 Future Increase in Capital

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

6.7 Variation of Rights

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

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

7. RISK FACTORS

7.1 Introduction

The Shares 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 Shares 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.

7.2 Company specific

(a) Business Model

K2fly Limited is an ASX listed technology company, which specialises in the provision of software and services to asset-intensive industries.

K2fly owns the following proprietary technologies.

- (i) ADAM: Asset Data Analysis Management;
- (ii) Infoscope: A data collaboration solution
- (iii) NovIn Real Time Asset Inspection Management App;
- (iv) DocMan Mobility Solutions: Task Management App;
- (v) TagMan Mobility Solutions: Asset Verification App;

K2fly also re-sells market leading software which has been developed by industry leaders in the USA, Australia, Europe and the UK. These solutions come from OBI Partners (USA), Kony (USA), Pointerra Limited (Aus), ABB (Switzerland) and Capita plc (UK), where they have an outstanding track record of delivering benefits to clients. K2fly has strategic alliances with global technology companies such as: GE(USA) and SAP (Germany).

In addition, 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 relatively 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.

(b) **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.

(c) **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.

(d) **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.

7.3 General risks

(a) Additional requirements for capital

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

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

(b) Unforeseen expenditure risk

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

(c) Management of growth

There is a risk that management of the Company will not be able to implement its growth strategy. The capacity of the Company's management to properly implement the strategic direction of the Company may affect the Company's financial performance.

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

(d) Regulatory risk

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

(e) Litigation risk

The Company is exposed to possible litigation risks including intellectual property disputes, product liability claims and employee claims. Further, the Company may be involved in disputes with other parties in the future

which may result in litigation. Any such claim or dispute if proven, may impact adversely on the Company's operations, financial performance and financial position. The Company is not currently engaged in any litigation.

(f) **Market conditions**

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

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

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

(g) **Force Majeure**

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

7.4 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.

8. ADDITIONAL INFORMATION

8.1 Litigation

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

8.2 Continuous Disclosure Obligations

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

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

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

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

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

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

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

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

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

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

Date	Description of Announcement
14/12/2017	Change in Substantial Holding Notice
14/12/2017	Appendix 3Y and Appendix 3B Correction
12/12/2017	Notice of Special General Meeting / Proxy Form
12/12/2017	Notice of General Meeting / Proxy Form
11/12/2017	Operational Update
7/12/2017	Investor Marketing Mandate with Canary Capital
4/12/2017	Change of Director's Interest Notice (Mr B Miller)
4/12/2017	Appendix 3B
1/12/2017	Appendix 3B
27/11/2017	Change of Director's Interest Notice (Mr N Canby)
22/11/2017	Resignation and Appointment of Company Secretary
22/11/2017	K2fly wins major contract in transport infrastructure sector
21/11/2017	Results of Annual General Meeting
21/11/2017	Chairman's Address to Shareholders
20/11/2017	Appendix 3B
10/11/2017	Response to ASX Query
10/11/2017	K2F Updated Corporate Governance Manual
10/11/2017	K2F Non-Deal Roadshow Presentation
09/11/2017	Becoming a substantial holder
06/11/2017	Appendix 3B
30/10/2017	K2F Quarterly Activities and Operational Report
30/10/2017	K2F Appendix 4C - Quarterly Cash Flow Report
19/10/2017	Notice of Annual General Meeting/Proxy Form
17/10/2017	K2fly and the SAP Partner Edge Program
12/10/2017	K2F Corporate and Investor Presentation

Date	Description of Announcement
10/10/2017	K2F Awarded New Contract Win With Western Power
09/10/2017	K2FOA Top 20 Security Holders
05/10/2017	K2fly Awarded New Contract Win With API Management
02/10/2017	Change of Director's Interest Notice (Mr B Miller)
02/10/2017	Appendix 4G - K2fly Corporate Governance Policies
02/10/2017	K2fly Limited 2017 Annual Report to Shareholders

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

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

8.3 Market price of shares

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

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

Highest	\$0.300	18 December 2017
Lowest	\$0.070	27 September 2017
Last	\$0.285	18 December 2017

8.4 Substantial Shareholders

Based on publicly available information as at 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	4,500,000	8.25
Talos Mining Pty Ltd ATF Talos Mining A/C	4,230,007	7.76
Mr Paul Cozzi	3,506,012	6.43

8.5 Interests of Directors

Security Holdings

Other than as set out below or elsewhere in this Prospectus, no Director nor any firm in which such a Director is a partner, has or had within 2 years before the lodgement of this Prospectus with the ASIC, any interest in:

- (a) the formation or promotion of the Company;

- (b) property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer pursuant to this Prospectus; or
- (c) the Offer,

and no amounts have been paid or agreed to be paid (in cash or Shares or otherwise) to any Director or to any firm in which any such Director is a partner or director, either to induce him to become, or to qualify him as, a Director or otherwise for services rendered by him or by the firm in connection with the formation or promotion of the Company or the Offer. Directors' relevant interests in securities of the Company at the date of this Prospectus and remuneration information (including amounts paid in consulting fees) for the current and last two financial years is set out below:

Director	Shares	Options	Performance Rights
Brian Miller	764,610	63,998	2,740,000
Neil Canby	325,000	30,000	Nil
James Deacon	94,273	Nil	Nil
Jenny Cutri	Nil	Nil	Nil

No Directors or any of their associates intend to participate in the Offer.

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 is initially set by the Constitution and subsequent variation is by ordinary resolution of Shareholders in general meeting in accordance with the Constitution, the Corporations Act and the ASX Listing Rules, as applicable. The determination of non-executive Directors' remuneration within that maximum will be made by the Board having regard to the inputs and value to the Company of the respective contributions by each non-executive Director.

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, hotel and other expenses incurred by them respectively in or about the performance of their duties as Directors.

The following table shows the annual remuneration paid to both executive and non-executive Directors inclusive of superannuation and performance rights for the past financial year and the proposed remuneration for financial year 2018.

	Financial Year 2018 (\$)	Financial Year 2017 (\$)
Brian Miller ¹	252,000	307,040 ⁵
Neil Canby ²	36,000	13,500
James Deacon ³	36,000	13,500
Jenny Cutri ⁴	30,000	Nil
TOTAL	354,000	334,040

Notes:

1. Appointed on 18 November 2016
2. Appointed on 14 February 2017
3. Appointed on 14 February 2017
4. Appointed on 19 September 2017
5. Includes valuation of performance rights \$53,040

8.6 Interests of experts and advisers

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

- (a) person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus;
- (b) promoter of the Company; or
- (c) underwriter to the issue or a financial services licensee named in this Prospectus as a financial services licensee involved in the issue,

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

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

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

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

Steinepreis Paganin has acted as the solicitors to the Company in relation to the Offer and associated due diligence process. The Company estimates it will pay Steinepreis Paganin \$10,000 (excluding GST and disbursements) for these services.

8.7 Consents

Chapter 6D of the Corporations Act imposes a liability regime on the Company (as the offeror of the Shares), 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) 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.

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

8.8 Estimated Expenses of Offer

The estimated expenses of the Offer are estimated to be approximately \$12,400 (excluding GST) and are expected to comprise legal fees and ASIC fees. The estimated expenses will be paid out of the Company's existing working capital.

8.9 Electronic Prospectus

If you have received this Prospectus as an electronic Prospectus, please ensure that you have received the entire Prospectus accompanied by the Application Form. If you have not, please phone the Company on +61 8 9481 7833 and the Company will send you, for free, either a hard copy or a further electronic copy of the Prospectus, or both. Alternatively, you may obtain a copy of this Prospectus from the Company's website at www.k2fly.com.

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

8.10 Clearing House Electronic Sub-Register System ("CHESS") and Issuer Sponsorship

The Company will not be issuing share certificates. The Company is a participant in CHESS, for those investors who have, or wish to have, a sponsoring stockbroker. Investors who do not wish to participate through CHESS will be issuer sponsored by the Company. Because the sub-registers are electronic, ownership of securities can be transferred without having to rely upon paper documentation.

Electronic registers mean that the Company will not be issuing certificates to investors. Instead, investors will be provided with a statement (similar to a bank account statement) that sets out the number of Shares 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 CHESS and issuer sponsorship.

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

8.11 Forward-looking statements

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

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

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

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

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

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

8.12 Privacy Act

If you complete an application for Shares, 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.

9. DIRECTORS' CONSENT

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 in writing to the lodgement of this Prospectus with the ASIC.



Brian Miller
Executive Chairman
For and on behalf of
K2FLY LIMITED

10. DEFINITIONS

Applicant means an investor that applies for Shares under the Offer using an Application Form pursuant to this Prospectus.

Application Form means the Application Form either attached to or accompanying this Prospectus.

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 Australian 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 closing date for receipt of an Application Form as set out in Section 2 (unless extended or closed early).

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 directors of the Company at the date of this Prospectus.

Dollar or "\$" means Australian dollars.

Offer means the offer of Shares referred to in Section 4.1.

Official Quotation means official quotation on ASX.

Opening Date means the opening date for receipt of an Application Form under this Prospectus as set out in Section 2.

Option means an option to acquire a Share.

Prospectus means this prospectus dated 19 December 2017.

Section means a section of this Prospectus.

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

Shareholder means the holder of a Share.