
K2FLY LIMITED

ACN 125 345 502

NOTICE OF GENERAL MEETING

Notice is given that the Meeting will be held at:

TIME: 10:00 am (WST)

DATE: Monday, 15 January 2018

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

The business of the Meeting affects your shareholding and your vote is important.

This Notice of Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.

The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Meeting are those who are registered Shareholders at 10:00 am (WST) on 11 January 2018.

BUSINESS OF THE MEETING

AGENDA

1. RESOLUTION 1 – APPROVAL TO MAKE SELECTIVE REDUCTION OF CAPITAL

To consider and, if thought fit, to pass, with or without amendment, the following resolution as a **special resolution**:

“That, subject to the approval of the Director Shareholder at the Special General Meeting, in accordance with section 256C(2) of the Corporations Act and for all other purposes, approval is given for the Company to make a selective reduction of capital and cancel a total 200,000 Shares held by the Director Shareholder on the terms and conditions and for the purpose set out in the Explanatory Statement accompanying this Notice.”

2. RESOLUTION 2 – ISSUE OF SHARES TO MR NOEL BONNICK (OR HIS NOMINEE)

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, subject to the passing of Resolution 1 of the General Meeting and Resolution 1 of the Special General Meeting, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue up to 200,000 Shares to Noel Bonnick (or his nominee) and for the purpose of sections 200B and 200E of the Corporations Act, for the giving of a benefit to Mr Noel Bonnick, in connection with the issue of the Shares, on the terms and conditions set out in the Explanatory Statement.”


Voting Exclusion: The Company will disregard any votes cast on this Resolution by Noel Bonnick (or his nominee) and any of their associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Dated: 1 December 2017

By order of the Board



Melissa Chapman
Joint Company Secretary



Catherine Grant-Edwards
Joint Company Secretary

Voting in person

To vote in person, attend the Meeting at the time, date and place set out above.

Voting by proxy

To vote by proxy, please complete and sign the enclosed Proxy Form and return by the time and in accordance with the instructions set out on the Proxy Form.

In accordance with section 249L of the Corporations Act, Shareholders are advised that:

- each Shareholder has a right to appoint a proxy;
- the proxy need not be a Shareholder of the Company; and
- a Shareholder who is entitled to cast 2 or more votes may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If the member appoints 2 proxies and the appointment does not specify the proportion or number of the member's votes, then in accordance with section 249X(3) of the Corporations Act, each proxy may exercise one-half of the votes.

Shareholders and their proxies should be aware that changes to the Corporations Act made in 2011 mean that:

- if proxy holders vote, they must cast all directed proxies as directed; and
- any directed proxies which are not voted will automatically default to the Chair, who must vote the proxies as directed.

Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary on +61 8 6333 1833.

EXPLANATORY STATEMENT

This Explanatory Statement has been prepared to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions.

1. RESOLUTION 1 – APPROVAL FOR SELECTIVE REDUCTION OF CAPITAL

1.1 Background

Section 1 of this Explanatory Statement relates to Resolution 1 of the Notice of General Meeting and the sole resolution of the Special General Meeting.

Resolution 1 will only come into effect if Resolution 1 at the Special General Meeting is passed.

On 20 January 2017, Mr Noel Bonnick signed and submitted a letter of resignation to then Director and Company Secretary, Mr Gino D'Anna. The Company did not immediately accept the letter of resignation from Mr Bonnick as he was seeking from the Company the issue of fully paid ordinary shares in lieu of director's fees and extensive discussions occurred in relation to the quantity of shares that would be issued.

This matter was finally resolved and Mr Bonnick's resignation was accepted by the then Board on 1 February 2017. Although the resignation of Mr Bonnick was not announced to the market until 14 February 2017.

On 20 July 2017, in lieu of \$18,000 of director fees owing to former director, Noel Bonnick, the Company issued 200,000 Shares to the Director Shareholder (as nominee of Mr Bonnick) (**Director Shares**).

Despite the fact that Mr Bonnick was no longer a Director at the time the Director Shares were issued, ASX Listing Rule 10.11 prescribes that unless one of the exceptions in ASX Listing Rule 10.12 applies, an entity must not issue or agree to issue equity securities to, among others, a person who has been a director of the entity in the six months preceding the date of issue of the equity securities or any entity associated with such a person.

The agreement to issue and the issue of the Director Shares to the Director Shareholder were in breach of ASX Listing Rule 10.11 (**Breach**).

In order to cure the Breach, the Company has reached an agreement with the Director Shareholder to cancel the Director Shares. Mr Bonnick agreed to cancel the Director Shares subject to him being reinstated to the same position he was in prior to the cancellation of the Director Shares.

The Company therefore agreed, subject to the passing of:

- this Resolution;
- Resolution 1 of the Special General Meeting and cancellation of the Director Shares; and
- Resolution 2 by shareholders for the re-issue to Mr Bonnick of 200,000 Shares (the **Re-issue**),

to re-issue 200,000 shares to Mr Bonnick or his nominee.

The Company notes that as Mr Bonnick has not been a Director of the Company within the last 6 months, Shareholder approval pursuant to ASX Listing Rule 10.11 is not required for the Re-issue.

The purpose of Resolution 1 is to seek the requisite approval of Shareholders required under the Corporations Act for the selective reduction and cancellation of the Director Shares held by the Director Shareholder (**Selective Capital Reduction**).

The effect of Resolution 1 will be a selective capital reduction and cancellation of 200,000 Shares held by the Director Shareholder. See Section 1.3 below for further details.

Resolution 1 is a special resolution, and therefore requires not less than 75% of all votes cast on the Resolution to be in favour of the Resolution for it to be passed.

1.2 Corporations Act

Pursuant to Section 256C of the Corporations Act, a company may make a selective capital reduction if it is approved by a special resolution passed at a general meeting of the Company, with no votes being cast in favour of the resolution by any person who is to receive consideration as part of the reduction or whose liability to pay amounts unpaid on shares is to be reduced.

The Corporations Act provides that the rules relating to a reduction of share capital are designed to protect the interests of shareholders and creditors by:

- (a) addressing the risk of the transaction leading to the Company's solvency;
- (b) seeking to ensure fairness between the shareholders of the Company; and
- (c) requiring the Company to disclose all material information.

In particular, Section 256B of the Corporations Act requires that a Company may only reduce its capital if:

- (a) it is fair and reasonable to the shareholders as a whole;
- (b) it does not materially prejudice the Company's ability to pay its creditors; and
- (c) it is approved by shareholders in accordance with Section 256C of the Corporations Act.

Section 256C(4) of the Corporations Act requires that the Company must include with the Notice a statement setting out all information known to the Company that is material to the decision on how to vote on the resolution. However, the Company does not have to disclose information if it would be unreasonable to require the Company to do so because the Company had previously disclosed the information to shareholders.

The Directors believe that the Selective Capital Reduction as proposed is fair and reasonable to Shareholders for the following reasons:

- (a) the Selective Capital Reduction will only result in the cancellation of the Director Shares issued to the Director Shareholder;
- (b) the Selective Capital Reduction will not materially prejudice the Company's ability to pay its creditors and will have minimal financial effect on the Company; and
- (c) the financial effect on cash reserves of the Selective Capital Reduction on the Company will be nil as no monetary consideration is being provided for the Selective Capital Reduction.

The Directors do not consider that there are any material disadvantages to the Company undertaking the Selective Capital Reduction.

Pursuant to Section 256C(2) of the Corporations Act, a selective reduction of capital must be approved by either:

- (a) a special resolution passed at a general meeting of the Company, with no votes being cast in favour of the resolution by any person who is to receive consideration as part of the reduction or whose liability to pay amounts unpaid on shares is to be reduced, or by their associates; or
- (b) a resolution agreed to, at a general meeting by all Shareholders.

Further, as the Selective Capital Reduction involves the cancellation of shares, Section 256C(2) of the Corporations Act requires that the Selective Capital Reduction must also be approved by a special resolution passed at a meeting of the shareholders whose shares are to be cancelled.

The Special General Meeting is being held after the General Meeting, at which the Director Shareholder will vote on the Selective Capital Reduction, for the purpose of satisfying Section 256C(2) of the Corporations Act (subject to Resolution 1 being passed at the General Meeting).

1.3 Summary of and Effect of Proposed Selective Capital Reduction

The overall effect of the Selective Capital Reduction is to reduce the number of Shares currently on issue from 54,513,177 to 54,313,177. However, the Company is seeking Shareholder approval for the Re-issue pursuant to Resolution 2. If Resolution 1 and 2 are both passed there will be no net change to the number of Shares currently on issue.

The primary purpose of the Selective Capital Reduction is to cure the Breach.

1.4 Interests of Directors

The Directors do not have any material interest in the outcome of Resolution 1 other than as a result of their interest arising solely in the capacity as Shareholders. The Directors do not have any interest in the Director Shares.

The Directors believe that the Selective Capital Reduction will not materially prejudice the Company's ability to pay its creditors because the Selective Capital Reduction is being made for nil cash consideration and will have no impact on the Company's cash reserves or its ability to meet its financial commitments.

Accordingly, the Directors recommend that Shareholders vote in favour of Resolution 1 as they consider the proposed reduction of capital to be fair and reasonable and in the best interests of Shareholders.

1.5 Other Material Information

There is no information material to the making of a decision by a Shareholder whether or not to approve Resolution 1 being information that is known to any of the Directors and which has not been previously disclosed to Shareholders, other than as disclosed in this Explanatory Statement.

Once Resolution 1 is passed by Shareholders and Resolution 1 of the Special General Meeting is passed by the Director Shareholder, the Company will not make the reduction of capital until at least 14 days after lodgement of Resolution 1 with the ASIC, in accordance with the ASIC prescribed timeline for selective capital reductions.

2. RESOLUTION 2 – ISSUE OF SHARES TO NOEL BONNICK (OR HIS NOMINEE)

2.1 General

Subject to the passing of Resolution 1 of the General Meeting and Resolution 1 of the Special General Meeting, Resolution 2 seeks Shareholder approval for the issue of 200,000 Shares to Mr Noel Bonnick (or his nominee) (a former Director of the Company) in lieu of \$18,000 of director fees owed to Mr Bonnick by the Company pursuant to ASX Listing Rule 7.1 and sections 200B and 200E of the Corporations Act.

2.2 ASX Listing Rule 7.1

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more equity securities during any 12-month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period.

The effect of Resolution 2 will be to allow the Company to issue the Shares pursuant to Resolution 2 during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

As detailed in Section 1.1 above, Mr Bonnick resigned as a Director of the Company on 1 February 2017 and as Mr Bonnick has not been a Director of the Company within the last 6 months, Shareholder approval pursuant to ASX Listing Rule 10.11 is not required for this issue.

2.3 Technical information required by ASX Listing Rule 7.1

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to Resolution 1:

- (i) the maximum number of Shares to be issued is 200,000;
- (ii) the Shares will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that issue of the Shares will occur on the same date;

- (iii) the Shares will be issued for nil cash consideration in lieu of Director fees owed to Mr Bonnicks by the Company;
- (iv) the Shares will be issued to Mr Bonnicks (or his nominee), who is not a related party of the Company;
- (v) the Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares; and
- (vi) no funds will be raised from the issue as the Shares are being issued in consideration for nil consideration in lieu of Director fees owed to Mr Bonnicks by the Company.

2.4 Sections 200B and 200E of the Corporations Act

Section 200B of the Corporations Act prevents a company from giving a benefit to a person retiring or being removed from a managerial or executive, office or position (**Retiree**), unless the company's shareholders approve that benefit under section 200E or unless the benefit falls within certain exceptions set out in the Corporations Act.

A payment will only fall within the exceptions set out in the Corporations Act if the amount of the payment is less than a prescribed multiple of the Retiree's remuneration or if the nature of the payment falls within one of a number of categories set out in the Corporations Act (for example, a payment by way of damages for breach of contract). The issue of the 200,000 Shares the subject of Resolution 2 to Noel Bonnicks, who resigned as a Director of the Company on 1 February 2017, (or his nominee) may not fall within any of the categories of exception set out in the Corporations Act and accordingly Shareholder approval is sought.

Section 200E of the Corporations Act requires that where shareholders are asked to approve a payment or other benefit to a Retiree that would otherwise be prohibited by section 200B, shareholders must be given details of the amount of the payment, or, if the amount cannot be ascertained at the time of the disclosure, the manner in which the amount is to be calculated and any matter, event or circumstance that will, or is likely to affect the calculation of the amount.

The current indicative value of the Shares to be issued to Mr Bonnicks (or his nominee) is \$28,000, based on the Company's closing Share price on 14 November 2017.

GLOSSARY

\$ means Australian dollars.

ASIC means the Australian Securities & Investments Commission.

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

ASX Listing Rules means the Listing Rules of ASX.

Board means the current board of directors of the Company.

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.

Chair means the chair of the Meeting.

Company means K2fly Limited (ACN 125 345 502).

Constitution means the Company's constitution.

Corporations Act means the *Corporations Act 2001* (Cth).

Director Shareholder means Tonoma Pty Ltd <Tonoma Family A/C>.

Director Shares has the meaning given in section 1.1.

Directors means the current directors of the Company.

Explanatory Statement means the explanatory statement accompanying the Notice.

General Meeting or **Meeting** means the general meeting of Shareholders convened by the Notice.

Notice or **Notice of Meeting** means this notice of meeting including the Explanatory Statement and the Proxy Form.

Proxy Form means the proxy form accompanying the Notice.

Resolutions means the resolutions set out in the Notice, or any one of them, as the context requires.

Section means a section of the Explanatory Statement.

Selective Capital Reduction has the meaning given in Section 1.1.

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

Shareholder means a registered holder of a Share.

Special General Meeting means the special general meeting convened by the Notice, pursuant to which the Director Shareholder (as the sole holder of the Director Shares) will vote on the Selective Capital Reduction in accordance with section 256C(2) of the Corporations Act.

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

Instructions for completing Proxy Form

1. **(Appointing a proxy):** A Shareholder entitled to attend and cast a vote at the Meeting is entitled to appoint a proxy to attend and vote on their behalf at the Meeting. If a Shareholder is entitled to cast 2 or more votes at the Meeting, the Shareholder may appoint a second proxy to attend and vote on their behalf at the Meeting. However, where both proxies attend the Meeting, voting may only be exercised on a poll. The appointment of a second proxy must be done on a separate copy of the Proxy Form. A Shareholder who appoints 2 proxies may specify the proportion or number of votes each proxy is appointed to exercise. If a Shareholder appoints 2 proxies and the appointments do not specify the proportion or number of the Shareholder's votes each proxy is appointed to exercise, each proxy may exercise one-half of the votes. Any fractions of votes resulting from the application of these principles will be disregarded. A duly appointed proxy need not be a Shareholder.
2. **(Direction to vote):** A Shareholder may direct a proxy how to vote by marking one of the boxes opposite each item of business. The direction may specify the proportion or number of votes that the proxy may exercise by writing the percentage or number of Shares next to the box marked for the relevant item of business. Where a box is not marked the proxy may vote as they choose subject to the relevant laws. Where more than one box is marked on an item the vote will be invalid on that item.
3. **(Signing instructions):**
 - **(Individual):** Where the holding is in one name, the Shareholder must sign.
 - **(Joint holding):** Where the holding is in more than one name, all of the Shareholders should sign.
 - **(Power of attorney):** If you have not already provided the power of attorney with the registry, please attach a certified photocopy of the power of attorney to this Proxy Form when you return it.
 - **(Companies):** Where the company has a sole director who is also the sole company secretary, that person must sign. Where the company (pursuant to Section 204A of the Corporations Act) does not have a company secretary, a sole director can also sign alone. Otherwise, a director jointly with either another director or a company secretary must sign. Please sign in the appropriate place to indicate the office held. In addition, if a representative of a company is appointed pursuant to Section 250D of the Corporations Act to attend the Meeting, the documentation evidencing such appointment should be produced prior to admission to the Meeting. A form of a certificate evidencing the appointment may be obtained from the Company.
4. **(Attending the Meeting):** Completion of a Proxy Form will not prevent individual Shareholders from attending the Meeting in person if they wish. Where a Shareholder completes and lodges a valid Proxy Form and attends the Meeting in person, then the proxy's authority to speak and vote for that Shareholder is suspended while the Shareholder is present at the Meeting.
5. **(Return of Proxy Form):** To vote by proxy, please complete and sign the enclosed Proxy Form and return by:
 - (a) post to K2fly Limited, Level 1, 26 Railway Road, SUBIACO, WA, AUSTRALIA, 6008; or
 - (b) email to the Company at mel@bellatrixcorp.com.au or cath@bellatrixcorp.com.au,so that it is received not less than 48 hours prior to commencement of the Meeting.

Proxy Forms received later than this time will be invalid.

PROXY FORM
K2FLY LIMITED
ACN 125 345 502
GENERAL MEETING

I/We

of:

being a Shareholder entitled to attend and vote at the Meeting, hereby appoint:

Name:

OR: the Chair of the Meeting as my/our proxy.

or failing the person so named or, if no person is named, the Chair, or the Chair's nominee, to vote in accordance with the following directions, or, if no directions have been given, and subject to the relevant laws as the proxy sees fit, at the Meeting to be held at 10:00 am (WST), on 15 January 2018 at Steinepreis Paganin Lawyers and Consultants, Level 4, The Read Buildings, 16 Milligan Street, Perth, WA, and at any adjournment thereof.

CHAIR'S VOTING INTENTION IN RELATION TO UNDIRECTED PROXIES

The Chair intends to vote undirected proxies in favour of all Resolutions. In exceptional circumstances the Chair may change his/her voting intention on any Resolution. In the event this occurs an ASX announcement will be made immediately disclosing the reasons for the change.

Voting on business of the Meeting	FOR	AGAINST	ABSTAIN
Resolution 1 Approval to make Selective Reduction of Capital	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2 Issue of Shares to Mr Noel Bonnick (or his nominee)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Please note: If you mark the abstain box for a particular Resolution, you are directing your proxy not to vote on that Resolution on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

If two proxies are being appointed, the proportion of voting rights this proxy represents is: _____ %

Signature of Shareholder(s):

Individual or Shareholder 1

Sole Director/Company Secretary

Shareholder 2

Director

Shareholder 3

Director/Company Secretary

Date: _____

Contact name: _____

Contact Ph (daytime): _____

E-mail address: _____

Consent for contact by e-mail in relation to this Proxy Form: YES NO