Appendix 4D

K2FLY LIMITED

ABN 69 125 345 502

Half-Year Report – 31 December 2018

RESULTS FOR ANNOUNCEMENT TO THE MARKET

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

	Half - Year Ended 31/12/18 $A	Half - Year Ended 31/12/17 $A	Amount change $A	Percentage change %
Revenue from ordinary activities	1,828,662	937,396	891,266	95%
(Loss) from ordinary activities after tax attributable to members	(784,364)	(2,688,695)	1,904,331	71%
Net (loss) for the half year attributable to members	(784,364)	(2,688,695)	1,904,331	71%

Comment
The increase in revenue from ordinary activities is due to the acquisition of new contracts and sales to Tier 1 clients.

Dividends (distributions)
There are no dividend or distribution reinvestment plans in operation and there have been no dividend or distribution payments during the financial year ended 31 December 2018.

Net tangible asset per ordinary security	**31 December 2018**	**31 December 2017**
Net tangible assets	1,225,596	290,266
Number of shares on issue at reporting date	66,727,681	54,592,542
Net tangible asset per ordinary security	1.84 cents	0.53 cents

Control Gained or Lost over Entities
Not applicable.

Associates and joint ventures

Not Applicable

Foreign Entities Accounting Framework
Not Applicable

Audit / Review Status
This Appendix 4D and the attached interim financial statements are based on accounts which have been subjected to review. The accounts are not subject to dispute or qualification.

	Current period	**Previous corresponding period**
Basic (loss) per share in cents	(1.25) cents	(4.95) cents

Independent Auditor's Review Report
The Independent Auditor's Review Report can be found on page 6 of the attached financial report for the Half Year ended 31 December 2018.

Brian Miller
CEO / Executive Director
28 February 2019

Jenny Cutri
Non-Executive Chairman
28 February 2019

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

Leading technology
for optimising assets

K2fly Limited

ABN 69 125 345 502

Half-Year Financial Report

For the Half-Year Ended

31 December 2018

CONTENTS

DIRECTORS
Brian Miller (Executive Director and CEO)
Jenny Cutri (Non-Executive Chair)
Neil Canby (Non-Executive Director)
James Deacon (Non-Executive Director)

JOINT COMPANY SECRETARIES
Melissa Chapman
Catherine Grant-Edwards

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AUDITORS
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AUSTRALIAN SECURITIES EXCHANGE
K2fly Limited Shares (K2F) and options (K2FOA) are listed on the Australian Securities Exchange

Your Directors present their half-year report on K2fly Limited (**K2fly**) (the **Company**) and its controlled entities (**Group**) for the half-year ended 31 December 2018.

DIRECTORS

The names of the Directors of the Company in office during the financial period and up to the date of this report are as follows.

Directors were in office from the beginning of the financial period until the date of this report, unless otherwise stated.

Brian Miller	Executive Director / CEO	
Jenny Cutri	Non-Executive Chair	Appointed Chair 1 July 2018
Neil Canby	Non-Executive Director	
James Deacon	Non-Executive Director	

RESULTS

Operating Results

The Group incurred a net loss after income tax during the half year of $784,364 (31 December 2017: net loss of $2,688,695).

Financial Position

At 31 December 2018, the Group had cash reserves of $995,063 (30 June 2018: $774,158).

ACTIVITIES REPORT

Highlights

- Revenue continues to grow and outlook for FY19 remains positive
- Total revenue for HY19 is $1,829k, a growth of 95% on the HY18 revenue of $937k
- K2fly's operations may be classified into 3 operational areas: owned software; 3rd Party software; and consulting services
- K2fly's owned software Infoscope solution was ported to the SAP S/4 HANA platform and was placed on the prestigious SAP App Center
- K2fly successfully deployed the market-leading Mobility software, Fieldreach, to ARC Infrastructure in the transport infrastructure sector
- K2fly has had continued wins in consultancy and advisory contracts, including with Tier 1 clients

OWNED SOFTWARE

Promotion of the Infoscope solution

The Infoscope system provides secure, powerful, comprehensive management of all information to operate efficiently, meet compliance requirements and reduce risk. Within major clients such as Fortescue Metals Group (FMG), the Infoscope solution is used to control and manage their Enterprise Land Management Function.

The Infoscope solution is directly applicable to the resources, utilities, infrastructure, environment & biodiversity, and cultural heritage sectors and supports the increasingly important desire of large-scale organisations to demonstrate their 'Social Licence to Operate' in the environments key to their business operations.

A number of synergies have been harvested through K2fly's acquisition of Infoscope. Given the opportunities that Infoscope presents to K2fly, Infoscope has quickly become a core product and has been integrated into the operations of K2fly, ensuring:

- Business development leverages the opportunities to position Infoscope into existing K2fly clients and to position K2fly's other technology offerings in existing Infoscope customers.

- Development Teams from other previous core functions have been gradually combined. The Infoscope platform is based on the Microsoft Suite. The Infoscope Development team have been engaged in other non-Infoscope related work in clients such as Arc Infrastructure.

SAP and K2fly's Infoscope solution

For more than a year, K2fly and SAP have been promoting the virtues of the Infoscope solution. K2fly have joined the SAP Partner Edge Program, they have ported the product to the SAP HANA platform and the Infoscope product has now taken its place on the SAP App Centre. This development ensures that SAP sales executives will receive sales commission if they sell the Infoscope solution to existing SAP accounts.

K2fly has been heavily involved in joint marketing activities with SAP. K2fly took part in the Future Mining Conference in Sydney in 2018 where it was a co-exhibitor with SAP. K2fly with SAP has showcased Infoscope at several national and international conferences and exhibitions in 2018. This included the prestigious World Mining event in Prague where the Infoscope solution was heavily promoted by both SAP and K2fly.

THIRD PARTY SOFTWARE

Kony

K2fly entered into a partnership and signed a reseller agreement with Kony Inc. (**Kony**) in 2017. According to most industry experts, Kony is the world's leading Mobile Application Development Platform (MADP). Built on the industry's leading digital platform, Kony provides innovative and secure omni-channel applications, with exceptional user experience and application design. Kony's cross-platform, low-code solution empowers organisations to develop and manage their own apps to better engage with their customers, partners and employees.

K2fly has two Kony clients; Programmed and FMG. K2fly is currently building industrial strength applications for both of these clients and is confident that there will be further opportunities in this area.

Fieldreach

K2fly resells the Fieldreach mobility solution which was developed by Capita (UK). This market leading solution is used by 50,000+ field workers in the utilities and rail sectors in the UK, Australia, USA and South Africa. K2fly has successfully deployed this solution to Arc Infrastructure in WA and is currently involved in a number of other promising sales opportunities with the Fieldreach product.

CONSULTANCY SERVICES

Our consulting staff are subject matter experts who bring leading edge advice to our clients. Consequently, K2fly continues to win consulting/advisory contracts, and contract extensions with Tier 1 clients such as Western Power, ABB, Public Transport Authority, Horizon Power, FMG and Programmed.

K2fly Awarded New Contracts with Western Power

K2fly continues to win consultancy work in Western Power. Staff are engaged on a number of projects including the Ellipse upgrade, the implementation of a Microsoft Dynamics CRM solution, the planning for a SAP Success Factors package and general asset management consultancy.

CORPORATE

Board Restructure

On 1 July 2018, Ms Jenny Cutri was appointed as Independent Non-Executive Chair of the Company, replacing Mr Brian Miller, who remains as CEO and Executive Director.

CCO Appointment

On 25 September 2018, the Company announced the appointment of Mr Nic Pollock as Chief Commercial Officer commencing 1 October 2018.

Annual General Meeting

The Company's Annual General Meeting (**AGM**) was held 26 November 2018, where all resolutions put to shareholders were passed. For more information, refer to the Notice of AGM and Results available via the Company's website at www.k2fly.com.

Change in Constitution

On 26 November 2018, the Company adopted a new constitution following the passing of a special resolution at the AGM.

Employee Incentive Option Plan

On 26 November 2018, the Company adopted an employee incentive scheme (**Employee Incentive Option Plan**) (**EIOP**), as approved by shareholders at the AGM.

Rights Issue

During the period, the Company undertook a capital raising by way of a fully underwritten non-renounceable pro-rata rights issue to raise $1,812,293 (before costs) (**Rights Issue**). Under the Rights Issue, eligible shareholders were invited to subscribe for 1 new share for every existing 10 shares held at an issue price of $0.30 per share, together with one listed option (ASX: K2FOA) for every four new shares subscribed for with an exercise price of $0.20 and expiry date of 18 May 2020.

The Rights Issue was fully underwritten by K S Capital Pty Limited. All Directors of K2fly participated in the Rights Issue. In addition to this, Brian Miller, Jenny Cutri and James Deacon sub-underwrote a total of $60,000 of the Rights Issue. In October 2018 a total of 6,040,976 shares and 1,510,244 listed options were issued pursuant to the Rights Issue.

Canary Mandate

On 22 November 2018, the Company announced it had executed a new mandate with Canary Capital Pty Ltd (**Canary Capital**), a boutique Sydney headquartered investment management and corporate advisory firm, to continue to provide investor marketing services to the Company (**Investor Marketing Mandate**).

Shares

During the period, the Company issued the following shares:

- 6,040,976 fully paid ordinary shares pursuant to the Rights Issue on 12 October 2018 and 24 October 2018;
- 12,000 fully paid ordinary shares upon exercise of listed options at $0.20 each on 26 October 2018;
- 202,500 fully paid ordinary shares upon vesting of performance rights on 5 November 2018; and
- 62,454 shares issued on 21 December 2018 to advisor Canary Capital pursuant to the Investor Marketing Mandate.

Listed Options

During the period, the Company issued 1,510,268 free attaching listed options for every 4 shares held at $0.20 expiring 18 May 2020 pursuant to the Rights Issue.

On 26 October 2018, a total of 12,000 listed options at $0.20 each were exercised.

Unlisted Options

During the period, the Company issued the following unlisted options:

- 1,304,371 unlisted options issued on 21 December 2018 to directors and consultants, as approved by shareholders at the Company's AGM, including:
  - 665,352 unlisted options exercisable at $0 each on or before 26 November 2020 (subject to vesting conditions) (**ZEP Options**); and
  - 639,019 unlisted options exercisable at $0.243 each on or before 26 November 2022 (subject to vesting conditions) (**PEP Options**).

- 1,962,045 unlisted options issued on 21 December 2018 to employees under its shareholder-approved Employee Incentive Option Plan, including:
  - 683,866 ZEP Options; and
  - 1,278,179 PEP Options.

Performance rights

On 5 November 2018, a total of 202,500 shares were issued in respect of vested performance rights.

On 20 November 2018, a total of 1,820,000 performance rights held by Mr Brian Miller were cancelled for nil consideration.

Escrowed Securities

During the period, the following securities were released from escrow:

- 3,525,642 fully paid ordinary shares on 6 July 2018;
- 16,345,644 fully paid ordinary shares released from escrow on 18 November 2018;
- 2,617,500 performance rights released from escrow on 18 November 2018;
- 1,920,000 unlisted options at $0.25 expiring 17 November 2020 released from escrow on 22 November 2018; and
- 800,000 unlisted options at $0.25 expiring 1 December 2020 released from escrow on 22 November 2018.

SIGNIFICANT EVENTS AFTER BALANCE DATE

On 25 January 2019 K2F announced it had signed a Time & Materials consultancy contract with ABB for work in the asset management arena. This assignment is worth approximately $1.5M and is likely to grow in 2019 and beyond.

On 25 January 2019 K2F announced it had signed a reseller agreement with Totalmobile from the UK. They offer a specialist scheduling solution.

On 13 February 2019, the Company announced that it had signed an agreement with mining services provider, Mineral Resources Limited, to provide and implement the Company's Infoscope enterprise software package.

Other than noted above, there has been no additional matter or circumstance that has arisen after balance date that has significantly affected, or may significantly affect, the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial periods.

AUDITOR'S INDEPENDENCE DECLARATION

Section 307C of the *Corporations Act 2001* requires our auditors, HLB Mann Judd, to provide the Directors of the Company with an Independence Declaration in relation to the review of the half-year financial report. This Independence Declaration is set out on page 6 and forms part of this Directors' report for the half-year ended 31 December 2018.

This report is signed in accordance with a resolution of the Board of Directors made pursuant to s306(3) of the *Corporations Act 2001*.

Brian Miller
Executive Director / CEO
Perth, 28 February 2019

Jenny Cutri
Non-Executive Chair
Perth, 28 February 2019

HLB MANN JUDD
ADVISORY AND ACCOUNTING

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the consolidated financial report of K2fly Limited for the half-year ended 31 December 2018, I declare that to the best of my knowledge and belief, there have been no contraventions of:

a) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

b) any applicable code of professional conduct in relation to the review.

Perth, Western Australia	**D I Buckley**
28 February 2019	**Partner**

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CONDENSED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

	Notes	Consolidated 31 December 2018	Consolidated 31 December 2017
		$	$
Revenue	3	1,828,662	937,396
Cost of sales		(1,290,842)	(462,169)
Gross profit		**537,820**	**475,227**
Other income	4	65,884	173
Administration expense		(124,980)	(85,553)
Compliance & regulatory expense		(97,184)	(64,007)
Consultancy expense		(179,572)	(157,962)
Depreciation & amortisation		(7,178)	(370,591)
Directors' fees		(60,000)	(72,000)
Employee benefits expense	5	(712,621)	(821,433)
Impairment of intangible asset		-	(913,573)
Impairment of exploration and evaluation		-	(309)
Impairment of receivables		(16,400)	-
Occupancy expense		(43,678)	(18,700)
Public relation & marketing expense		(118,976)	(86,075)
Research costs		(83,403)	(46,538)
Share-based payments revenue/(expense)	9	143,088	(452,310)
Travel expense		(87,164)	(75,044)
Loss before income tax expense		(784,364)	(2,688,695)
Income tax expense		-	-
Loss for the period		**(784,364)**	**(2,688,695)**
Other comprehensive income, net of income tax			
Items that may be reclassified to profit or loss			
Other comprehensive income for the period, net of tax		-	-
Total comprehensive loss for the period		**(784,364)**	**(2,668,695)**
Basic and diluted loss per share (cents)		**(1.25)**	**(4.95)**

The accompanying notes form part of the financial statements

CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Note	Consolidated 31 December 2018	Consolidated 30 June 2018
		$	$
ASSETS			
Current Assets			
Cash and cash equivalents		995,063	774,158
Trade and other receivables		755,507	654,771
Contract assets		68,750	22,457
Total Current Assets		1,819,320	1,451,386
Non-Current Assets			
Restricted cash		54,145	54,145
Plant and equipment		24,795	25,032
Goodwill		731,543	731,543
Other financial assets		844	844
Total Non-Current Assets		811,327	811,564
Total Assets		2,630,647	2,262,950
LIABILITIES			
Current Liabilities			
Trade and other payables	6	491,041	956,722
Contract liability		151,206	18,379
Total Current Liabilities		642,247	975,101
Non-Current Liabilities			
Provisions		31,261	29,333
Total Non-Current Liabilities		31,261	29,333
Total Liabilities		673,508	1,004,434
Net Assets		**1,957,139**	**1,258,516**
EQUITY			
Issued capital	7	14,862,660	13,136,705
Reserves	8	499,758	657,846
Accumulated losses		(13,405,279)	(12,536,035)
Total Equity		**1,957,139**	**1,258,516**

The accompanying notes form part of the financial statements

CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

Consolidated	Issued capital	Performance rights reserve	Option reserve	Available-for-sale reserve	Accumulated losses	Total equity
	$	$	$	$	$	$
Balance as at 1 July 2018	**13,136,705**	**372,900**	**284,826**	**120**	**(12,536,035)**	**1,258,516**
Adjustment on initial application of AASB 15	-	-	-	-	(84,880)	(84,880)
Balance as at 1 July 2018 (restated)	**13,136,705**	**372,900**	**284,826**	**120**	**(12,620,915)**	**1,173,636**
Loss for the period	-	-	-	-	(784,364)	(784,364)
Total comprehensive loss for the period	-	-	-	-	(784,364)	(784,364)
Issue of shares – rights issue	1,812,293	-	-	-	-	1,812,293
Issue of shares – exercise of options	2,400	-	-	-	-	2,400
Share issue costs	(108,738)	-	-	-	-	(108,738)
Share-based payments - shares	20,000	-	-	-	-	20,000
Share-based payments – performance rights forfeited	-	(173,800)	-	-	-	(173,800)
Share-based payments - options	-	-	15,712	-	-	15,712
Balance as at 31 December 2018	**14,862,660**	**199,100**	**300,538**	**120**	**(13,405,279)**	**1,957,139**
Balance as at 1 July 2017	**11,682,697**	**79,560**	**145,206**	**120**	**(7,125,762)**	**4,781,821**
Loss for the period	-	-	-	-	(2,688,695)	(2,688,695)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	-	(2,688,695)	(2,688,695)
Issue of shares	275,000	-	-	-	-	275,000
Share-based payments – shares	30,000	-	-	-	-	30,000
Share-based payments – performance rights	-	293,340	-	-	-	293,340
Share-based payments – options	-	-	139,620	-	-	139,620
Balance as at 31 December 2017	**11,987,697**	**372,900**	**284,826**	**120**	**(9,814,457)**	**2,831,086**

The accompanying notes form part of the financial statements

CONDENSED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

	Note	Consolidated 31 December 2018	Consolidated 31 December 2017
		$	$
Cash flows from operating activities			
Receipts from customers		1,934,196	1,120,005
Payments to suppliers and employees		(3,495,425)	(1,818,343)
Interest received		124	173
Government grants received		60,761	-
Reclassification to restricted cash		-	(54,145)
Net cash (used in) operating activities		(1,500,344)	(752,310)
Cash flows from investing activities			
Payments for plant and equipment		(6,940)	(11,418)
Payments for exploration and evaluation expenditure		-	(309)
Refunds for exploration and evaluation expenditure		27,457	-
Cash paid on acquisition of subsidiary		-	(475,000)
Cash acquired on acquisition of subsidiary		-	69,013
Net cash provided by/(used in) investing activities		20,517	(417,714)
Cash flows from financing activities			
Proceeds from the issue of shares	7	1,812,293	-
Payments for share issue costs	7	(108,738)	-
Proceeds from exercise of options	7	2,400	-
Repayment of borrowings		-	(150,247)
Net cash provided by/(used in) financing activities		1,705,955	(150,247)
Net increase/(decrease) in cash held		226,128	(1,320,271)
Cash at beginning of the period		774,158	1,743,582
Effects of exchange rate fluctuations on cash held		(5,223)	543
Cash and cash equivalents at the end of the period		**995,063**	**423,854**

The accompanying notes form part of the financial statements

1. STATEMENT OF SIGNFICANT ACCOUNTING POLICIES

(a) Statement of compliance

The half-year consolidated financial statements are general purpose financial statements prepared in accordance with the requirements of the *Corporations Act 2001*, applicable accounting standards including *AASB 134 Interim Financial Reporting*, Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board ('AASB'). Compliance with *AASB 134* ensures compliance with *IAS 34 Interim Financial Reporting*.

This condensed half-year financial report does not include full disclosures of the type normally included in an annual financial report. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the Group as in the full financial report.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2018 and any public announcements made by K2fly Limited (**K2fly**) (the **Company**) and its subsidiaries (the **Group**) during the half-year in accordance with continuous disclosure requirements arising under the *Corporations Act 2001* and the ASX Listing Rules.

(b) Basis of preparation

The half-year report has been prepared on a historical cost basis, except for the revaluation of certain financial instruments to fair value. Cost is based on the fair value of the consideration given in exchange for assets. The Company is domiciled in Australia and all amounts are presented in Australian dollars, unless otherwise noted.

For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

(c) Going concern

The interim financial statements have been prepared on a going concern basis which contemplates the continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

Notwithstanding the fact that the Company incurred an operating loss for the period ended 31 December 2018 of $784,364 (31 December 2017: $2,688,695 loss), had cash and cash equivalents of $995,063 at 31 December 2018 (30 June 2018: $774,158), had a net working capital surplus of $1,177,073 (30 June 2018: $446,952) and a net cash outflow from operating activities amounting to $1,500,344 (31 December 2017: $752,310), the Directors are of the opinion that the Company is a going concern for the reasons outlined below.

The Group's ability to continue as a going concern and to continue to fund its planned activities and operations is dependent on generating additional revenues from its operations and/or reducing operational costs, and if necessary raising further capital. Based on the management budget and our ongoing monitoring of our revenue, costs and cash position, at this stage the Company has no immediate plans to raise further cash to fund its current operations.

The Directors believe the Group will continue as a going concern, after consideration of the following factors:

- regular review of management accounts and cash flow forecast, incorporating expected cash inflows from sales invoice and collection of trade receivables;
- close management of both its operating costs and corporate overheads;
- sales pipeline for 2018-2019 continues to grow and K2F is confident of achieving further sales growth across a number of clients and different product offerings;
- existing contracts are expected to deliver materially significant revenue in the period 1 January to 30 June 2019 from both consulting activities and in software sales;
- current assets less current liabilities at 31 December 2018 are $1,177,073; and
- the Company has the ability to raise funds through equity issues.

(d) Adoption of new and revised standards

Standards and Interpretations applicable to 31 December 2018

In the half-year ended 31 December 2018, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Company and effective for the half-year reporting periods beginning on or after 1 July 2018.

As a result of this review, the Directors have determined that there is no material impact of the new and revised Standards and Interpretations on the Company and therefore no material change is necessary to Group accounting policies, other than the following:

AASB 15 Revenue from Contracts with Customers

AASB 15 replaces AASB 118 *Revenue* and AASB 111 *Construction Contracts* and related interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards.

The Group has applied *AASB 15 Revenue from Contracts with Customers* for the first time in the current period. AASB 15 establishes a single comprehensive income for entities to use in accounting for revenue arising from contracts with customers.

AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised, including in respect of multiple element arrangements. The core principle of AASB 15 is that it requires identification of distinct performance obligations within a transaction and associated transaction price allocation to these obligations. Revenue is recognised upon satisfaction of these performance obligations, which occur when control of goods or services is transferred, rather than on transfer of risks or rewards. Revenue received for a contract that includes a variable amount is subject to revised conditions for recognition, whereby it must be highly probable that no significant reversal of the variable component may occur when the uncertainties around its measurement are removed.

The core principle of AASB 15 is that an entity should 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 those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

The Group has adopted AASB 15 using the modified retrospective method of adoption (without practical expedients) with the effect of initially applying this standard recognised at the date of initial application, being 1 July 2018. Accordingly, the information presented for 31 December 2017 and 30 June 2018 has not been restated. The effect of the application of AASB 15 has been applied to all contracts at date of initial application. Where the effect is material, an adjustment has been recognised in the statement of changes in equity for the six months ended 31 December 2018. The nature and effect of these changes are disclosed below:

Impact on profit / (loss) for the half-year	**31 December 2018** **$**
Revenue	54,053
Cost of sales	-
Profit for the half-year	54,053

Impact on assets, liabilities and equity at 1 July 2018	As previously reported under AASB 118	AASB 15 Adjustment	As adjusted 1 July 2018
	$	$	$
Contract asset	-	68,750	68,750
Contract liability	(18,379)	(253,630)	(272,009)
Accumulated losses	(12,536,035)	(84,880)	(12,620,915)

Impact on assets, liabilities and equity at 31 December 2018	As previously reported under AASB 118	AASB 15 Adjustment	As adjusted 31 December 2018
	$	$	$
Contract asset	-	68,750	68,750
Contract liability	(51,629)	(99,577)	(151,206)
Accumulated losses	(13,474,452)	69,173	(13,405,279)

(e) Accounting policies and methods of computation

The accounting policies and methods of computation adopted are consistent with those of the previous financial year and corresponding interim reporting period. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards with the exception of the following:

Revenue

Revenue is recognised when the significant control of products has been transferred to the customer, recovery of the consideration is probable and the associated costs can be estimated reliably, there is no continuing management involvement with the goods and the amount of revenue can be measured reliably.

The Group generates its revenue from owned software, third-party software, and consulting and implementation services. Revenue is recognised based on the principles set out in AASB 15.

Revenue is recognised upon satisfaction of performance obligations, which occur when control of goods or services is transferred, rather than on transfer of risks or rewards.

Revenue is recognised either when the performance obligation in the contract has been performed (so “point in time” recognition) or “over time” as control of the performance obligation is transferred to the customer as determined in reference to the underlying contracts.

For all contracts the Group determines if the arrangement with a customer creates enforceable rights and obligations. The Group enters into contracts which contain extension periods, where the customer can choose to extend the contract or there is an automatic renewal, and/or termination clauses that could impact the actual duration of the contract. Judgement is applied to assess the impact that these clauses have when determining the appropriate contract term. The term of the contract impacts both the period over which revenue from performance obligations may be recognised.

For contracts that include software and services to be delivered management applies judgement to consider whether those promised services are (i) distinct – to be accounted for as separate performance obligations; (ii) not distinct – to be combined with other promised services until a bundle is identified that is distinct; or (iii) part of a series of distinct services that are substantially the same and have the same pattern of transfer to the customer.

At contract inception the total transaction price is estimated, being the amount to which the Group expects to be entitled and has rights to under the present contract. The transaction price does not include estimates of consideration resulting from change orders for additional services unless these are agreed. Once the total transaction price is determined, the Group allocates this to the identified performance obligations in proportion to their relative standalone selling prices and recognises revenue when (or as) those performance obligations are satisfied.

Licenses

Software licenses delivered by the Group can either be right to access ('active') or right to use ('passive') licenses. Active licenses require continuous upgrade and updates for the software to remain useful, all other license are treated as passive licenses. The assessment of whether a license is active or passive involves judgement. The key determinant of whether a licence is active is whether the Group is required to undertake activities that significantly affect the licensed intellectual property (or the customer has a reasonable expectation that it will do so) and the customer is, therefore, exposed to positive or negative impacts resulting from those changes.

When software upgrades are sold as part of the software license agreement (i.e. software upgrades are promised to the customer), the Group applies judgement to assess whether the software upgrade is distinct from the licence (i.e. a separate performance obligation). If the upgrade is considered fundamental to the ongoing use of the software by the customer, the upgrades are not considered distinct and not accounted for as a separate performance obligation.

The Group considers for each contract that includes a separate licence performance obligation all the facts and circumstances in determining whether the licence revenue is recognised over time or at a point in time from the go live date of the licence.

Owned Software Provided as a Service

The Group provides its Owned Software to customers as a service either on the customer's infrastructure or cloud hosted infrastructure sourced by the Group. The Group considers these licenses to be 'Active' licences as the customer has an expectation that the software will be continuously maintained so it remains functional. Much of this maintenance can be related to the infrastructure that the software operates on and is not specifically related to the software itself. Management judgement is that the performance obligation on these contracts occurs over time. Revenue is recognised over time, typically reflecting the annual payment nature of these contracts.

Owned Software provided via a Perpetual Licence

The Group provides its Owned Software to customers on a perpetual licence along with an annual support and maintenance arrangement. Management judgement is that the perpetual licence component of these contracts is a point in time performance obligation.

The customer has an expectation that the annual support and maintenance arrangement will lead to the software being continuously maintained so it remains functional. Much of this maintenance can be related to the infrastructure that the software operates on and is not specifically related to the software itself. Management judgement is that the annual support and maintenance arrangement is an over time performance obligation.

Third-party Software Provided as a Service

If in future, the Group provides third-party software to customers as a service either on the Customer's infrastructure or cloud hosted infrastructure typically provide by the third-party the Company may account for revenue as follows: the Group will consider if its its role in any contracts is as principal (as opposed to an agent), and will also consider if the Group is engaged to perform the implementation services of any third-party software licenses.

The Group may consider that these licenses are 'active' licences as the customer has an expectation that the software will be continuously maintained so it remains functional. Much of this maintenance can be related to the infrastructure that the software operates on and is generally not specifically related to the software itself.

Management judgement will consider if the performance obligation on these contracts occurs over time. Revenue may then be recognised over time, typically reflecting the annual payment nature of these type of contracts.

Third-party Software Provided via a Perpetual Licence

The Group provides third-party software to customers on a perpetual licence along with an annual support and maintenance arrangement. The Group considers its role in these contracts is as principal (as opposed to an agent), as the Group is engaged to perform the implementation services of these third-party software licences.

Management judgement is that the perpetual licence component of these contracts is a point in time performance obligation. The customer has an expectation that the annual support and maintenance arrangement will lead to the software being continuously maintained so it remains functional. Much of this maintenance can be related to the infrastructure that the software operates on and is not specifically related to the software itself. Management judgement is that the annual support and maintenance arrangement is an over time performance obligation.

Consulting and Implementation Services Provided on a Time and Materials Basis

The Group provides a range of services to customers on a 'time and materials' basis where the customer pays for the actual time spent by the Group's consultants delivering the service based on an hourly or daily rate.

The Group considers these services to be transactional services for which revenue is recognised at the point in time when control of the services has transferred to the customer.

Consulting and Implementation Services Provided on a Fixed Price Basis

The Group provides some services on a fixed price for a fixed scope of work basis. The contract duration for these services is typically less than one year. Each contract is broken down in to a set of performance obligations, with revenues and costs recognised on the achievement of each of the performance obligations.

Contract Assets and Contract Liabilities

The Group's customer contracts include a diverse range of payment schedules dependent on the nature and type of services being provided. The timing of invoicing of sales may differ to when revenue is recognised under this accounting policy. Where sales invoices raised are greater than the revenue recognised at the period end date, the Group recognises a deferred income contract liability for this difference. Where sales have not been invoiced in advance of the revenue being recognised at the period end date, the Group recognises an accrued income contract asset for this difference.

Government Grants

Research and Development
The Group undertakes expenditure on activities that are categorised as "eligible expenditure" under the Research and Development Tax Incentive which, dependent upon certain criteria, may be subject to a tax offset. Where a tax offset has been received or is receivable in cash, the Group accounts for the tax offset as follows:

- Where a grant is received or receivable in relation to research and development costs which have been capitalized, the tax offset is deducted from the carrying amount of the assets; or
- Where a grant is received or receivable in relation to research and development costs which have been charged to profit or loss during this or a prior financial year, the tax offset shall be credited to the Statement of Profit or Loss.

Other Grants
Government grants are recognised at their fair value where there is a reasonable assurance that the grant will be received, and the Group will comply with all attached conditions. Government grants relating to costs are

deferred and recognised in the profit and loss over the period necessary to match them with the costs that they are intended to compensate.

(f) Significant accounting judgement and key estimates

The preparation of the half-year financial report requires management to make judgments, 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.

Except as described below, in preparing this half-year financial report, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report for the year ended 30 June 2018.

In the half-year ended 31 December 2018, management's significant judgements were:

- Assessing whether indicators of impairment existed in relation to intangible assets
- Unlisted options (Note 9(b))
- Performance rights (Note 9(c))

2. SEGMENT NOTE

The Group has adopted AASB 8 Operating Segments which requires operating segments to be identified on the basis of internal reports about components of the Group that are reviewed by the Chief Operating Decision Maker in order to allocate resources to the segment and assess its performance. The Board of K2fly Limited reviews internal reports prepared as consolidated financial statements and strategic decisions of the Group are determined upon analysis of these internal reports. During the period, the Group operated predominantly in one business and geographical segment being the technology sector in Australia but identifies their revenue streams from consulting, hosting, sale of own software and sale of third-party software as its operating segment.

3. REVENUE

The Group derives its revenue from the sale of goods and the provision of services at a point in time and over time in the categories detailed below. The Group operates in one business and geographical segment being the technology sector in Australia. The revenue information disclosed below is consistent with reporting by segment under AASB 8 (see note 2).

	31 December 2018 $
At a point in time	
Consulting revenue	1,645,609
Sales of third-party software (provided via a perpetual license)	13,500
	1,659,109
Over time	
Hosting services revenue	11,750
Consulting revenue (customer development)	-
Sales of own software (provided as a service)	157,803
Sales of third-party software (provided via a perpetual license)	-
	169,553
	1,828,662

The Group recognised an impairment loss on receivables and contract assets from contracts with customers in the statement of comprehensive income, amounting to $16,400 for the six months ended 31 December 2018.

4. OTHER INCOME

	31 December 2018 $	31 December 2017 $
Interest income	124	173
R&D refund	38,760	-
Grant	22,000	-
Other	5,000	-
	65,884	173

5. EMPLOYEE BENEFITS EXPENSE

	31 December 2018 $	31 December 2017 $
Wages & salaries	464,639	709,173
Superannuation	48,714	62,623
Redundancies	118,880	-
Payroll tax	57,370	-
Fringe benefits tax	3,204	-
Training	8,061	5,352
Recruitment and relocation costs	11,753	44,285
	712,621	821,433

6. TRADE AND OTHER PAYABLES

	31 December 2018 $	30 June 2018 $
Current		
Accounts payable	126,551	285,129
Accrued expenses	33,308	207,164
Other payables (a)	56,992	172,746
Employee liabilities	274,190	291,683
	491,041	956,722

(a) Includes an amount of nil (30 June 2018: $68,750) owing to Kalgoorlie Mine Management as stipulated in the Amended and Restated Sale of Asset Agreement in respect of consulting fees.

7. ISSUED CAPITAL

	31 December 2018 $	30 June 2018 $
Issued and paid up capital	17,287,972	15,453,279
Share issue costs	(2,425,312)	(2,316,574)
	14,862,660	13,136,705

	6 months to 31 December 2018		Year to 30 June 2018	
Reconciliation	**Number**	**$**	**Number**	**$**
Opening balance	60,409,751	13,136,705	50,867,535	11,682,697
Shares issued – InfoScope acquisition (07/07/2017)	-	-	3,525,642	275,000
Shares issued to advisors (01/11/2017)	-	-	120,000	15,000
Shares issued to advisors (28/12/2017)	-	-	79,365	15,000
Share cancellation (15/01/2018)	-	-	(200,000)	-
Share issue (15/01/2018)	-	-	200,000	-
Shares issued – Placement (02/02/2018)	-	-	4,897,209	1,224,302
Shares issued – Vesting of performance rights (16/04/2018)	-	-	920,000	-
Shares issued – Rights Issue (a)	6,040,976	1,812,293	-	-
Shares issued – Exercise of options (b)	12,000	2,400	-	-
Shares issued – Vesting of performance rights (c)	202,500	-	-	-
Shares issued to advisors (d)	62,454	20,000	-	-
Share issue costs	-	(108,738)	-	(75,294)
Closing balance	66,727,681	14,862,660	60,409,751	13,136,705

(a) During the period, the Company undertook a capital raising by way of a fully underwritten non-renounceable pro-rata rights issue to raise $1,812,293 (before costs) (**Rights Issue**). Under the Rights Issue, eligible shareholders were invited to subscribe for 1 new share for every existing 10 shares held at an issue price of $0.30 per share, together with one listed option (ASX: K2FOA) for every four new shares subscribed for with an exercise price of $0.20 and expiry date of 18 May 2020.

The Rights Issue was fully underwritten by K S Capital Pty Limited. All Directors of K2F participated in the Rights Issue. In addition to this, Brian Miller, Jenny Cutri and James Deacon sub-underwrote a total of $60,000 of the Rights Issue. In October 2018 a total of 6,040,976 shares and 1,510,244 listed options were issued pursuant to the Rights Issue.

(b) On 26 October 2018, a total of 12,000 shares were issued upon the exercise of $0.20 listed options for $2,400.

(c) On 5 November 2018, a total of 202,500 shares were issued in respect of vested performance rights, following receipt of a conversion notice from the holder.

(d) On 22 November 2018, the Company announced it had executed a new mandate with Canary Capital Pty Ltd (**Canary Capital**), a boutique Sydney headquartered investment management and corporate advisory firm, to continue to provide investor marketing services to the Company (**Investor Marketing Mandate**).

On 21 December 2018, a total of 62,454 shares were issued to Canary Capital pursuant to Investor Marketing Mandate as equity-settled fees for the eight-month period from July 2018 to February 2019, valued at $20,000. Of this amount, $15,000 has been recognised as a share-based payment expense during the period (refer note 9(a)), with the balance of $5,000 included in trade and other payables at 31 December 2018.

8. RESERVES

	31 December 2018 $	30 June 2018 $
Performance rights reserve (a)	199,100	372,900
Option reserve (b)	300,538	284,826
Available-for-sale reserve	120	120
	499,758	657,846
(a) *Movements in performance rights reserve:*		
Carrying amount at the beginning of the period	372,900	79,560
Issue of performance rights - Share based payment expense/(reversal) recorded through profit or loss	(173,800)	293,340
Carrying amount at the end of the period	199,100	372,900
(b) *Movements in option reserve:*		
Carrying amount at the beginning of the period	284,826	145,206
Issue of unlisted options – Infoscope Acquisition	-	10,650
Issue of unlisted options - Share-based payments expense recorded through profit or loss	15,712	128,970
Carrying amount at the end of the period	300,538	284,826

9. SHARE-BASED PAYMENTS EXPENSE

Total costs arising from share-based payment transactions recognised as an expense during the period were as follows:

	31 December 2018 $	31 December 2017 $
Shares issued to advisor (a)	15,000	30,000
Unlisted options issued to advisor	-	128,970
Unlisted options issued to directors, employees and consultants (b)	15,712	-
Performance rights issued to directors/(reversal) (c)	(173,800)	293,340
	(143,088)	452,310

(a) Shares

On 21 December 2018, a total of 62,454 shares were issued to Canary Capital pursuant to Investor Marketing Mandate. Refer note 7(d) for further details.

(b) Unlisted options

During the period, the Company issued the following unlisted options:

- 1,304,371 unlisted options issued on 21 December 2018 to directors and consultants, as approved by shareholders at the Company's AGM, including:
  - 665,352 unlisted options exercisable at $0 each on or before 26 November 2020 (subject to vesting conditions) (**ZEP Options**); and
  - 639,019 unlisted options exercisable at $0.243 each on or before 26 November 2022 (subject to vesting conditions) (**PEP Options**); and

- 1,962,045 unlisted options issued on 21 December 2018 to employees under its shareholder approved Employee Incentive Option Plan (**EIOP**), including:
  - 683,866 ZEP Options; and
  - 1,278,179 PEP Options.

Fair Value of ZEP Options

The fair value of ZEP Options was calculated using a probability-based valuation methodology with reference to the share price at grant date to issue the ZEP Options.

Class	Recipient	Number Issued	Value per ZEP Option	Expected % to vest	Condition	Vested / Not Vested	Total Value $
Class A	Executive Director / CEO	341,933	$0.170	35%	Non-Market	Not Vested	$20,345
Class B	Non-Executive Directors	267,657	$0.170	100%	Non-Market	Not Vested	$45,502
Class C	Consultants	55,762	$0.170	100%	Non-Market	Not Vested	$9,480
Class D	Employees (EIOP participants)	683,866	$0.170	37%	Non-Market	Not Vested	$42,808
		1,349,218					$118,135

Fair Value of PEP Options

The fair value of PEP Options was determined using a Black-Scholes option pricing model. The following table lists the input to the model for the options:

	PEP Options
Dividend yield (%)	Nil
Expected volatility (%)	96.64%
Risk free interest rate (%)	2.22%
Exercise price ($)	$0.243
Marketability discount (%)	Nil
Expected life of options (years)	4.0
Share price at grant date ($)	$0.170
Value per option ($)	$0.1054

Exercise of options

No unlisted options were exercised during the period.

(c) Performance rights

During the half-year ended 31 December 2018, an amount of $173,800 reversal of share-based payment expense was recognised in respect of performance rights issued to Directors of the Company. Shareholder approval for the issue of these Performance Rights was obtained at the Company's annual general meeting held on 21 November 2017. As disclosed in the Company's recent Annual Report, an amount of $372,900 had been previously recognised in respect of the 3,740,000 performance rights initially issued.

The share-based payment expense reversal of $173,800 in the current period arose due to the cancellation of 1,820,000 performance rights held by Mr Brian Miller on 20 November 2018.

The fair value of the performance rights was calculated by using a probability-based valuation methodology with reference to the share price at grant date to issue the Performance Rights. The following table summarises the valuation of the performance rights issued including those converted to shares and excluding performance rights now cancelled.

	Number	Value per Performance right	Probability	Condition	Vested / Not Vested	Total Value $
Class 1	320,000	$0.11	100%	Non-Market	Vested	35,200
Class 2	110,000	$0.11	100%	Market	Not vested	12,100
Class 3	110,000	$0.11	100%	Market	Not vested	12,100
Class 4	110,000	$0.11	0%	Non-Market	Not vested	-
Class 5	350,000	$0.11	100%	Non-Market	Vested	38,500
Class 6	350,000	$0.11	100%	Non-Market	Vested	38,500
Class 7	110,000	$0.11	100%	Non-Market	Not vested	12,100
Class 8	110,000	$0.11	100%	Non-Market	Not vested	12,100
Class 9	110,000	$0.11	100%	Non-Market	Not vested	12,100
Class 10	240,000	$0.11	100%	Non-market	Vested	26,400
	1,920,000					199,100

These performance rights, upon milestone achievements being met (vesting), will convert into shares at the election of the holder (on a one for one basis). Milestones attached to the Performance Rights are as follows:

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

During the period, a total of 202,500 shares were issued in respect of vested performance rights.

At 31 December 2018, there remained 797,500 performance rights on issue. Of this balance, 137,500 performance rights have vested.

10. RELATED PARTY DISCLOSURES

Key Management Personnel (KMP)

There has been no change in key management personnel (**KMP**) nor arrangements regarding remuneration for services provided since the last annual reporting period.

Unlisted Options issued to directors or director related entities

Following receipt of shareholder approval at the AGM, the following unissued options were issued to directors or director related entities:

- 341,933 ZEP Options and 639,019 PEP Options were issued to Dr Roslyn Jane Carbon, spouse of Mr Brian Miller;
- 89,219 ZEP Options were issued to M Cavanagh and T Cavanagh <ECMC Family Trust>, a family trust associated with Ms Jenny Cutri;
- 89,219 ZEP Options were issued to Mr James Deacon; and
- 89,219 ZEP Options were issued to Mr Neil William Canby <Neil Canby Family A/C>.

Securities issued to directors or director related entities pursuant to the Rights Issue

As detailed at note 7(a), all Directors of K2F participated in the Rights Issue. In addition to this, certain Directors sub-underwrote a total of $60,000 of the Rights Issue. The amounts sub-underwritten by Mr Brian Miller, Ms Jenny Cutri and Mr James Deacon were $25,000, $30,000 and $5,000 respectively.

11. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There has been no change in contingent liabilities or contingent assets since the last annual reporting period.

12. SIGNIFICANT EVENTS AFTER BALANCE DATE

On 25 January 2019 K2F announced it had signed a Time & Materials consultancy contract with ABB for work in the asset management arena. This assignment is worth approximately $1.5M and is likely to grow in 2019 and beyond.

On 25 January 2019 K2F announced it had entered into a reseller agreement with Totalmobile from the UK. They offer a specialist scheduling solution.

On 13 February 2019, the Company announced that it had signed an agreement with mining services provider, Mineral Resources Limited, to provide and implement the Company's Infoscope enterprise software package.

Other than noted above, there has been no additional matter or circumstance that has arisen after balance date that has significantly affected, or may significantly affect, the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial periods.

The Directors declare that:

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

i. complying with Australian Accounting Standards, the *Corporations Regulations 2001*, professional reporting requirements and other mandatory requirements;

ii. giving a true and fair view of the Group's financial position as at 31 December 2018 and of its performance for the year then ended.

(b) There are reasonable grounds to believe that K2fly Limited 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 s303(5) of the *Corporations Act 2001*.

On behalf of the Directors

Brian Miller
Executive Director / CEO
Perth, 28 February 2019

Jenny Cutri
Non-Executive Chair
Perth, 28 February 2019

HLB MANN JUDD
ADVISORY AND ACCOUNTING

INDEPENDENT AUDITOR'S REVIEW REPORT
To the members of K2fly Limited

Report on the Condensed Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of K2fly Limited ("the company") which comprises the condensed statement of financial position as at 31 December 2018, the condensed statement of comprehensive income, the condensed statement of changes in equity and the condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory notes, and the directors' declaration, for the Group comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

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 Limited is not in accordance with the *Corporations Act 2001* including:

(a) giving a true and fair view of the Group's financial position as at 31 December 2018 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and 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 Group's financial position as at 31 December 2018 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 the company, 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.

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Independence

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

HLB Mann Judd
Chartered Accountants

D I Buckley
Partner

Perth, Western Australia
28 February 2019