K2FLY NL
(FORMERLY DURUS COPPER NL)
ACN 163 818 059

Annual Report
31 December 2015

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CORPORATE DIRECTORY

Directors

Mr. Brian Miller (Executive Chairman and Chief Executive Officer) (appointed 10 February 2016)

Mr. Russell Moran (Non-Executive Director) (appointed 17 May 2013)

Mr. Gino D'Anna (Non- Executive Director) (appointed 17 May 2013)

Mr. Noel Bonnick (Non-Executive Director) (appointed 1 June 2016)

Company Secretary

Mr. Gino D'Anna (appointed 17 May 2013)

Registered Office and Principal Place of Business

100 Hay Street
Subiaco WA 6008
Australia
Telephone: (+61 8) 9388 0468
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Auditors

Stantons International Audit and Consulting Pty Ltd
Level 2
1 Walker Avenue
West Perth WA 6005

The Directors present their report for K2fly NL (formerly Durus Copper NL) ("K2fly" or "the Company") for the year ended 31 December 2015.

DIRECTORS

The names, qualifications and experience of the Directors in office during the year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Past Directors

Dr Eric Vernon Lilford (appointed 17 May 2013) (resigned 29 September 2015)
Non-Executive Chairman

Dr Lilford PhD NHD BSc MSc Eng was formerly National Head of Mining for Deloitte Touche Tohmatsu. He has mine production experience at large underground gold, platinum, copper and coal mines. He was a Director at Beny Steinmetz Company Resources, where he managed a copper-cobalt mine and refinery in Zambia, producing 30,000tpa of copper and 6,500tpa of special grade cobalt metal. He jointly managed the full bankable feasibility study of the Nikanor copper and cobalt project in the DRC and is a former Non-Executive Director of Nikanor Plc.

Mr. Gino Zandonai (appointed 17 May 2013) (resigned 4 April 2015)
Executive Director

Mr Zandonai B.Sc. M.Sc. Mining, SME, MAusIMM, CRIRSCO is a mining engineer of 23 years international experience in operations and mining consulting spanning more than 40 countries including Chile, Bolivia, Peru, Australia, Mali, CIS Countries, China, Ethiopia, Greenland, Spain, Argentina, Brasil, Greece and Turkey among others with a focus on base and precious metals. He has worked for a number of major mining companies including Behre Dolbear International, Newmont Explorations, Exxon Chile, Mitsubishi Iron Corporation, Metallica Resources, Cambior Resources, Centerra Gold, Rio Tinto Plc, Crew Gold, European Goldfields, SRK UK, BRGM and Gemcom Software International.

Mr Zandonai is a Qualified Person under both JORC and NI 43-101, and is responsible for overseeing the Company's exploration activities in Chile.

Ms. Candice Stevenson (appointed 17 May 2013) (resigned 1 March 2016)
Non-Executive Director and Joint Company Secretary

Candice has in excess of 10 years of financial experience within the public markets with both natural resource companies, technology companies and fashion organisations.

Candice is a certified CA and was previously the Financial Controller for K2fly NL. Candice also has significant experience within the technology start-ups sector.

Current Directors

Mr. Brian Miller (appointed 10 February 2016)
Executive Chairman and Chief Executive Officer

Brian Miller is 25-year veteran of the IT sector, having worked in Australia, US, UK, Europe, Asia and the Middle East. The 58-year-old has held executive positions in public as well as private companies, and has sat on five Boards and two industry commissions. A founding member of the Institute of Asset Management (UK), he sat on the panel which developed the initial BS5750 standard for asset management within the UK energy sector, and worked closely with the Energy Regulator, OFGEM.

Brian has specialised in Strategy, and Business Development Board positions. He has worked with four organisations which have either publicly listed or achieved a trade sale during his time on the Board. These exit deals have ranged in value from A$50M up to A$250M, and the companies have had between 50 to 400 employees.

In the last decade, much of Brian's business involvement has been based around the exploitation of mobile technologies in the asset intensive sectors. He was a main board Director of AMT-Sybex which is a dominant player in this arena in the UK. Most clients have been blue chip, and many have been multi-national, including Electricity de France, Iberdrola (Spain), E.On (Ger), AES (USA) and Veolia (Fr). As a Strategy Director on two Boards, Brian worked with company executives to define, develop and refine influencing strategies which ultimately led to valuable exposure to decision makers and senior politicians and cabinet members in the UK, UAE, Singapore and Australia. Brian has worked hard to develop an evolving network of contacts within Australia.

Mr. Russell Harold Moran (appointed 17 May 2013)
Non-Executive Director

Mr Moran has a background in strategic business development in the mining and oil & gas sectors. He has founded and developed of a number of exploration companies across a variety of commodities, both in Australia and abroad. He is an Executive Director and co-founder of Atrum Coal (ASX: ATU) which is developing the world's largest anthracite deposit in British Columbia, and a Director and co-founder of Ebony Coal Limited which is developing coal projects in Queensland and the Northern Territory.

Mr. Gino D'Anna (appointed 17 May 2013)
Non-Executive Director and Joint Company Secretary

Mr D'Anna has significant primary and secondary capital markets experience having been involved in a number of IPOs and secondary capital raisings. He has been involved in a number of corporate reconstructions and recapitalizations and has an extensive understanding of the ASX Listing Rules.

Mr. Noel Bonnick (appointed 1 June 2016)
Non-Executive Director

With a Mechanical Engineering background and over 25 years of industry experience specialising in maintenance support, condition monitoring, maintenance systems development and reliability management, Noel's ongoing role is to provide both leadership and corporate and strategic direction to the K2fly business.

Noel is the founder and executive chairman of K2 Technology Pty Ltd.

Company secretary

Ms. Candice Stevenson (appointed 17 May 2013) (resigned 1 March 2016)
Joint Company Secretary

Candice has in excess of 10 years of financial experience within the public markets with both natural resource companies, technology companies and fashion organisations.

Candice is a certified CA and was previously the Financial Controller for K2fly NL (then Durus Copper NL). Candice also has significant experience within the technology start-ups sector.

RESULTS OF OPERATIONS

The Company's net loss after taxation attributable to the members of K2fly NL (formerly Durus Copper NL) for the year was $390,346 from continuing operations (2014: loss of $388,009).

DIVIDENDS

No dividend was paid or declared by the Company since the beginning of the year and to the date of this report.

CORPORATE STRUCTURE

K2fly NL is a public no liability company that is incorporated and domiciled in Australia.

NATURE OF OPERATIONS AND PRINCIPAL ACTIVITIES

On 4 May 2015, the Company bought back and cancelled 17,200,000 fully paid ordinary shares and 18,000,000 partly paid shares held by Gino Zandonai. The Company also made a cash payment of USD$100,000 to Gino Zandonai in consideration for the cancellation of the fully paid and partly paid shares and on 5 May 2015, the Company entered into a Deed of Termination in relation to the termination of the joint venture over the Chilean copper projects between Gino Zandonai Steel, Durus Copper Chile SpA and K2fly NL.

On 5 May 2015, the Company entered into a Deed of Termination in relation to the termination of the office service agreement between DCGS SA and Durus Copper Chile SpA as well as a Deed of Termination in relation to the termination of the tenement service agreement between DGCS SA and Durus Copper Chile SpA.

On 5 May 2015, the Company entered into share sale agreement with Gino Zandonai Steel (Steel) whereby Steel acquired 100% of the issued capital of Durus Copper Chile SpA.

On 11 May 2015, the Company entered into an asset acquisition agreement between K2 Technology Pty Ltd and K2fly NL whereby the Company would acquire 100% of the enterprise asset management technology assets for total consideration of $1,000,000 payable as $700,000 in cash and $300,000 in equity securities. An initial payment of $400,000 was paid upon signing the binding agreement.

This became the primary focus for the Company over the period May 2015 to the end of the financial year.

On 29 September 2015, Dr. Eric Lilford resigned from the position of non-executive chairman and on 30 September 2015, the Company bought back and cancelled 700,000 fully paid ordinary shares held by Dr Eric Lilford.

On 9 December 2015, the Company changed its name from Durus Copper NL to K2fly NL.

REVIEW OF OPERATIONS

The Company withdrew from the exploration on its Chilean copper projects during the financial year. On 11 May 2015, the Company entered into an asset acquisition agreement between K2 Technology Pty Ltd and K2fly NL whereby the Company would acquire 100% of the enterprise asset management technology assets for total consideration of $1,000,000 payable as $700,000 in cash and $300,000 in equity securities. An initial payment of $400,000 was paid upon signing the binding agreement.

This became the primary focus for the Company over the period May 2015 to the end of the financial year.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

All significant changes in the state of affairs of the Company during the year are discussed in detail above under the Review of Operations section.

SIGNIFICANT EVENTS AFTER THE REPORTING DATE

Following the end of the reporting date, being 31 December 2014, the following subsequent events have occurred:

1. On 10 February 2016, the Company entered into a consultancy agreement with Brian Miller for the appointment of Executive Chairman and Chief Executive Officer;
2. On 15 February 2016, the Company issued 1,500,000 fully paid ordinary shares to a director in lieu of cash paid consulting fees over the period 1 December 2015 to 28 February 2016;
3. On 1 March 2016, Ms. Candice Stevenson resigned from the position of non-executive director and joint company secretary;
4. On 6 April 2016, the Company issued 26,250,000 fully paid ordinary shares at an issue price of 2 cents per share to raise a total of $525,000 of which $60,000 was received prior to 31 December 2015;
5. On 6 April 2016, the Company made the final cash payment of $300,000 to K2 Technology Pty Ltd;
6. On 16 May 2016, the Company announced that it had entered into a binding Asset Sale Agreement with ASX-Listed Power Resources Limited;
7. On 1 June 2016, the Company entered into a letter of appointment with Noel Bonnick for the appointment of non-executive director;
8. On 17 June 2016, the Company announced that it had entered into a binding Amended and Restated Sale of Asset Agreement with ASX-Listed Power Resources Limited; and
9. On 17 June 2016, the Company raised a further $150,000 through the issue of seven (7) convertible notes to unrelated parties with the conversion price being equal to 16 cents per share.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

The Directors have excluded from this report any further information on the likely developments in the operations of the Company and the expected results of those operations in future periods, as the Directors believe that it would be speculative and prejudicial to the interests of the Company.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Company intends to carry out operations that will be subject to environmental regulations under relevant legislation in Chile, South America. The Company has formal procedures in place to ensure regulations are adhered to. The Company is not aware of any breaches in relation to environmental matters.

SHARE OPTIONS

As at the date of this report and the reporting date, there were no options over the ordinary shares of the Company.

DIRECTORS' MEETINGS

During the financial year, in addition to regular Board discussions, the number of meetings of Directors held during the year and the number of meetings attended by each Director was as follows:

Name	Number of Meetings Eligible to Attend	Number of Meetings Attended
Dr. Eric Lilford	0	0
Mr. Gino D'Anna	0	0
Mr. Russell Moran	0	0
Mr. Gino Zandonai	0	0
Ms. Candice Stevenson	0	0

PROCEEDINGS ON BEHALF OF COMPANY

No person has applied for leave of court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not a party to any such proceedings during the year.

AUDITOR'S INDEPENDENCE AND NON-AUDIT SERVICES

Section 307C of the Corporations Act 2001 requires the Company's auditors to provide the Directors of K2fly with an Independence Declaration in relation to the audit of the financial report. A copy of that declaration is included at page 37 of this report. There were no non-audit services provided by the Company's auditor.

REMUNERATION REPORT (AUDITED)

This report outlines the remuneration arrangements in place for key management personnel of K2fly in accordance with the requirements of the *Corporation Act 2001* and its Regulations. For the purpose of this report, Key Management Personnel (KMP) are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company, directly or indirectly, including any director (whether executive or otherwise) of the Company.

Details of Key Management Personnel

Dr Eric Lilford	Non-Executive Chairman
Mr. Russell Moran	Non-Executive Director
Mr. Gino D'Anna	Non-Executive Director and Joint Company Secretary
Mr. Gino Zandonai	Executive Director
Ms. Candice Stevenson	Non-Executive Director and Joint Company Secretary

Remuneration Policy

The Board is responsible for determining and reviewing compensation arrangements for the Directors and management. The Board assesses the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality board and executive team. The Company does not link the nature and amount of the emoluments of such officers to the Company's financial or operational performance. The lack of a performance link at this time is not considered to have a negative impact on retaining and motivating Directors.

As part of its Corporate Governance Policies and Procedures, the Board has adopted a formal Remuneration Committee Charter. Due to the current size of the Company and number of Directors, the board has elected not to create a separate

Remuneration Committee but has instead decided to undertake the function of the Committee as a full Board under the guidance of the formal charter. The Company has no policy on executives and directors entering into contracts to hedge their exposure to options or shares granted as part of their remuneration package.

The rewards for Directors' have no set or pre-determined performance conditions or key performance indicators as part of their remuneration due to the current nature of the business operations. The Board determines appropriate levels of performance rewards as and when they consider rewards are warranted.

Details of the nature and amount of each element of the remuneration of each Director and Executive of the Company for the financial year are as follows:

	Short term			Share Based	Post		
2015	Base Salary	Directors Fees	Consulting Fees	Payments - Options	Employment Superannuation	Total	Option related
Director	$	$	$	$	$	$	%
Dr Eric Lilford	-	-	-	-	-	-	-
Mr Russell Moran	-	-	50,000	-	-	50,000	-
Mr Gino D'Anna	-	-	52,600	-	-	52,600	-
Mr Gino Zandonai	-	-	-	-	-	-	-
Ms Candice Stevenson		-	45,000			45,000	
	-	-	147,600	-	-	147,600	-

	Short term			Share Based	Post		
2014	Base Salary	Directors Fees	Consulting Fees	Payments - Options	Employment Superannuation	Total	Option related
Director	$	$	$	$	$	$	%
Dr Eric Lilford	-	-	-	-	-	-	-
Mr Russell Moran	-	-	9,000	-	-	9,000	-
Mr Gino D'Anna	-	-	9,000	-	-	9,000	-
Mr Gino Zandonai	-	13,132	52,528	-	-	65,660	-
Ms Candice Stevenson		-	4,500			4,500	
	-	13,132	75,028	-	-	88,160	-

There were no other executive officers of the Company during the financial year ended 31 December 2015. No share options were issued as part of the remuneration to Directors.

END OF REMUNERATION REPORT

Signed on behalf of the board in accordance with a resolution of the Directors

Mr. Gino D'Anna
Director
18 July 2016

CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of the Company support and have adhered to the principles of sound corporate governance. The Board recognises the recommendations of the Australian Securities Exchange Corporate Governance Council, and considers that the Company is in compliance with those guidelines to the extent possible, which are of importance to the commercial operation of a junior resources Company. The Company's Corporate Governance Statement and disclosures are contained elsewhere in the annual report / on the Company's website.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	2015 Company $	2014 Consolidated $
Revenue from continuing operations		-	-
Expenses			
Administration expense		**(8,337)**	(8,543)
Compliance & regulatory expense		**(1,503)**	(1,187)
Consultancy expense		**(47,087)**	(63,389)
Depreciation & Amortisation		**(133,333)**	-
Directors' fees		**(147,600)**	(88,160)
Employee benefit expense		**(41,965)**	-
Exploration expenditure		-	(263,179)
Foreign exchange gain/(loss)		**(572)**	63,366
Occupancy expense		**(2,200)**	(13,189)
Public relations and marketing expense		**(7,359)**	(3,297)
Travel expenditure		**(390)**	(10,431)
Loss before income tax expense		**(390,346)**	(388,009)
Income tax expense	2	-	-
Loss for the year from continuing operations		**(390,346)**	(388,009)
Discontinued Operations			
Loss for the year from discontinued operations	20	**(6,821)**	-
Loss for the year		**(397,167)**	(388,009)
Other comprehensive income/(loss)			
Items that will not be reclassified subsequently to profit or loss		-	-
Items that may be reclassified subsequently to profit or loss			
Exchange differences on disposal of subsidiary		**6,750**	-
Exchange differences on translation of foreign operations		-	(3,970)
Other comprehensive loss for the year, net of tax		**6,750**	(3,970)
Total comprehensive loss for the year attributable to members		**(390,417)**	(391,979)
Loss per share attributable to members of K2fly NL			
Basic (loss) per share – cents per share	4	**(0.48)**	(0.38)
Diluted (loss) per share – cents per share		**(0.48)**	(0.38)
			-

The above Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes

STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 31 DECEMBER 2015

k2fly Leading technology for asset management

	Note	2015 Company $	2014 Consolidated $
ASSETS			
Current Assets			
Cash and cash equivalents	5	**74,815**	613,119
Trade and other receivables	6	**10,733**	2,895
Total Current Assets		**85,548**	616,014
Non-Current Assets			
Intangible Assets	7	**866,667**	-
Total Non-Current Assets		**866,667**	-
TOTAL ASSETS		**952,215**	616,014
LIABILITIES			
Current Liabilities			
Trade and other payables	8	**631,953**	16,952
Employee Benefits	9	**41,832**	-
Total Current Liabilities		**673,785**	16,952
TOTAL LIABILITIES		**673,785**	16,952
NET ASSETS		**278,430**	599,062
EQUITY			
Issued capital	10	**1,295,536**	1,175,895
Shares to be issued	10(d)	**60,000**	-
Reserves	11	**(109,856)**	(6,750)
Accumulated losses	12	**(967,250)**	(570,083)
TOTAL EQUITY		**278,430**	599,062

The above Statement of Financial Position should be read in conjunction with the accompanying note.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015

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Company 2015	Issued Capital $	Shares to be issued $	Share buyback Reserve $	Foreign Currency Translation Reserve $	Accumulated Losses $	Total Equity $
Balance as at 31 December 2014	1,175,895	-	-	(6,750)	(570,083)	599,062
Other Comprehensive Income						
Deconsolidation of subsidiary	-	-	-	6,750		6,750
Loss for the year from continuing operations	-	-	-	-	(390,346)	(390,346)
Loss from discontinued operations	-	-	-	-	(6,821)	(6,821)
Total comprehensive income/(loss) for the year	-	-	-	6,750	(397,167)	(390,417)
Transactions with equity holders:						
Securities cancelled during the year	(359)	-	(109,856)	-	-	(110,215)
Paid securities not yet issued	-	60,000	-	-	-	60,000
Securities issued during the year	120,000	-	-	-	-	120,000
Total contribution by equity holders	119,641	60,000	(109,856)	-	-	69,785
Balance as at 31 December 2015	**1,295,536**	**60,000**	**(109,856)**	**-**	**(967,250)**	**278,430**

The above Statement of Changes in Equity should be read in conjunction with the accompanying note.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015

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Consolidated 2014	Issued Capital $	Foreign Currency Translation Reserve $	Accumulated Losses $	Total Equity $
Balance as at 31 December 2013	255,890	(2,780)	(182,074)	71,036
Other Comprehensive Income				
Exchange difference on translation of foreign operation	-	(3,970)	-	(3,970)
Loss for the year	-	-	(388,009)	(388,009)
Total comprehensive income/(loss) for the year	-	(3,970)	(388,009)	(391,979)
Transactions with equity holders:				
Securities issued during the year	920,005	-	-	920,005
Total contribution by equity holders	920,005	-	-	920,005
Balance as at 31 December 2014	**1,175,895**	**(6,750)**	**(570,083)**	**599,062**

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

STATEMENT OF CASHFLOWS
FOR THE YEAR ENDED 31 DECEMBER 2015

k2fly Leading technology for asset management

	Note	2015 Company $	2014 Consolidated $
Cash flows from operating activities			
Payments to suppliers and employees		**(88,018)**	(496,706)
Net cash used in operating activities	5(a)	**(88,018)**	(496,706)
Cash flows from investing activities			
Payment of intangible asset		**(400,000)**	-
Cash on disposal of subsidiary		**(70)**	-
Net cash used in investing activities		**(400,070)**	-
Cash flows from financing activities			
Proceeds from issue of shares		**-**	920,000
Proceeds from shares yet to be issued		**60,000**	-
Payments in relation to share buybacks		**(110,214)**	-
Net cash provided by financing activities		**(50,214)**	920,000
Net increase in cash and cash equivalents		**(538,302)**	423,294
Cash and cash equivalents at the beginning of the year		**613,119**	189,825
Effect of foreign currency translation		**(2)**	-
Cash and cash equivalents at the end of the year	5	**74,815**	613,119

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has also been prepared on an accruals basis and is based on historical cost, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

K2fly NL (previously Durus Copper NL) ("Company" or "Parent Entity") is a Company limited by shares incorporated and domiciled in Australia. The financial statements are presented in Australian dollars which is the Company's functional currency.

The nature of the operations and principal activities of the Company are disclosed in the Directors' Report.

(a) Compliance Statement

The financial report complies with Australian Accounting Standards as issued by the Australian Accounting Standards Board and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

(b) Going concern basis

The financial report has been prepared on the going concern basis, which contemplates continuity of normal business activities and realisation of assets and settlement of liabilities in the ordinary course of business. The going concern of the Company is dependent upon it maintaining sufficient funds for its operations and commitments. The directors continue to monitor the ongoing funding requirements of the Company. At 31 December 2015, the Company had net assets of $278,430, cash and cash equivalents of $74,815 and net working capital deficit of $588,236. The Company had incurred a loss for the year ended 31 December 2015 of $397,167. The directors are confident that sufficient funding can be secured if required to enable the Company to continue as a going concern and as such are of the opinion that the financial report has been appropriately prepared on a going concern basis. The management believes that the company is able to pay its debts as and when they fall due. During 2014, the Company raised a total of $920,000 and an additional $525,000 during 2016. In addition, the Company issued convertible notes during 2016 to raise a further $150,000. As at the date of sign off, the Company is still operating.

(c) New accounting standards and interpretations

New and amended standards adopted by the Company

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 January 2015 affected any of the amounts recognised in the current period or any prior period, although it caused minor changes to the Group's disclosures.

New Accounting Standards for Application in Future Periods

A number of new standards, amendments to standards and interpretations issued by the AASB which are not yet mandatorily applicable to the Company have not been applied in preparing these financial statements. Those which may be relevant to the Company are set out below. The Company does not plan to adopt these standards early.

- *AASB 9 Financial Instruments* and associated Amending Standards (applicable for annual reporting period commencing 1 January *2018*)

The Standard will be applicable retrospectively (subject to the comment on hedge accounting below) and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

Key changes made to this standard that may affect the Group on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income.

Although the directors anticipate that the adoption of AASB 9 may have an impact on the Group's financial instruments it is impractical at this stage to provide a reasonable estimate of such impact.

- *AASB 15: Revenue from Contracts with Customers (applicable to annual reporting periods commencing on or after 1 January* 2018).

When effective, this Standard will replace the current accounting requirements applicable to revenue with a single, principles-based model. Except for a limited number of exceptions, including leases, the new revenue model in AASB 15 will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers.

The core principle of the Standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services. To achieve this objective, AASB 15 provides the following five-step process:

- identify the contract(s) with a customer;
- identify the performance obligations in the contract(s);
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract(s); and
- recognise revenue when (or as) the performance obligations are satisfied.

This Standard will require retrospective restatement, as well as enhanced disclosures regarding revenue.

Although the directors anticipate that the adoption of AASB 15 may have an impact on the Group's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

- *Other standards not yet applicable*

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions

(d) Basis of Consolidation

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by K2Fly NL at reporting date (the Group").

Subsidiaries are all those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether a Company controls another entity.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. In preparing the financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-Company transactions have been eliminated in full.

Subsidiaries are fully from the date on which control is obtained by the Company and cease to be from the date on which control is transferred out of the Company.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. The acquisition method of accounting involves recognising at acquisition date, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The identifiable assets acquired and the liabilities assumed are measured at their acquisition date fair values.

The difference between the above items and the fair value of the consideration (including the fair value of any pre-existing investment in the acquiree) is goodwill or a discount on acquisition.

A change in the ownership interest of a subsidiary that does not result in a loss of control, is accounted for as an equity transaction.

In the Company's financial statements, investments in subsidiaries are carried at cost. Consolidated financial statements have been prepared as disclosed in Note 15.

(e) Income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance date.

Deferred income tax is provided for on all temporary differences at balance date between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes.

No deferred income tax will be recognised from the initial recognition of goodwill or of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

No deferred income tax will be recognised in respect of temporary differences associated with investments in subsidiaries if the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary differences will not reverse in the near future.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the Statement of Profit or Loss and Other Comprehensive Income except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax assets and unused tax losses to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on tax rates (and tax laws) that have been enacted or substantially enacted at the balance date and the anticipation that the Company will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law. The carrying amount of deferred tax assets is reviewed at each balance date and only recognised to the extent that sufficient future assessable income is expected to be obtained. Income taxes relating to items recognised directly in equity are recognised in equity and not in the Statement of Profit or Loss and Other Comprehensive Income.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the Statement of Profit or Loss and Other Comprehensive Income.

(f) Cash and cash equivalents

Cash and cash equivalents in the Statement of Financial Position include cash on hand, deposits held at call with banks and other short term highly liquid investments with original maturities of three months or less. Bank overdrafts are shown as current liabilities in the Statement of Financial Position. For the purpose of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as described above, net of outstanding bank overdrafts.

(g) Trade and other receivables

Trade receivables, which generally have 30-90 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

Collectability of trade receivables is reviewed on an ongoing basis. Individual debts that are known to be uncollectible are written off when identified. An impairment provision is recognised when there is objective evidence that the Company will not be able to collect the receivable. Financial difficulties of the debtor, default payments or debts more than 60 days overdue are considered objective evidence of impairment. The amount of the impairment loss is the receivable carrying amount compared to the present value of estimated future cash flows, discounted at the original effective interest rate.

(h) Exploration and expenditure

Exploration and evaluation expenditure incurred by or on behalf of the Company is accumulated separately for each area of interest. Such expenditure comprises net direct costs and an appropriate portion of related overhead expenditure, but does not include general overheads or administrative expenditure not having a specific nexus with a particular area of interest.

Each area of interest is limited to a size related to a known or probable mineral resource capable of supporting a mining operation.

Exploration and evaluation expenditure for each area of interest is carried forward as an asset provided that one of the following conditions is met:

- such costs are expected to be recouped through successful development and exploitation of the area of interest or, alternatively, by its sale; or

- exploration and evaluation activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in relation to the area are continuing.

Expenditure which fails to meet the conditions outlined above is written off, furthermore, the directors regularly review the carrying value of exploration and evaluation expenditure and make write downs if the values are not expected to be recoverable.

Identifiable exploration assets acquired are recognised as assets at their cost of acquisition, as determined by the requirements of AASB 6 Exploration for and Evaluation of Mineral Resources. Exploration assets acquired are reassessed on a regular basis and these costs are carried forward provided that at least one of the conditions referred to in AASB 6 is met.

Exploration and evaluation expenditure incurred subsequent to acquisition in respect of an exploration asset acquired, is accounted for in accordance with the policy outlined above for exploration expenditure incurred by or on behalf of the entity.

Acquired exploration assets are not written down below acquisition cost until such time as the acquisition cost is not expected to be recovered.

When an area of interest is abandoned, any expenditure carried forward in respect of that area is written off.

Expenditure is not carried forward in respect of any area of interest/mineral resource unless the Company's rights of tenure to that area of interest are current.

(i) Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or categories of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(j) Trade and other payables

Liabilities for trade creditors and other amounts are measured at amortised cost, which is the fair value of the consideration to be paid in the future for goods and services received that are unpaid, whether or not billed to the Company.

(k) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options, or for the acquisition of a business, are included in the cost of the acquisition as part of the purchase consideration.

(l) Revenue

Revenue is recognised and measured by the fair value of the consideration received or receivable to the extent that it is probable that the economic benefits will flow to the Company and the revenue is capable of being reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Interest income

Revenue is recognised as the interest accrues (using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

(m) Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company, excluding any costs of servicing equity other than dividends, by the weighted average number of ordinary shares, adjusted for any bonus elements.

Diluted earnings per share

Diluted earnings per share is calculated as net profit attributable to members of the Company, adjusted for:

- costs of servicing equity (other than dividends);
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;
- divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus elements.

(n) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the Statement of Financial Position are shown inclusive of GST.

The net amount of GST recoverable from, or payable to, the Australian Tax Office is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are presented in the Statement of Cash Flows on a gross basis, except for the GST component of investing and financing activities, which is receivable from or payable to the ATO, are disclosed as operating cash flows.

(o) Foreign currency translation

Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates ('the functional currency'). The functional and presentation currency of K2fly NL is Australian dollars. The functional currency of the subsidiary company, Durus Copper Chile SpA, is Chilean Pesos.

(p) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, that are transferred to entities in the economic entity are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over their estimated useful lives where it is likely that the Company will obtain ownership of the asset or over the term of the lease.

Leases are classified as operating leases where substantially all the risks and benefits remain with the lessor. Payments in relation to operating leases are charged as expenses in the periods in which they are incurred. Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

(q) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of K2fly NL.

(r) Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the Statement of Profit or Loss and Other Comprehensive Income net of any reimbursement.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money, and where appropriate, the risks specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

(s) Financial Instruments

Recognition and Initial Measurement

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.

Financial instruments are initially measured at fair value plus transactions costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the Company no longer has any significant continuing involvement in the risks and benefits associated with the asset.

Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the

fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

Classification and Subsequent Measurement

i. *Available-for-sale financial assets*
Available-for-sale financial assets are non-derivative financial assets that are either designated as such or that are not classified in any of the other categories. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

ii. *Financial Liabilities*
Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

Fair value

Fair value is determined based on current bid prices for all quoted investments. Where the value of listed securities has increased the resultant gains are recognised in the other financial assets reserve. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment

At the end of each reporting period, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in profit or loss. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified to profit or loss at this point.

Critical accounting estimates and judgments

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Capitalised exploration and evaluation expenditure

The future recoverability of capitalised exploration and evaluation expenditure is dependent on a number of factors, including whether the Company decides to exploit the related lease itself or, if not, whether it successfully recovers the related exploration and evaluation asset through sale.

Factors which could impact the future recoverability include the level of proved, probable and inferred mineral resources, future technological changes which could impact the cost of mining, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices.

To the extent that capitalised exploration and evaluation expenditure is determined not to be recoverable in the future, this will reduce profits and net assets in the period in which this determination is made.

In addition, exploration and evaluation expenditure is capitalised if activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves. To the extent that it is determined in the future that this capitalised expenditure should be written off, this will reduce profits and net assets in the period in which this determination is made.

Functional currency translation reserve

Under the Accounting Standards, each entity within the Company is required to determine its functional currency, which is the currency of the primary economic environment in which the entity operates.

Classification of assets held for sale

The Company classifies assets as held for sale when the carrying amount will be recovered through a sale transaction. The assets must be available for immediate sale and the Company must be committed to selling the asset either through the entering into a contractual sale agreement or the activation and commitment to a program to locate a buyer and dispose of the assets.

Valuation of investments

The Company has decided to classify investments in listed securities as "available for sale" investments and movements in fair value are recognised directly in equity. The fair value of listed shares has been determined by reference to published price quotations in an active market.

Share-based payment transactions

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined with the assistance of an external valuer using a binomial model. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact expenses and equity. The Company measures the cost of cash-settled share-based payments at fair value at the grant date using the Black-Scholes formula, taking into account the terms and conditions upon which the instruments were granted.

(t) Amortisation of intangible assets

Acquired software

The Company's acquired software is carried at cost less accumulated amortisation. The Company's intangible assets include ADAM, Asset Tracking Systems, software development licenses, source codes, patented technology and acquired software with finite useful lives. These assets are capitalised and are amortised over their estimated useful lives from the date that they are acquired and available for use. The Company considers the length of time over which it expects to earn or recover the cost of the assets. The estimated useful lives for the current and comparative periods are as follows:

Acquired software	5 years

Amortisation methods, estimates of useful lives and residual values are reviewed at least annually.

	2015 Company $	2014 Consolidated $

2. Income tax

(a) Income tax expense

Current tax expense	-	-
Deferred tax expense	-	-
	-	-

(b) Reconciliation of income tax expense to prima facie tax payable

Net loss before income tax	**(390,345)**	(388,009)
Income tax at 30%	**(117,104)**	(116,403)
Effect of expenses not deductible in determining taxable income	-	-
Effect of tax rates in foreign jurisdictions (i)	-	-
Tax losses not recognised	**117,104**	116,403
Total income tax expense/(benefit)	-	-

(i) The subsidiaries of the Company operate in tax jurisdictions with differing tax rates.

K2fly NL has unrecognised tax losses arising in Australia and Chile, which are available indefinitely to offset against future profits of the Company providing the tests for deductibility against future profits are met

(c) Unrecognised deferred tax assets arising on timing difference and losses

(ii)	Losses – revenue	**276,963**	50,487
	Foreign losses - revenue	**-**	12,361
	Other - Exploration	**-**	78,954
	Provisions and accruals	**21,820**	93,891
		298,783	235,693

(iii) The benefit for tax losses will only be obtained if:

(i) the Company derives future assessable income in Australia is of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised. The Chilean operations were disposed of during the year;

(ii) the Company continues to comply with the conditions for deductibility imposed by tax legislation in Australia; and

(iii) there are no changes in tax legislation in Australia which will adversely affect the Company in realising the benefit from the deductions for the losses.

(d) Tax consolidation

K2fly NL has not formed a tax consolidation Company and there is no tax sharing agreement.

	2015 Company $	2014 Consolidated $

3. Auditors' remuneration

(a) Audit services

The auditor of K2fly NL is Stantons International Audit and Consulting Pty Ltd

Audit and review services	**4,000**	5,000
	4,000	5,000

4. Earnings per share (EPS)

Basic and diluted loss per share – cents	**(0.48)**	(0.38)
Loss used in calculation of basic and diluted loss per share	**(390,346)**	(388,009)
Weighted average number of ordinary shares outstanding during the year used In the calculation of basic and diluted loss per share	**80,513,425**	101,301,096

5. Cash and Cash Equivalents

Cash at bank	**74,815**	613,119
	74,815	613,119

Cash at bank does not earn interest. This note should be read in conjunction with Note 16: Financial instruments.

(a) Reconciliation of loss for the year to net cash flows from operating activities

Loss for the year	**(390,346)**	(388,009)
Add back:		
Costs settled by issue of shares	**120,000**	-
Amortisation of intangibles	**133,333**	
Unrealised foreign currency losses	**-**	(65,761)
Changes in assets and liabilities:		
Movements in trade and other receivables	**(7,838)**	(173)
Movement in trade and other payables	**15,001**	(104,561)
Movement in provisions	**41,832**	
Foreign exchange differences	**-**	61,798
Net cash flows used in operating activities	**(88,018)**	(496,706)

6. Trade & other receivables

Current		
Other receivables	**105**	105
GST Paid	**9,628**	2,790
Security Bond	**1,000**	-
	10,733	2,895

Other receivables, and goods and services tax are non-interest bearing and generally receivable on 30 day terms. They are neither past due nor impaired. The amount is fully collectible. Due to the short term nature of these receivables, their carrying value is assumed to approximate their fair value

Information about the Company's exposure to credit risk is disclosed in Note 16: Financial instruments.

	2015 Company $	2014 Consolidated $
7. Non-Current Asset - Intangibles		
Software – at cost (refer to Note 12 Business Combinations)	1,000,000	-
Less: Accumulated amortisation	(133,333)	-
Net Carrying Value	866,667	-

Reconciliations;

The intangibles are being amortised over 5 years. The capitalised cost is based on the fair value on acquisition date.

Reconciliation of the written down values at the beginning and end of the current and previous financial year are set out below;

	Software	Total
Balance at 1 January 2015	-	-
Additions	1,000,000	1,000,000
Amortisation expense	(133,333)	(133,333)
Carrying amount as at 31 December 2015	866,667	866,667

	2015 Company $	2014 Consolidated $
8. Current liabilities - trade and other payables		
Trade payables	1,053	4,952
Accrued Expenses	30,900	12,000
Other payables	600,000	-
	631,953	16,952

Terms and conditions relating to the above financial instruments:

- All amounts are expected to be settled.
- Trade payables are non-interest bearing and are normally settled on 30 day terms.
- Due to the short term nature of trade payables and accruals, their carrying value is assumed to approximate their fair value.
- Other payables comprise the balance owing in relation to software acquired from K2 Technology Pty Ltd (see note 12 Business Combinations) which is repayable as $300,000 in cash and $300,000 to be settled through the issue of shares in K2fly once the Reverse Takeover (RTO) with Power Resources Limited has been completed.

Information about the Company's exposure to credit risk is disclosed in Note 16

	2015 Company $	2014 Consolidated $
9. Current liabilities – employee benefits		
Employee benefits	41,832	-
	41,832	-

Provision for employee benefits represents amounts accrued for annual leave and long service leave.

The current position for this provision includes the total amount accrued for annual leave entitlements and the amounts accrued for long service leave entitlements that have vested due to employees having completed the required period of service. The Company does not expect the full amount of annual leave or long service leave balances classified as current liabilities to be settled within the next 12 months. However, these amounts must be classified as current liabilities since the Company does not have an unconditional right to defer the settlement of these amounts in the event employees with to use their leave entitlement.

The company took over two employees from K2 Technology on acquisition of the Technology Assets of K2 Technologies. As a result of taking over the employees, the employee provisions in relation to annual lease was taken over as at the transaction date.

	2015		2014	
	Number	$	Number	$
10. Issued capital				
(a) Issued and paid up capital				
Ordinary shares – fully paid	**47,900,000**	**1,295,276**	59,800,000	1,175,455
Ordinary shares – partly paid	**26,000,000**	**260**	44,000,000	440
	73,900,000	**1,295,536**	103,800,000	1,175,895

(b) Movement in ordinary shares on issue

Ordinary shares – fully paid	Number	$
Balance at 31 December 2014	**59,800,000**	**1,175,455**
Issued for cash	**-**	**-**
Cancellation of G.Zandonai shares	**(17,200,000)**	**(172)**
Cancellation of E.Lilford shares	**(700,000)**	**(7)**
Issue of shares to directors in lieu of services provided	**6,000,000**	**120,000**
Balance at end of year	**47,900,000**	**1,295,276**
Ordinary shares – partly paid		
Balance at 31 December 2014	**44,000,000**	**440**
Cancellation of G.Zandonai shares	**(18,000,000)**	**(180)**
Balance at end of year	**26,000,000**	**260**
Total Issued Capital	**73,900,000**	**1,295,536**

(c) Terms and conditions of issued capital

Rights attaching to Fully Paid Shares

Shares issued under this Offer will rank equally in all respects with all other Shares on issue. The rights attaching to Shares are derived through a combination of statute, the Company's Constitution, common law and other applicable legislation. The following is a broad summary (though not an exhaustive or definitive statement) of the rights which are attached to the Shares.

The Company's current Constitution can be inspected on request to K2fly.

Voting rights

At a general meeting each Shareholder present in person or by proxy, company representative or attorney is entitled to one vote on a show of hands. Upon a poll, every Shareholder present in person or by proxy, company representative or attorney is entitled to one vote for each fully paid share that the Shareholder holds.

General meetings

Each Shareholder is entitled to receive notice of and to be present, to vote and to speak at any general meeting. Further, each Shareholder is entitled to receive all notices, accounts and other documents required to be furnished to Shareholders under the Constitution of the Company or the Corporations Act.
Dividend rights

Under the current Constitution, there is no entitlement to a dividend other than that determined by a special majority vote of the Directors (being a vote or resolution passed by at least 75% of the Directors entitled to vote). Following the conversion of K2fly to a public company, dividends may be determined on the terms agreed by the Board. The Shares will rank equally with all other issued Shares in the capital of the Company for the purposes of participation in any dividend paid by the Company. The Directors are not anticipating paying dividends at this stage of the Company's development.

Rights on winding-up

The rights to any surplus arising on a winding-up of the Company will be divided in accordance with the winding-up provisions of the Corporations Act and the Constitution.

Transfer of Shares

Shares may only be transferred in accordance with the Constitution and the Corporations Act. Whilst K2fly is a proprietary company, unless the Directors determine otherwise by a special majority vote, the non-transferring Shareholders have pre-emptive rights to acquire Shares before they are transferred to any third party. These pre-emptive rights will no longer exist under the new public company Constitution. Shares may only be transferred by a proper instrument in writing delivered to the Company, and the transferor is deemed to remain the holder of the Share until the name of the transferee is entered into the Company's register of members.

Future increases in capital

The allotment and issue of Shares is under the control of the Directors, but is subject to restrictions under the Constitution and the Corporations Act. The Directors may allot and issue new Shares on such terms and conditions as they determine, provided that (whilst the Company is a proprietary company) any such Shares are first offered to existing Shareholders in accordance with the processes prescribed by the current Constitution. However, these processes will not apply where the Directors have determined by a special majority vote that the pre-emptive rights process will not apply to the allotment, and will also not apply after the conversion of K2fly to a public company is effective.

Rights attaching to Partly Paid Shares

The Directors may, subject to compliance with the Company's Constitution, the Corporations Act and the Listing Rules, issue partly paid Shares upon which amounts are or may become payable at a future time(s) in satisfaction of all or part of the unpaid issue price.

The following is a summary of the more significant rights of the holders of Partly Paid Shares. This summary is not exhaustive nor does it constitute a definitive statement of the rights and liabilities attaching to Partly Paid Shares:

a. Each Partly Paid Share is issued at a price of 20 cents of which 0.01 cent is paid on issue with the balance of the issue price payable at the election of the holder at any time within 5 years of issue, and subject to point (b) below.

b. The holder shall have the right to pay calls in advance on the Partly Paid Shares issued. Any notice of payment of calls in advance by the holder (Payment Notice) shall be in writing and delivered to the registered office of the Company. The Payment Notice shall specify the number of Partly Paid Shares in respect of which such payment is being made, the amount per share which is being paid up, and shall be accompanied by the appropriate payment for the number of partly paid shares specified in the Payment Notice. The Directors of the Company must, within 3 days after receipt of the Payment Notice, accept payment, credit the amount paid up and issue the appropriate holding statement for fully paid shares in respect of any shares which have been fully paid up.

c. The Partly Paid Shares will not be subject to calls by the Company and any of the Partly Paid Shares which are not fully paid up at the expiration of 60 months of issue shall lapse and the holder shall have no right to pay up and shall retain no rights in relation thereto.

d. A statement of holding will be issued for the Partly Paid Shares and will be forwarded to the holder together with the terms and conditions of the Partly Paid Shares.

e. Dividends may be declared in respect of any of the Partly Paid Shares notwithstanding that the issue price of such Partly Paid Shares has not been paid in full. The Partly Paid Shares will participate in any dividends so declared with all other shares pro-rata to the proportion which the portion of the issue price paid up on the Partly Paid Shares bears to the issue price.

f. The holder will be entitled to exercise any vote attaching to a Partly Paid Share at general meetings of members in accordance with the Constitution of the Company. Under the Constitution, on a poll, partly paid shares have a vote prorate to the proportion of the total issue price paid up. Amounts paid in advance of a call will be ignored when calculating the proportion.

g. Partly Paid Shares allotted to the holder will participate in all issues of securities (including issues of shares, options and convertible notes) made to shareholders of the Company pro-rata to the proportion of the total issue price paid up. In respect of an issue of bonus securities, amounts paid in advance of a call will be ignored when calculating the proportion.

h. The Company will ensure that, at least 9 business days before the record date to determine entitlement to any such new issue, the Company will notify the holder of the proposed new issue. This will afford the holder an opportunity to pay up all or some of the partly paid shares prior to the record date of any such new issue.

i. In the event of a reconstruction (including consolidation, sub division, reduction or return) of the issued capital of the Company, the number of partly paid shares shall be reconstructed in accordance with the Listing Rules.

j. Subject to the Partly Paid Shares becoming fully paid, the Company will apply for listing of the fully paid shares on the ASX.

k. In the event of death of the holder, the right of the holder to pay up the Partly Paid Shares which are not at the time of the death of the holder fully paid up, will vest in the holder's executor and/or administrator as the case may be and such executor and/or administrator shall have the same rights to pay up the Partly Paid Shares as such deceased holder would have had but for the holder's death.

l. Upon becoming fully paid, each Partly Paid Share will rank equally in all respects with the other issued fully paid ordinary shares in the Company.

m. Subject to the ASX Listing Rules, the Partly Paid Shares, whilst partly paid, shall not be capable of transfer or assignment either in whole or in part without the approval of the Directors.

The Company considers its capital to comprise its ordinary share capital, share premium and accumulated retained earnings as well as its perpetual preference shares which are classified as a financial liability in the statement of financial position.

For details of the Company's capital risk management refer to Note 16: Financial instruments.

(d) Terms and conditions of shares to be issued

At the reporting date, the Company has received $60,000 for shares that had not been issued at the reporting date. The shares were issued on 6 April 2016. These shares rank pari passu with the Company's other fully paid ordinary shares on issue.

11. Reserves

Nature and purpose of reserves

Foreign currency translation reserve

The reserve is used to recognise exchange differences arising from translation of the financial statements of foreign operations to Australian dollars.

	2015 Company $	2014 Consolidated $
At 1 January	6,750	2,780
Exchange differences on translation of foreign operations	-	3,970
Deconsolidation of subsidiary	(6,750)	-
At 31 December	-	6,750

Share buy-back reserve

On 4 May 2015, the Group bought back and cancelled 17,200,000 fully paid ordinary shares and 18,000,000 partly paid shares held by Gino Zandonai. The consideration paid for the buyback of the fully paid and partly paid shares was a cash payment of $110,215. As a result of the buy-back, a reduction of $359 has been recognised against the issued capital based on its value on issue and the remaining balance ($109,856) was recorded in the Share Buy-Back Reserve.

	2015 Company $	2014 Consolidated $
At 1 January	-	-
Securities cancelled during the year	**109,856**	-
At 31 December	**109,856**	-

12. Accumulated losses

Movements in accumulated losses were as follows;

	2015 Company $	2014 Consolidated $
At 1 January	**570,083**	182,074
Loss for the year	**390,346**	388,009
Deconsolidation of subsidiary	**6,821**	-
At 31 December	**967,250**	570,083

13. Commitments

Operating Lease agreements

Leases by lessee

Non-cancellable operating lease rentals are payable as follows:

	2015 Company $	2014 Consolidated $
Less than one year	**4,800**	-
Between one and five years	**-**	-
More than five years	**-**	-
	4,800	-

The Company leases office premises in Perth, Western Australia under an operating lease. The lease period runs for an initial term of 6 months, is extendable for a further 6 month period, and commenced on October 28, 2015.

During the year ended 31 December 2015, an amount of $2,200 (2014: $Nil) was recognised as an expense in the Statement of Profit or Loss and Other Comprehensive Income in respect of operating leases.

14. Financial reporting by segments

For management purposes, the Company is organised into one main operating segment, which involves the consolidation of any subsidiaries financial information into the parent's financial information. The Company now only operates from Australia, so no segment reporting is required. All of the Company's activities are interrelated, and discrete financial information is reported to the Board (Chief Operating Decision Makers) as a single segment. Accordingly, all significant operating decisions are based upon analysis of the Company as one segment. The financial results from this segment are equivalent to the financial statements of the Company as a whole. The Company operates in Australia only. The following table shows the assets and liabilities of the Company by geographic region:

In the prior year, the Group had two reportable segments; namely, Australia and Chile, which were the Group's strategic business units. The Australian segment incorporated the Group's head office and treasury functions, while the Chile segment incorporated mineral exploration. The accounting policies of the reportable segments were the same as the Company's accounting policies described in Note 1.

	2015 Company $	2014 Consolidated $
Assets		
Australia	**952,215**	**615,944**
Chile	**-**	**71**
	952,215	**616,015**
Liabilities		
Australia	**(673,785)**	**(16,952)**
Chile	**-**	**-**
	(673,785)	**(16,952)**

During the year, the Company discontinued its Chilean operations through disposal of the subsidiary.

15. Related party transactions

(a) Subsidiaries

The financial statements include the financial statements of K2fly NL only and not those of the subsidiary listed in the following table.

	Country of Incorporation	% Equity Interest 2015	% Equity Interest 2014	Description of Activities
Durus Chile Pty Ltd	Australia	-	100	Dormant

The subsidiary company had no material assets or liabilities at the reporting date and in addition had no revenue or expenses since incorporation.

Consolidated financial statements have not been prepared as the Directors consider to do so would be immaterial to the reporting entity's net assets at the reporting date and its result and cash flows for the year.

On 5 May 2015, the Company entered into share sale agreement with Gino Zandonai Steel (Steel) whereby Steel acquired 100% of the issued capital of Durus Copper Chile SpA.

(b) Directors and director related entities

Outside of the directors' fees and consulting fees shown in the remuneration report, there were no other related party transactions with directors or director related entities.

16. Financial instruments

Financial risk management

The Company's principal financial instruments comprise receivables, payables, cash, short-term deposits and borrowings. The Company manages its exposure to key financial risks in accordance with the Company's financial risk management policy. The objective of the policy is to support the delivery of the Company's financial targets while protecting future financial security.

The main risks arising from the Company's financial instruments are interest rate risk, credit risk and liquidity risk. The Company does not speculate in the trading of derivative instruments. The Company uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to interest rates and assessments of market forecasts for interest rates. Ageing analysis of and monitoring of receivables are undertaken to manage credit risk, liquidity risk is monitored through the development of future rolling cash flow forecasts.

The Board reviews and agrees policies for managing each of these risks as summarised below.

Primary responsibility for identification and control of financial risks rests with the Board. The Board reviews and agrees policies for managing each of the risks identified below, including for interest rate risk, credit allowances and cash flow forecast projections.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset and financial liability are disclosed in Note 1 to the financial statements.

Risk exposures and responses

Market Risk

Market risk is the risk that changes in market prices such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments.

Foreign Currency Risk

Foreign exchange risk arises from future commitments, assets and liabilities that are denominated in a currency that is not the functional currency of the Company. The Company has deposits that are denominated in both Chilean and Australian dollars. At the year end the majority of deposits were held in Australian dollars. The Company treasury function manages the purchase of foreign currency to meet operational requirements. The Company manages its exposure to foreign currency risk through utilising forward exchange contracts and options. The impact of reasonably possible changes in foreign rates for the Company is not material.

The Company hedges against the foreign currency exposure through the use of Foreign Exchange Contracts ("FEC").

Interest rate risk

The Company is exposed to movements in market interest rates on short term deposits. The policy is to monitor the interest rate yield curve out of 120 days to ensure a balance is maintained between the liquidity of cash assets and the interest rate return. The Company does not have short or long term debt, and therefore this risk is minimal.

The Company's exposure to risks of changes in market interest rates relates primarily to the Company's cash balances. The Company constantly analyses its interest rate exposure. Within this analysis consideration is given to potential renewals of existing positions, alternative financing positions and the mix of fixed and variable interest rates. As the company has no variable rate interest bearing borrowings its exposure to interest rate movements is limited to the amount of interest income it can potentially earn on surplus cash deposits.

As at reporting date, the Group did not have any financial assets exposed to variable interest rates:

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

The Company manages liquidity risk by maintaining sufficient cash facilities to meet the operating requirements of the business and investing excess funds in highly liquid short term investments. The responsibility for liquidity risk management rests with the Board of Directors.

Alternatives for sourcing our future capital needs include our cash position and the issue of equity instruments. These alternatives are evaluated to determine the optimal mix of capital resources for our capital needs. We expect that, absent a material adverse change in a combination of our sources of liquidity, present levels of liquidity will be adequate to meet our expected capital needs.

Credit risk

Credit risk arises from the financial assets of the Company, which comprise deposits with banks and trade and other receivables. The Company's exposure to credit risk arises from potential default of the counter party, with the maximum exposure equal to the carrying amount of these instruments. The carrying amount of financial assets included in the statement of financial position represents the Company's maximum exposure to credit risk in relation to those assets.

The Company operates in the mining exploration sector; it therefore does not have trade receivables and is not exposed to credit risk in relation to trade receivables. The Company does not have any significant credit risk exposure to any single counterparty or any Company of counterparties having similar characteristics.

The Company does not hold any credit derivatives to offset its credit exposure which is considered appropriate for a junior explorer.

The Company trades only with recognised, credit worthy third parties and as such collateral is not requested nor is it the Company's policy to secure its trade and other receivables. The nature of the business is such that it is common not to maintain material receivables.

Receivable balances are monitored on an ongoing basis with the result that the Company does not have a significant exposure to bad debts.

The Company's cash deposits are held with a major Australian banking institution (Commonwealth Bank of Australia) holding a AA- credit rating, otherwise, there are no significant concentrations of credit risk within the Company. The Company also holds bank accounts with Banco Bice in South America, Chile (BBB+).

Capital Management Risk

The Company's capital comprises share capital amounting to $1,295,536 at 31 December 201 (2014: $1,175,895). The Company manages its capital to ensure its ability to continue as a going concern and to optimise returns to its shareholders. The Company was ungeared at year end and not subject to any externally imposed capital requirements.

Maturity analysis for financial liabilities

Financial liabilities of the Company comprise trade and other payables. As at 31 December 2015, all financial liabilities contractually mature within 60 days

Commodity Price Risk

The Company is exposed to commodity price risk from its activities directed at exploration for commodities. A fall in the price of mineral commodities may result in a decline of market sentiment thus affecting our ability to raise additional capital in the future

Fair Value

The methods of estimating fair value are outlined in the relevant notes to the financial statements. All financial assets and liabilities recognised in the statement of financial position, whether they are carried at cost or fair value, are recognised at amounts that represent a reasonable approximation of fair values unless otherwise stated in the applicable notes.

17. Dividends

No dividend was paid or declared by the Company in the period since the end of the financial year and up to the date of this report. The Directors do not recommend that any amount be paid by way of dividend for the financial year ended 31 December 2015.

18. Contingent Liabilities

The Board is not aware of any circumstances or information which leads them to believe there are any material contingent liabilities outstanding as at 31 December 2015.

19. Business Combinations

On 11 May 2015, the Company entered into an asset acquisition agreement between K2 Technology Pty Ltd ("K2 Technology") and K2fly NL whereby the Company would acquire 100% of the enterprise asset management technology assets for total consideration of $1,000,000 payable as $700,000 in cash and $300,000 in equity securities. The Consideration was to be settled as follows:

a. On settlement date, 11 May 2015,the Company paid 400,000 in cash (Tranche 1) and the balance shall be settled as follows:

b. Tranche 2 amount of $300,000 was paid after balance date in April 2016; and

c. Tranche 3 payment of $300,000 shall be settled through the issue of shares.

At the reporting date, a balance of $600,000 remained unpaid and is included in trade and other payables.

Details of the business combination are as follows:

	Note	$
Consideration		
Acquisition of 100% K2 Technology's enterprise asset management technology assets		1,000,000
		1,000,000
Assets Acquired		
Cash acquired		-
Technology Assets acquired (including ADAM, Asset Tracking Software, TAGMAN, DOCMAN, and all Software Applications and technology Platform and Source Codes	(i)	1,000,000
Trade and other receivables		-
Inventory		-
Plant and equipment		-
		1,000,000
Less: Liabilities		-
Net assets acquired	(ii)	1,000,000
Goodwill	(i) less (ii)	-

Identifiable net assets
The fair values of the identifiable intangible assets have been determined at 11 May 2015 by the directors. The directors determined that other than intangible assets, no other assets were acquired and hence the allocation of the fair value of $1 million to Technology Assets.

Goodwill
There was no goodwill on acquisition of the Technology Assets of K2 Technology.

Had the acquisition occurred on 1 January 2015, there would have been no change to the Company's revenues in the year to December 2015.

20. Disposal of subsidiary

On 5 May 2015, the Group entered into a Share Sale Agreement with Gino Zandonai Steel (Steel) whereby Steel acquired 100% of the issued capital of Durus Copper Chile SpA. The group discontinued its mineral exploration activities at the time of the disposal of its subsidiary, Durus Copper Chile SpA.

Details of the disposal are as follows:

Book values of net assets over which control was lost

	2015 $	2014 $
Current assets		
Cash and cash equivalents	(33)	71
Other current assets		-
	(33)	71
Non-current Assets		
Property, plant and equipment	-	-
Exploration expenditure	-	-
	-	-
Total assets	(33)	71
Current liabilities		
Borrowings from parent company	(417,327)	(419,271)
Other current liabilities	-	-
	(417,327)	(419,271)

Non-current liabilities		
Non-current liabilities	-	-
	-	-
Net assets derecognised		
Total liabilities	(417,327)	(419,271)
Net assets / (liabilities) derecognised	**(417,360)**	**(419,200)**
Consideration Received		
Cash	1	-
Write back of liabilities	(417,327)	-
	(417,326)	-
Net Liabilities derecognised	417,360	-
Cumulative exchange differences in respect of the net assets of the subsidiary reclassified from equity on loss of control of subsidiary	(6,750)	-
Loss during the period to date of sale	(105)	-
Loss on disposal of subsidiary	**(6,821)**	**-**

The loss on disposal of the subsidiary is recorded as part of loss for the year from discontinued operations in the statement of profit or loss and other comprehensive income.

21. Events since the end of the financial year

Following the end of the reporting date, being 31 December 2015, the following subsequent events have occurred:

i. On 10 February 2016, the Company entered into a consultancy agreement with Brian Miller for the appointment of Executive Chairman and Chief Executive Officer;

ii. On 15 February 2016, the Company issued 1,500,000 fully paid ordinary shares to a director in lieu of cash paid consulting fees over the period 1 December 2015 to 28 February 2016;

iii. On 1 March 2016, Ms. Candice Stevenson resigned from the position of non-executive director and joint company secretary;

iv. On 6 April 2016, the Company issued 26,250,000 fully paid ordinary shares at an issue price of 2 cents per share to raise a total of $525,000 of which $60,000 was received prior to 31 December 2015;

v. On 6 April 2016, the Company made the final cash payment of $300,000 to K2 Technology Pty Ltd;

vi. On 16 May 2016, the Company announced that it had entered into a binding Asset Sale Agreement with ASX-Listed Power Resources Limited;

vii. On 1 June 2016, the Company entered into a letter of appointment with Noel Bonnick for the appointment of non-executive director;

viii. On 17 June 2016, the Company announced that it had entered into a binding Amended and Restated Sale of Asset Agreement with ASX-Listed Power Resources Limited; and

ix. On 17 June 2016, the Company raised a further $150,000 through the issue of seven (7) convertible notes to unrelated parties with the conversion price being equal to 16 cents per share.

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of K2fly NL, I state that:

In the opinion of the directors:

(a) the attached financial statements and notes are in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the Company's financial position as at 31 December 2015 and of its performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;

(b) the attached financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 1(a);

(c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the Corporations Act 2001 for the financial year ended 31 December 2015.

On behalf of the Board

Mr. Gino D'Anna
Executive Director
18 July 2016

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18 July 2016

The Directors
K2fly NL
Suite 1, 100 Hay Street
SUBIACO WA 6008

Dear Sirs

RE: K2FLY NL

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of K2fly NL.

As Audit Director for the audit of the financial statements of K2fly NL for the year ended 31 December 2015, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours faithfully

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LIMITED
(Trading as Stantons International)
(An Authorised Audit Company)

Martin Michalik
Director

Liability limited by a scheme approved
under Professional Standards Legislation

Member of Russell Bedford International

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INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
K2fly NL

Report on the Financial Report

We have audited the accompanying financial report of K2fly NL, which comprises the statement of financial position as at 31 December 2015, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In note 1(a), the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Liability limited by a scheme approved
under Professional Standards Legislation

Member of Russell Bedford International

Opinion

In our opinion:

(a) the financial report of K2fly NL is in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the company's financial position as at 31 December 2015 and of its performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1 (a).

Inherent Uncertainty Regarding Going Concern

Without qualification to the audit opinion expressed above, attention is drawn to the following matter.

As referred to in note 1(b) to the financial report, the financial report has been prepared on a going concern basis. At 31 December 2015, the company had net assets of $278,430, cash and cash equivalents of $74,815 and net working capital deficit of $588,236. The company had incurred a loss for the year ended 31 December 2015 of $397,167.

The ability of the company to continue as a going concern and meet its administration and other commitments is dependent upon the company raising further working capital, commencing profitable operations and the successful completion of the proposed ASX Listing of the company through a reverse takeover. In the event the company is unable to raise further working capital, commence profitable operations or the proposed ASX Listing is not successfully completed, the company may not be able to meet its liabilities as they fall due, or realise its assets at their stated values.

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD
(Trading as Stantons International)
(An Authorised Audit Company)

Stantons International Audit & Consulting Pty Ltd

Martin Michalik
Director

West Perth, Western Australia
18 July 2016

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