

ASX / Media Release

8 May 2020

ASX code: **K2F**

Exercise of Listed Options Partially Underwritten

K2fly Limited (**ASX: K2F**) (**K2fly** or **Company**) is pleased to announce it has entered into an underwriting agreement in respect of the 7,650,000 listed options exercisable at \$0.20 per option, expiring 18 May 2020 (**ASX: K2FOA**) (**Options**) with K S Capital Pty Limited (**Underwriter**) up to an amount of \$1.53 million (**Underwriting Agreement**). This represents approximately 60% of K2FOA Options on issue. Pursuant to the Underwriting Agreement there is no discount to the Option exercise price, as the price for the shortfall shares, to be issued on exercise of the Options, is \$0.20 per share.

The Underwriting Agreement contains indemnities and warranties usual for an agreement of this nature with material terms and conditions set out in Annexure A to this announcement.

In accordance with ASX Listing Rule 3.11.3, the Company advises that K S Capital Pty Limited is not a related party of the Company. The Underwriter will be paid a fee of 6% of the underwritten amount, plus will be issued one unlisted option in the Company (with an exercise price of \$0.30 each and expiry date of 3 years from the date of issue) for every 4 Options underwritten (**New Option**). Any shortfall shares to be issued to the Underwriter are expected to be issued in accordance with ASX Listing Rule 7.2 (Exception 7.10) and therefore shareholder approval will not be sought. The Company proposes to utilise part of its 15% placement capacity under Listing Rule 7.1 to issue the New Options.

The Company also reminds Option holders of the upcoming expiry of the Options. Official quotation of the Options will cease at close of trading on 12 May 2020.

If Options holders wish to exercise all or part of their Options (in multiples of 1000), simply provide the Company your completed written exercise notice specifying the number of Options being exercised and a payment of funds for the total exercise price for the number of Options being exercised by 5:00pm WST 18 May 2020. For additional details, Option holders should refer to the letter sent to them and announced on 15 April 2020.

Commenting on the Underwriting Agreement, K2F CEO Brian Miller said, "We are delighted to welcome new individual and institutional investors into the fold. We have an exciting future ahead of us and it's always heartening that our existing shareholders have also shown faith in where we are heading. Given some of the turmoil impacting the global economies at the moment we are very pleased that people are backing K2F to have a successful 2020 and beyond."

Announcement authorised for release by the board of K2F.

ENDS

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Annexure A

The Underwriting Agreement is subject to the following material terms:

1. The Company has agreed:
 - a. to pay the Underwriter an underwriting fee of 6% of the total amount underwritten;
 - b. to issue the Underwriter one option in the Company (with an exercise price of \$0.30 each and expiry date of 3 years from the date of issue) for every 4 Options underwritten (**New Option**); and
 - c. reimburse the Underwriter for out-of-pocket expenses directly related to this transaction.
2. The Underwriter may procure such persons to sub-underwrite this transaction as the Underwriter in its sole and absolute discretion thinks fit.
3. The events of default are outlined below.

Events of default

The obligation of the Underwriter to underwrite the Offer is subject to certain events of termination. Subject to the material adverse effect qualification described below, the Underwriter may terminate its obligations under the Underwriting Agreement if one or more of the following occurs:

- (a) (**indices fall**) the S&P/ASX 200 Index, or the S&P/ASX Small Ordinaries Index or the Dow Jones is at any time after the date of this Agreement 7.5% or more below its respective level as at the close of business on the Business Day prior to the date of this Agreement;
- (b) (**Certificate**) the Certificate is not given in accordance with the requirements of the Underwriting Agreement or, if so given, is or becomes incorrect in whole or in part;
- (c) (**Admission to ASX**) the Shortfall Shares are not approved for official quotation by ASX, or if approval is granted, the approval is subsequently withdrawn, qualified or withheld;
- (d) (**directors**) any director of the Company is charged with or convicted of any indictable criminal offence;
- (e) (**banking facilities**) the Company's bankers terminating or issuing any demand or penalty notice or amending the terms of any existing facility or claiming repayment or accelerated repayment of any facility or requiring additional security for any existing facility;
- (f) (**changes of law**) any law, bill or other measure is introduced or announced by the Government of Australia, the Government of any Australian State or Territory, or any responsible minister of any such Government, or any policies are adopted or announced by the Reserve Bank of Australia or any other relevant fiscal authority (in Australia), which has or might in the reasonable opinion of the Underwriter have a Material Adverse Effect on the prospects of the exercise of Options being made prior to the Expiry Date;
- (g) (**return of capital or financial assistance**) the Company or any of its Related Bodies Corporate takes any steps to undertake a proposal contemplated under

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section 257A or passes or takes any steps to pass a resolution under section 260B of the Corporations Act, without the prior written consent of the Underwriter;

- (h) **(breach)** the Company commits or permits any breach or default of any provisions of this Agreement and, if the breach or default is capable of being remedied, fails to remedy the breach or default within 5 Business Days of the Underwriter serving written notice on the Company requiring the breach or default to be remedied;
- (i) **(failure to comply)** the Company or any of its Related Bodies Corporate fails to comply with any of the following:
 - (i) a provision of its Constitution;
 - (ii) any statute;
 - (iii) a requirement, order or request, made by or on behalf of the ASIC or any Governmental Agency; or
 - (iv) any material agreement entered into by it;
- (j) **(Insolvency Event)** an Insolvency Event occurs with respect to the Company or any of its Related Bodies Corporate;
- (k) **(alteration of capital structure or constitution)** the Company alters its capital structure or its Constitution without the prior written consent of the Underwriter (other than as permitted under this Agreement);
- (l) **(hostilities)** there is an outbreak of hostilities or a material escalation of hostilities (whether or not war has been declared) after the date of this Agreement involving one or more of Australia, New Zealand, Indonesia, Japan, Russia, the United Kingdom, the United States of America, the Peoples Republic of China or any member of the European Union;
- (m) **(extended Force Majeure)** a Force Majeure, which prevents or delays an obligation under this Agreement, lasting in excess of 2 weeks occurs;
- (n) **(default)** the Company is in default of any of the terms and conditions of this Agreement or breaches any warranty or covenant given or made by it under this Agreement;
- (o) **(adverse change)** any adverse change occurs which materially impacts the operational or financial position of the Company or any of its Related Bodies Corporate (including but not limited to an administrator, receiver, receiver and manager, trustee or similar official being appointed over any of the assets or undertaking of the Company or any of its Related Bodies Corporate);
- (p) **(investigation)** any person is appointed under any legislation in respect of companies to investigate the affairs of the Company or any of its Related Bodies Corporate;
- (q) **(Prescribed Occurrence)** a Prescribed Occurrence occurs;

- (r) **(suspension of debt payments)** the Company suspends payment of its debts generally;
- (s) **(litigation)** litigation, arbitration, administrative or industrial proceedings are after the date of this Agreement commenced against the Company or any of its Related Bodies Corporate;
- (t) **(Board and senior management composition)** there is a change in the composition of the Board or a change in the senior management of the Company before the date of issue of the Shortfall Shares without the prior written consent of the Underwriter (which consent is not to be unreasonably withheld);
- (u) **(breach of material contracts)** any material contract to which the Company or any of its Related Bodies Corporate is a party is terminated or substantially modified;
- (v) **(judgment against)** a judgment in an amount exceeding \$100,000 is obtained against the Company or any of its Related Bodies Corporate and is not set aside or satisfied within 7 days; or
- (w) **(false or misleading information given to the Underwriter)** any information supplied by the Company or any person on its behalf to the Underwriter or its employees or agents in respect of the Options is or becomes materially false or misleading.

(each, a **Termination Event**)

The Underwriter may not exercise its rights to terminate unless the occurrence of a Termination Event has a material adverse effect on the condition, trading or financial position and performance, profits and losses, results, prospects, business or operations of the Company and its subsidiaries.

For further information, please contact:

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About K2fly

K2fly Ltd is an ASX listed technology company which targets asset intensive industries. It supplies people, products and strategic alliances focussed on solving problems for clients.

K2fly owns the following Software Solutions:

- **Mineral Resource Governance - RCubed** a resource and reserve reporting solution that supports reporting codes such as JORC, NI43101 and SAMREC across the major stock exchanges – including NYSE, LSE, TSX, ASX and JSE; and
- **Natural Resource Governance - Infoscope**, an Enterprise Land Management, Natural Resource Governance and Stakeholder Relations solution for the Energy and Resources market.

K2fly has strategic alliances with global technology companies such as Esri (USA), SAP (Germany) and ABB (Switzerland).

K2fly also re-sells market leading software which has been developed by industry leaders in the USA, Europe and the UK. These solutions come from, Kony (USA), ABB (Switzerland), and Capita plc (UK), where they have an outstanding track record of delivering benefits to clients.

In addition, K2fly provides cutting edge advice, consultancy and services when it deploys its subject matter experts who have extensive domain knowledge in such areas as Rail, Electricity, Gas, Water, Mining, Oil & Gas, and Facilities Management.

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