



Leading technology  
for asset management

ABN 47 163 818 059

Financial Report for the half-year ended 30 June 2016

[www.k2fly.com](http://www.k2fly.com)

# CONTENTS

	Page
DIRECTORS' REPORT .....	1
AUDITOR'S INDEPENDENCE DECLARATION .....	5
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME .....	6
STATEMENT OF FINANCIAL POSITION .....	7
STATEMENT OF CHANGES IN EQUITY .....	8
STATEMENT OF CASH FLOWS .....	10
CONDENSED NOTES TO THE FINANCIAL STATEMENTS .....	11
DIRECTORS' DECLARATION .....	15
INDEPENDENT AUDITOR'S REVIEW REPORT .....	16

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# CORPORATE DIRECTORY

## Directors

Mr Brian Miller (Executive Chairman & 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 (Non-Executive Director) (appointed 17 May 2013)

## Registered office & Principal Place of Business

Suite 1/100

Hay Street

Subiaco WA 6008

Telephone: (08) 9388 0468

Facsimile: (08) 9381 5590

## Auditors

Stantons International Audit & Consulting Pty Ltd

Level 2

1 Walker Avenue

West Perth WA 6005

Telephone: (08) 9481 3188

# DIRECTORS' REPORT

The Directors of K2fly NL submit the Financial Report of the Company for the half-year ended 30 June 2016.

## Directors

The names of the Directors of the Company in office during the half year and to the date of this Report are:

Brian Miller – Appointed 10 February 2016  
Russell Moran – Appointed 17 May 2013  
Gino D'Anna – Appointed 17 May 2013  
Noel Bonnick – Appointed 1 June 2016

## Review of Operations

K2fly is a software-as-a-service (SaaS) business that is involved in the enterprise asset management sector. The flagship technology owned and acquired by K2fly is known as ADAM, which is a mid-layer software platform that not only acts as a capture point for raw data from operational assets, but is used to provide real time analytics and behaviour / performance monitoring aimed at improving visibility and performance at the asset level, which in turn improves other aspects of the enterprises business.

K2fly's Technologies are applicable to enterprises that are managing multi-million and indeed billion dollar networks of physical assets, usually in hostile / exposed environments where oversight and visibility about the operational behaviour of the assets is paramount to the continued success, operation and profitability of the enterprise.

K2fly's Technologies have been successfully implemented across a number of large blue-chip clients in Australia, North America and Asia. The technology of K2fly is software agnostic and operates across vertical industry segments and has been utilised in the oil and gas sector, the aviation industry, mining extraction and mineral processing industry and the manufacturing industry.

K2fly offers an integrated software ecosystem for the management of physical assets in asset-intensive industries. This suite of software includes several different technologies:

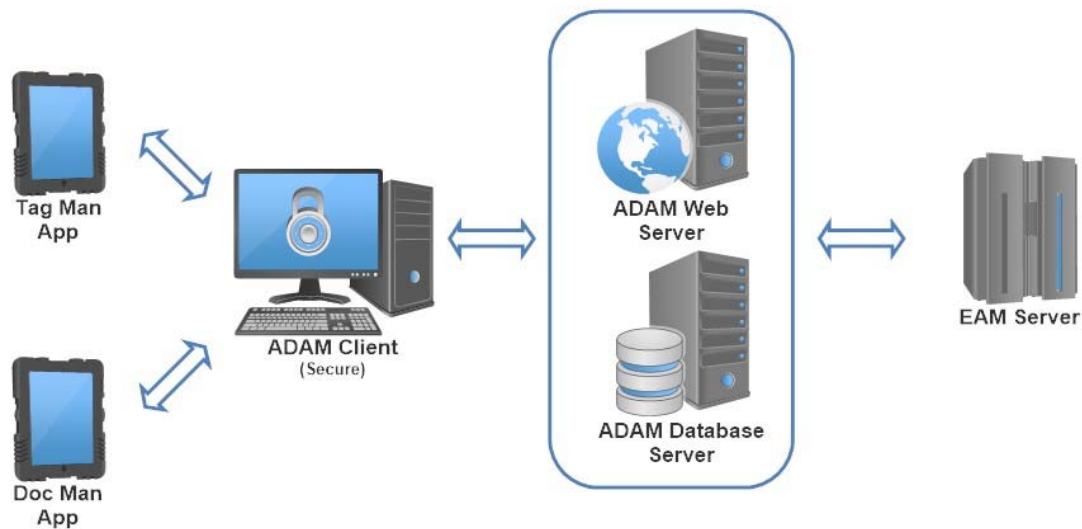
- ❖ Asset Data Analysis and Management (**ADAM**) - A web-enabled client-server system that can be run autonomously, allowing engineers and clients to capture, manipulate and prepare asset, spares and maintenance information from anywhere in the world. ADAM not claimed to be an EAM or Computerised Maintenance Management Systems (**CMMS**) (see more about these below) but is rather a staging system that integrates with existing EAM and CMMS as a reporting tool.
- ❖ TagMan -This asset verification mobile application allows engineers in the field to capture and record data against a hierarchical asset structure, make notes linking multiple photos, scan and verify barcode information, and log GPS co-ordinates.
- ❖ DocMan- A task management mobile application allowing staff in the field to electronically receive assigned tasks, capture notes and link multiple photos, with progress remotely monitored via a web service.
- ❖ Handover Notes - This mobile application allows team members to capture electronic notes with photos during shifts and as incidents occur, as well as enabling them to email specific records to other colleagues, improving field communications.

Two additional apps are offered by K2fly in addition to the above:

- ❖ PropertyInspector –A mobile application and web portal providing a generic inspection recording process for routine inspection processes outside of the core asset-intensive businesses considered for the ADAM family.
- ❖ FireInspector – a mobile application for the documentation and recording of potential fire hazards in the workplace.

# DIRECTORS' REPORT

## Relationship between the K2fly products and ERP / EAM



Developed and refined specifically for asset intensive industries over a 12-year period, K2fly's technology delivers comprehensive infrastructure asset management through industry-specific software and services. K2fly's Technologies allows asset management personnel to access a centralised system to manage and maintain all their asset data to enable more efficient and effective outcomes. K2fly's technology has a strong track record of empowering organisations to make better long-term decisions, through proprietary algorithms and degradation profiles which assist in forecasting future operational and maintenance needs.

Introducing K2fly's technology into industry-specific organisations allows asset management personnel across all levels of organisations to make better informed decisions, effectively and efficiently.

The scalable and modular nature of K2fly's technology means that target markets include the broader population of SMEs, multi-nationals and corporate conglomerates.

K2fly's Technologies have been used to deliver operational and maintenance efficiencies to blue chip clients across Australia, North America and South-East Asia with clients including **BHP Billiton, Woodside, Leighton, Origin, Bega, Port Authority of New South Wales, Visy, Apache and Petronas.**

### What is ADAM

ADAM, also known as Asset Data Analysis Management, is a single-source integrated technology for the development and optimisation of asset management information, including data capture, maintenance analysis and build, spares identification, which is configurable for upload to any asset management system. ADAM has been developed as a software agnostic platform, meaning that it can interface with any existing CMMS platform being used by the clients including SAP, Oracle, JD Edwards or Maximo.

The technology incorporates a web-enabled client-server system that can be run autonomously allowing clients to capture, manipulate and prepare asset, spares and maintenance information from anywhere in the world.

ADAM has been designed to complement the existing Enterprise Resource Planning (ERP) and Computerised Maintenance Management Systems (CMMS) platforms and enhance the data analytic capabilities of asset intensive organisations.

The intuitive interface of ADAM means that asset management data can now be captured and analysed in real-time and the data outputs are accessible to more personnel within an organisation. This leads to better data management and analysis and in turn ensures that decisions can be made based on real time data and analysis rather than static data sheets.

The aim of the K2fly Technologies is to offer a digital data management system that allows organisations to better manage the data that is captured and analyse the data in real-time.

# DIRECTORS' REPORT

## Channel Partners Signed Up

K2fly has signed two international channel partners under a three-year exclusivity deal on a 50% revenue split model.

These partners are:

1. Capita Plc - a FTSE-100 company and has worked in the infrastructure and energy industries since 1990, leading the adoption of Enterprise Asset Management software in asset intensive industries. Capita has been servicing major organisations in the infrastructure and energy industries for over 25 years with clients including Thames Water, United Utilities, Western Power, National Grid, Centrica, London Underground Limited, Network Rail and The National Health Service.
2. Mitrais – with offices across South East Asia, including Singapore, Indonesia, Malaysia and Vietnam. The Partnering Agreement provides K2fly with the ability to rapidly grow revenue from a deep base of South East Asian markets with large scale clients across the utilities, infrastructure and transport industries, with minimal operational and capital cost. The Asian distribution partner, Mitrais, has been in the EAM sector for in excess of 25 years and has over 400 dedicated staff.

Within Australia, K2fly has also signed up partnering agreements with ABB and is working with IBM, developing a multi-faceted partnership that includes the use of ADAM in their consulting and implementation division as well as seeing K2fly provide specialist support through its relationship with Capita.

## Financial Result

The loss after tax for the half-year ended 30 June 2016 was \$488,622 (2015: \$(57,086)).

## Events Subsequent to Reporting Date

Following the end of the reporting date, being 30 June 2016, the following subsequent events have occurred:

- ❖ K2fly through Power Resources Ltd issued a Prospectus on 22 August 2016 and successfully raised a total of \$4,125,000 via the issue of fully paid ordinary shares at an issue price of 20 cents per share to fund its significant commercialisation and expansion opportunities.
- ❖ On 16 November 2016, Power Resources Limited received its letter of conditional re-instatement from the ASX for the Reverse Takeover (RTO) with K2fly NL.
- ❖ On 17 November 2016, Power Resources Limited and K2fly NL attended Settlement pursuant to the Amended and Restated Sale of Assets Agreement which was executed on 3 June 2016.

# DIRECTORS' REPORT

## Auditor's independence declaration

The auditor's independence declaration under section 307C of the Corporations Act 2001 is set out on page 5 for the half year ended 30 June 2016.

This Report is signed in accordance with a resolution of the Board of Directors.

On behalf of the Directors.

A handwritten signature in black ink, appearing to read 'G D'Anna', with a long horizontal stroke extending to the right.

Gino D'Anna  
Director

Dated this 18th day of November 2016

# AUDITOR'S INDEPENDENCE DECLARATION

Stantons International Audit and Consulting Pty Ltd  
trading as

**Stantons International**

Chartered Accountants and Consultants

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18 November 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 review of the financial statements of K2fly NL for the six month period ended 30 June 2016, 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 review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours faithfully

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

**Martin Michalik**  
**Director**



# STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the half year ended 30 June 2016

	Note	30 June 2016 \$	30 June 2015 \$
Revenue			
Revenue – rendering of services (net)		76,732	-
Administration expenses		(159,211)	(3,437)
Compliance and regulatory expense		(740)	-
Consultancy expense		(111,317)	(24,030)
Depreciation and amortisation		(99,454)	(26,849)
Director's fees		(40,051)	(16,000)
Employee benefit expense		(124,758)	-
Foreign exchange gain/(loss)		-	13,320
Occupancy expense		(20,600)	-
Public relations and marketing expense		(1,628)	(82)
Travel expenditure		(7,635)	(8)
<b>Loss from continuing operations before income tax benefit</b>		<b>(488,662)</b>	<b>(57,086)</b>
Income tax credit		-	-
<b>Loss from continuing operations attributable to members of the parent entity</b>		<b>(488,662)</b>	<b>(57,086)</b>
<b>Other comprehensive income</b>			
Items that will not be reclassified to profit or loss		-	-
Items that may be subsequently reclassified to profit or loss		-	-
<b>Total comprehensive loss for the period attributable to owners of the Company</b>		<b>(488,662)</b>	<b>(57,086)</b>
<b>Total comprehensive loss attributable to owners of the Company</b>		<b>(488,662)</b>	<b>(57,086)</b>
<b>Loss per share:</b>			
Basic (cents per share)		(0.56)	(0.51)
Diluted (cents per share)		(0.56)	(0.51)

The accompanying notes form part of the financial statements.

# STATEMENT OF FINANCIAL POSITION

as at 30 June 2016

	Note	30 June 2016 \$	Restated 31 Dec 2015 \$
<b>Current assets</b>			
Cash and cash equivalents	2	147,767	74,815
Trade and other receivables	3	86,708	24,358
<b>Total current assets</b>		<b>234,475</b>	<b>99,173</b>
<b>Non-current assets</b>			
Intangible Assets	4	767,213	866,667
<b>Total non-current assets</b>		<b>767,213</b>	<b>866,667</b>
<b>TOTAL ASSETS</b>		<b>1,001,688</b>	<b>965,840</b>
<b>Current liabilities</b>			
Trade and other payables	5	684,468	784,462
Other Financial Liabilities	6	150,000	-
Employee Benefits		45,147	41,832
<b>Total current liabilities</b>		<b>879,615</b>	<b>826,294</b>
<b>TOTAL LIABILITIES</b>		<b>879,615</b>	<b>826,294</b>
<b>NET ASSETS</b>		<b>122,073</b>	<b>139,546</b>
<b>Equity</b>			
Issued capital	7	1,826,725	1,355,536
Shares to be issued			
Reserves		(109,856)	(109,856)
Accumulated losses		(1,594,796)	(1,106,134)
<b>Total equity</b>		<b>122,073</b>	<b>139,546</b>

The accompanying notes form part of the financial statements.

# STATEMENT OF CHANGES IN EQUITY

for the half year ended 30 June 2016

	Attributable to equity holders					Total Equity \$
	Issued Capital \$	Share Buy Back Reserve \$	Shares to be Issued \$	Foreign Currency Translation Reserve \$	Accumulated Losses \$	
For the six months ended 30 June 2016						
Balance at 1 January 2016 (previously reported)	1,295,536	(109,856)	60,000	-	(967,250)	278,430
Correction Error	60,000	-	(60,000)	-	(138,884)	(138,884)
Balance at 1 January 2016 (restated)	1,355,536	(109,856)	-	-	(1,106,134)	139,546
<b>Total comprehensive income</b>						
Loss for the half year	-	-	-	-	(488,662)	(488,662)
Total comprehensive loss for the half year	-	-	-	-	(488,662)	(488,662)
<b>Transactions with equity holders</b>						
Issue of shares (net of capital raising costs)	471,189	-	-	-	-	471,189
Securities cancelled during the year						
Total transactions with owners	471,189	-	-	-	-	471,189
<b>Balance as at 30 June 2016</b>	<b>1,826,725</b>	<b>(109,856)</b>	<b>-</b>	<b>-</b>	<b>(1,594,796)</b>	<b>122,073</b>

# STATEMENT OF CHANGES IN EQUITY

for the half year ended 30 June 2016

	Attributable to equity holders				Total Equity \$
	Issued Capital \$	Share Buy Back Reserve \$	Foreign Currency Translation Reserve \$	Accumulated Losses \$	
For the six months ended 30 June 2015					
Balance at 1 January 2015	1,175,895	-	(6,750)	(570,083)	599,062
<b>Total comprehensive income</b>					
Loss for the half year	-	-	-	(57,086)	(57,086)
Foreign Currency Translation Reserve	-	-	-	-	-
Total comprehensive loss for the half year	-	-	-	(57,086)	(57,086)
<b>Transactions with equity holders</b>					
Issue of shares (net of capital raising costs)	-	-	-	-	-
Securities cancelled during the year	(352)	-	-	-	(352)
Share buy back	-	(124,107)	-	-	(124,107)
Total transactions with owners	(352)	(124,107)	-	-	(124,459)
<b>Balance as at 30 June 2015</b>	<b>1,175,543</b>	<b>(124,107)</b>	<b>(6,750)</b>	<b>(627,169)</b>	<b>417,517</b>

The accompanying notes form part of the financial statements.

# STATEMENT OF CASH FLOWS

for the half year ended 30 June 2016

	Note	30 June 2016 \$	30 June 2015 \$
<b>Cash flows from operating activities</b>			
Receipts from customers		49,123	-
Payments to suppliers and employees		(267,360)	(9,625)
<b>Net cash (used) in operating activities</b>		<b>(218,237)</b>	<b>(9,625)</b>
<b>Cash flows from investing activities</b>			
Payment of intangible asset		(300,000)	(400,000)
<b>Net cash (used) / provided by investing activities</b>		<b>(300,000)</b>	<b>(400,000)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares		465,000	-
Payments for of capital raising Costs		(23,811)	-
Proceeds from issue of convertible notes		150,000	-
Payments in relation to share buybacks		-	(124,107)
<b>Net cash provided by / (used in) financing activities</b>		<b>591,189</b>	<b>(124,107)</b>
<b>Net increase /(decrease) in cash and cash equivalents</b>		<b>72,952</b>	<b>(533,732)</b>
<b>Cash and cash equivalents at the beginning of the financial period</b>		<b>74,815</b>	<b>613,047</b>
<b>Cash and cash equivalents at the end of the half year</b>	2	<b>147,767</b>	<b>79,315</b>

The accompanying notes form part of the financial statements.

# NOTES ACCOMPANYING THE FINANCIAL STATEMENT

## 1. Summary of Significant Accounting Policies

### (a) Basis of Preparation

These general purpose interim financial statements for the half-year reporting period ended 30 June 2016 have been prepared in accordance with requirements of the *Corporations Act 2001* and Australian Accounting Standard AASB 134: *Interim Financial Reporting*. The Company is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

This interim financial report is intended to provide users with an update on the latest annual financial statements of K2fly NL and its controlled entities (referred to as the "Entity" or "Company"). As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Company. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Company for the year ended 31 December 2015, together with any public announcements made during the following half-year.

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

The nature and operations and principal activities of the Company are disclosed in the Director's Report. The half year report has been prepared on an accruals basis and is based on historical costs.

#### *Going Concern*

The financial report has been prepared on a going concern basis.

The Directors believe there are sufficient grounds to believe that the Company will be able to continue to pay its debts as and when they fall due. This is based on future cash forecasts, existing cash reserves and the ability to significantly reduce activity to preserve cash if necessary.

The financial report has been prepared on the going concern basis, which contemplates continuity of normal business activities and realising 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 30 June 2016, the Company had net assets of \$122,073, cash and cash equivalents of \$147,767 and net working capital deficit of \$645,140.

The Company incurred a loss for the half year ended 30 June 2016 of \$488,662. 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. The Company has been funded through three small private capital raises to date. During 2016, the Company raised a total of \$465,000 via a placement of shares, \$150,000 private tranche of funding via Convertible Notes which will convert to ordinary shares in Power Resources Limited (to be renamed K2fly Limited) at a 20% discount to the prospectus pricing. K2fly is listing on the ASX via a Reverse Takeover (RTO) with Power Resources Limited, which is due for completion during late Q4 2016.

K2fly through Power Resources Ltd issued a Prospectus on 22 August 2016 and successfully raised a total of \$4,125,000 via the issue of fully paid ordinary shares at an issue price of 20 cents per share to fund its significant commercialisation and expansion opportunities

### (b) Accounting Policies

The accounting policies and methods of computation adopted in the preparation of the half year financial report are consistent with those adopted and disclosed in the Company's 2015 annual financial report for the financial year ended 31 December 2015, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

The Company has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current half-year. The adoption of these standards and interpretations did not have a material impact on the half year financial report.

### (c) Significant accounting judgements and key estimates

The preparation of the half year financial report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

## NOTES ACCOMPANYING THE FINANCIAL STATEMENT

In preparing this half year financial report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial report for the year ended 31 December 2015.

### (d) Adoption of new and revised standards

New and revised Standards and amendments thereof and Interpretations effective for the current half – year do not have any material impact on the Group.

### (e) Correction of Prior Period Errors

On 30 June 2016, the Company received a recharge invoice from K2Technology Pty Ltd as part of the sale agreement to attain the employees and overhead costs from the 1st July 2015. No items reflecting employee costs and revenue receipted were recorded in the books of the Company at December 2015.

As the adjustments within this invoice for a 6 monthly period were of material amount, the error was made in the reporting period prior to the comparative period, the Balance sheet balances as at 31 December 2015 were restated as follows;

- Retained Earnings were increased by \$138,884
- Accrued Expenses was increased by \$138,884
- Trade receivable was increased to \$24,358, being a movement of \$13,6125 from the audited December 2015 report.

The effect of the restatement on the prior comparative period's profit or loss and other comprehensive income is an increase of approximately \$19,000 in the loss for the period. The effect of this on the loss per share is a movement from loss per share of 0.34 cents to 0.51 cents per share.

### (f) Segment Reporting

The Company has identified its operating segments based on the internal reports that are reviewed and used by the board of directors (chief operating decision makers) in assessing performance and determining the allocation of resources. The Company operates in one business segment, being real-time analytics within the asset management sector for asset intensive industries.

# NOTES ACCOMPANYING THE FINANCIAL STATEMENT

	30 June 2016	31 December 2015 (Restated)
	\$	\$
<b>2. Cash and Cash Equivalents</b>		
Cash at Bank	147,767	74,815
	<u>147,767</u>	<u>74,815</u>
<b>3. Prepayments and Other Receivables</b>		
Accounts Receivables	27,713	105
GST Collected	51,995	9,627
Security Bond	1,000	1,000
Prepaid Expenses	6,000	13,626
	<u>86,708</u>	<u>24,358</u>
At the reporting date, none of the receivables were passed due or impaired.		
<b>4. Intangible Assets</b>		
Software – At Cost	1,000,000	1,000,000
Less: Accumulated amortisation	(232,787)	(133,333)
Net Carrying Value	<u>767,213</u>	<u>866,667</u>
Carrying amount at the beginning of the period	866,667	1,000,000
Additions		
Amortisation	(99,454)	(133,333)
Net Carrying Amount	<u>767,213</u>	<u>866,667</u>
<b>5. Trade and Other Payables</b>		
Accounts Payable	309,000	1,053
Accrued Expenses	75,468	183,409
Other Payables	300,000	600,000
	<u>684,468</u>	<u>784,462</u>

Other Payables comprise the balance owing in relation to the software acquired from K2Technology Pty Ltd which will be settled through the issue of shares in K2fly once the Reverse Takeover with Power Resources Limited has been completed.

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

Terms and Conditions relating to the above;

- All amounts are expected to be settled
- Trade payables are non-interest bearing and normally settled on 30 day terms

Due to the short term nature of trade payables and accruals, their carrying value is assumed to be approximate their fair value.



# NOTES ACCOMPANYING THE FINANCIAL STATEMENT

## 6. Other Financial Liabilities

Convertible Note	150,000	-
	150,000	-

The Company raised an additional \$150,000 via a private tranche of funding through the issue of seven Convertible Notes which will convert to ordinary shares in Power Resources Limited (to be renamed K2fly Limited) at a 20% discount to the prospectus pricing.

In the event that the conversion of the Convertible Notes into shares in Power Resources Limited does not occur as a result of Power Resources Limited not being re-admitted to the Official List of the ASX, these Convertible Notes will convert into shares in K2fly at a deemed price of 2 cents per share.

## 7. Contributed Equity

101,650,000 fully paid ordinary shares (31 December 2015: 73,900,000)

	30 June 2016		31 December 2015	
	No.	\$	No.	\$
<b>Fully paid ordinary shares</b>				
Balance at beginning of period	73,900,000	1,355,536	103,800,000	1,175,895
Placement of shares to investor	26,250,000	465,000	6,000,000	120,000
Shares issued to directors in lieu of directors fees	1,500,000	30,000	-	-
Cancellation of Shares	-	-	(35,900,000)	(359)
Shares to be issued	-	-	-	60,000
Share issue costs	-	(23,811)	-	-
Balance at end of period	101,650,000	1,826,725	73,900,000	1,355,536

## 8. Contingent liabilities and contingent assets

In the opinion of the Directors there are no contingent assets or liabilities as at 30 June 2016.

## 9. Subsequent events

Following the end of the reporting date, being 30 June 2016, the following subsequent events have occurred:

- K2fly through Power Resources Ltd issued a Prospectus on 22 August 2016 and successfully raised a total of \$4,125,000 via the issue of fully paid ordinary shares at an issue price of 20 cents per share to fund its significant commercialisation and expansion opportunities.
- On 16 November 2016, Power Resources Limited received its letter of conditional re-instatement from the ASX for the Reverse Takeover (RTO) with K2fly NL.
- On 17 November 2016, Power Resources Limited and K2fly NL attended Settlement pursuant to the Amended and Restated Sale of Assets Agreement which was executed on 3 June 2016.

## DIRECTORS' DECLARATION

The Directors declare that:

- (a) The financial statements and notes, as set out on pages 6 to 14, are in accordance with the Corporations Act 2001, including:
  - i. complying with Accounting Standard AASB 134 – *Interim Financial Reporting and the Corporations Regulations 2001*; and
  - ii. giving a true and fair view of the Company's financial position as at 30 June 2016 and of its performance, as represented by the results of its operations and its cash flows, for the half-year ended on that date.
- (b) In the Directors' opinion there are reasonable grounds to believe that K2fly NL will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors made pursuant to s.303(5) of the *Corporations Act 2001*.

On behalf of the Directors



Gino D'Anna  
Director

Dated this 18th day of November 2016

# INDEPENDENT AUDITOR'S REVIEW REPORT

Stantons International Audit and Consulting Pty Ltd  
trading as

**Stantons International**

Chartered Accountants and Consultants

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## INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF K2fly NL

### Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of K2fly NL, which comprises the condensed statement of financial position as at 30 June 2016, the condensed statement of profit or loss and other comprehensive income, condensed statement of changes in equity, and condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

#### *Directors' Responsibility for the Half-Year Financial Report*

The directors of K2fly NL are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of K2fly NL, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Whilst we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

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

#### *Independence*

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, has been provided to the directors of K2fly NL on 18 November 2016.

# INDEPENDENT AUDITOR'S REVIEW REPORT

## Stantons International

### *Inherent Uncertainty Regarding Going Concern*

Without qualification to the review conclusion expressed above, attention is drawn to the following matter.

As referred to in note 1(a) to the financial report, the financial report has been prepared on a going concern basis. At 30 June 2016, the company had net assets of \$122,073, cash and cash equivalents of \$147,767 and net working capital deficiency of \$645,140. The company had incurred a loss for the half year ended 30 June 2016 of \$488,662.

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.

### *Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of K2fly NL is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standards AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

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

*Stantons International Audit & Consulting Pty Ltd*

*Martin Michalik*

**Martin Michalik**  
**Director**

West Perth, Western Australia  
18 November 2016