

Appendix 3B

New issue announcement, application for quotation of additional securities and agreement

Information or documents not available now must be given to ASX as soon as available. Information and documents given to ASX become ASX's property and may be made public.

Introduced 01/07/96 Origin: Appendix 5 Amended 01/07/98, 01/09/99, 01/07/00, 30/09/01, 11/03/02, 01/01/03, 24/10/05, 01/08/12, 04/03/13

Name of entity

K2FLY LIMITED

ABN

69 125 345 502

We (the entity) give ASX the following information.

Part 1 - All issues

You must complete the relevant sections (attach sheets if there is not enough space).

- | | | |
|---|---|--|
| 1 | +Class of +securities issued or to be issued | (a) Zero Exercise Price Unlisted Options
(ZEP Options)
(b) Zero Exercise Price Unlisted Options
(ZEP Options)
(c) Premium Exercise Price Unlisted Options
(PEP Options) |
| 2 | Number of +securities issued or to be issued (if known) or maximum number which may be issued | (a) 700,000 ZEP Options
(b) 367,920 ZEP Options
(c) 683,280 PEP Options |
| 3 | Principal terms of the +securities (e.g. if options, exercise price and expiry date; if partly paid +securities, the amount outstanding and due dates for payment; if +convertible securities, the conversion price and dates for conversion) | (a) Unlisted options exercisable at \$0 each on or before 25 November 2021
(b) Unlisted options exercisable at \$0 each on or before 25 November 2021 (subject to vesting condition)
(c) Unlisted options exercisable at \$0.291 each on or before 25 November 2023 (subject to vesting condition) |

+ See chapter 19 for defined terms.

4	<p>Do the +securities rank equally in all respects from the +issue date with an existing +class of quoted +securities?</p> <p>If the additional +securities do not rank equally, please state:</p> <ul style="list-style-type: none"> • the date from which they do • the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment • the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment 	<p>(a) Options will rank equally if converted or exercised into ordinary shares</p> <p>(b) Options will rank equally if converted or exercised into ordinary shares</p> <p>(c) Options will rank equally if converted or exercised into ordinary shares</p>
5	<p>Issue price or consideration</p>	<p>(a) Nil</p> <p>(b) Nil</p> <p>(c) Nil</p>
6	<p>Purpose of the issue (If issued as consideration for the acquisition of assets, clearly identify those assets)</p>	<p>(a) In respect of the 700,000 ZEP Options issued:</p> <p>(i) 600,000 were issued to related parties (Non-Executive Directors) as approved by shareholders at the Company's annual general meeting held 25 November 2019 (AGM); and</p> <p>(ii) 100,000 were issued to a consultant (Bellatrix Corporate Pty Ltd) as approved by shareholders at the AGM.</p> <p>(b) 367,920 ZEP Options were issued to related party (Executive Director) as approved by shareholder the AGM.</p> <p>(c) 683,280 PEP Options were issued to related party (Executive Director) as approved by shareholder the AGM.</p>
6a	<p>Is the entity an +eligible entity that has obtained security holder approval under rule 7.1A?</p> <p>If Yes, complete sections 6b – 6h in relation to the +securities the subject of this Appendix 3B, and comply with section 6i</p>	<p>Yes</p>

+ See chapter 19 for defined terms.

6b	The date the security holder resolution under rule 7.1A was passed	25 November 2019
6c	Number of +securities issued without security holder approval under rule 7.1	Nil
6d	Number of +securities issued with security holder approval under rule 7.1A	Nil
6e	Number of +securities issued with security holder approval under rule 7.3, or another specific security holder approval (specify date of meeting)	(a)(ii) 100,000 ZEP Options were issued with shareholder approval under LR 7.3 at the AGM
6f	Number of +securities issued under an exception in rule 7.2	<p>(a)(i) 600,000 ZEP Options were issued with shareholder approval under LR 10.11 and LR 7.2</p> <p>(b) 367,920 ZEP Options were issued with shareholder approval under LR 10.11 and LR 7.2</p> <p>(c) 683,280 PEP Options were issued with shareholder approval under LR 10.11 and LR 7.2</p>
6g	If +securities issued under rule 7.1A, was issue price at least 75% of 15 day VWAP as calculated under rule 7.1A.3? Include the +issue date and both values. Include the source of the VWAP calculation.	Not applicable
6h	If +securities were issued under rule 7.1A for non-cash consideration, state date on which valuation of consideration was released to ASX Market Announcements	Not applicable
6i	Calculate the entity's remaining issue capacity under rule 7.1 and rule 7.1A – complete Annexure 1 and release to ASX Market Announcements	<p>7.1 – 12,301,362</p> <p>7.1A – 8,200,908</p>

+ See chapter 19 for defined terms.

7 +Issue dates

Note: The issue date may be prescribed by ASX (refer to the definition of issue date in rule 19.12). For example, the issue date for a pro rata entitlement issue must comply with the applicable timetable in Appendix 7A.

Cross reference: item 33 of Appendix 3B.

20 December 2019

8 Number and +class of all +securities quoted on ASX (including the +securities in section 2 if applicable)

Number	+Class
82,009,082	Fully paid ordinary shares
13,264,178	Listed Options exercisable at \$0.20 each on or before 18 May 2020 (tradeable under ASX code: K2FOA)

9 Number and +class of all +securities not quoted on ASX (including the +securities in section 2 if applicable)

Number	+Class
1,920,000	Unlisted Options exercisable at \$0.25 each on or before 17 November 2020
800,000	Unlisted Options exercisable at \$0.25 each on or before 1 December 2020
350,000	Unlisted Options exercisable at \$0.25 each on or before 7 July 2020
400,000	Unlisted Options exercisable at \$0.225 each on or before 28 December 2019
450,000	Unlisted Options exercisable at \$0.250 each on or before 28 December 2019
155,921	Unlisted Options exercisable at \$0 each on or before 26 November 2020 (subject to vesting conditions)
270,933	Unlisted Options exercisable at \$0 each on or before 26 November 2020 (subject to vesting conditions) issued under EIOP
750,000	Unlisted Options exercisable at \$0.35 each on or before 11 October 2022

+ See chapter 19 for defined terms.

639,019	Unlisted Options exercisable at \$0.243 each on or before 26 November 2022 (subject to vesting conditions)
1,278,179	Unlisted Options exercisable at \$0.243 each on or before 26 November 2022 (subject to vesting conditions) issued under EIOP
700,000	Unlisted Options exercisable at \$0 each on or before 25 November 2021
367,920	Unlisted Options exercisable at \$0 each on or before 25 November 2021 (subject to vesting conditions)
748,980	Unlisted Options exercisable at \$0 each on or before 25 November 2021 (subject to vesting conditions) issued under EIOP
683,280	Unlisted Options exercisable at \$0.291 each on or before 25 November 2023 (subject to vesting conditions)
1,401,600	Unlisted Options exercisable at \$0.291 each on or before 25 November 2023 (subject to vesting conditions) issued under EIOP
797,500	Performance Rights

- | | | |
|----|--|---|
| 10 | Dividend policy (in the case of a trust, distribution policy) on the increased capital (interests) | The Directors do not anticipate declaring a dividend in the foreseeable future. |
|----|--|---|

Part 2 - Pro rata issue

- | | | |
|----|--|----------------|
| 11 | Is security holder approval required? | Not applicable |
| 12 | Is the issue renounceable or non-renounceable? | Not applicable |

+ See chapter 19 for defined terms.

13	Ratio in which the +securities will be offered	Not applicable
14	+Class of +securities to which the offer relates	Not applicable
15	+Record date to determine entitlements	Not applicable
16	Will holdings on different registers (or subregisters) be aggregated for calculating entitlements?	Not applicable
17	Policy for deciding entitlements in relation to fractions	Not applicable
18	Names of countries in which the entity has security holders who will not be sent new offer documents Note: Security holders must be told how their entitlements are to be dealt with. Cross reference: rule 7.7.	Not applicable
19	Closing date for receipt of acceptances or renunciations	Not applicable
20	Names of any underwriters	Not applicable
21	Amount of any underwriting fee or commission	Not applicable
22	Names of any brokers to the issue	Not applicable
23	Fee or commission payable to the broker to the issue	Not applicable
24	Amount of any handling fee payable to brokers who lodge acceptances or renunciations on behalf of security holders	Not applicable
25	If the issue is contingent on security holders' approval, the date of the meeting	Not applicable
26	Date entitlement and acceptance form and offer documents will be sent to persons entitled	Not applicable

+ See chapter 19 for defined terms.

27	If the entity has issued options, and the terms entitle option holders to participate on exercise, the date on which notices will be sent to option holders	Not applicable
28	Date rights trading will begin (if applicable)	Not applicable
29	Date rights trading will end (if applicable)	Not applicable
30	How do security holders sell their entitlements <i>in full</i> through a broker?	Not applicable
31	How do security holders sell <i>part</i> of their entitlements through a broker and accept for the balance?	Not applicable
32	How do security holders dispose of their entitlements (except by sale through a broker)?	Not applicable
33	⁺ Issue date	Not applicable

⁺ See chapter 19 for defined terms.

Part 3 - Quotation of securities

You need only complete this section if you are applying for quotation of securities

34 Type of ⁺securities
(tick one)

(a) ☒ ⁺Securities described in Part 1

(b) ☐ All other ⁺securities

Example: restricted securities at the end of the escrowed period, partly paid securities that become fully paid, employee incentive share securities when restriction ends, securities issued on expiry or conversion of convertible securities

Entities that have ticked box 34(a)

Additional securities forming a new class of securities

Tick to indicate you are providing the information or documents

35 ☐ If the ⁺securities are ⁺equity securities, the names of the 20 largest holders of the additional ⁺securities, and the number and percentage of additional ⁺securities held by those holders

36 ☐ If the ⁺securities are ⁺equity securities, a distribution schedule of the additional ⁺securities setting out the number of holders in the categories

1 - 1,000
1,001 - 5,000
5,001 - 10,000
10,001 - 100,000
100,001 and over

37 ☐ A copy of any trust deed for the additional ⁺securities

Entities that have ticked box 34(b)

38 Number of ⁺securities for which ⁺quotation is sought

Not applicable

39 ⁺Class of ⁺securities for which quotation is sought

Not applicable

⁺ See chapter 19 for defined terms.

40	<p>Do the ⁺securities rank equally in all respects from the ⁺issue date with an existing ⁺class of quoted ⁺securities?</p> <p>If the additional ⁺securities do not rank equally, please state:</p> <ul style="list-style-type: none"> • the date from which they do • the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment • the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment 	Not applicable	
41	<p>Reason for request for quotation now</p> <p>Example: In the case of restricted securities, end of restriction period</p> <p>(if issued upon conversion of another ⁺security, clearly identify that other ⁺security)</p>	Not applicable	
42	Number and ⁺ class of all ⁺ securities quoted on ASX (including the ⁺ securities in clause 38)	Number	⁺ Class
		Not applicable	Not applicable

+ See chapter 19 for defined terms.

Quotation agreement

1 +Quotation of our additional +securities is in ASX's absolute discretion. ASX may quote the +securities on any conditions it decides.

2 We warrant the following to ASX.

- The issue of the +securities to be quoted complies with the law and is not for an illegal purpose.
- There is no reason why those +securities should not be granted +quotation.
- An offer of the +securities for sale within 12 months after their issue will not require disclosure under section 707(3) or section 1012C(6) of the Corporations Act.

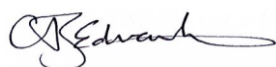
Note: An entity may need to obtain appropriate warranties from subscribers for the securities in order to be able to give this warranty

- Section 724 or section 1016E of the Corporations Act does not apply to any applications received by us in relation to any +securities to be quoted and that no-one has any right to return any +securities to be quoted under sections 737, 738 or 1016F of the Corporations Act at the time that we request that the +securities be quoted.
- If we are a trust, we warrant that no person has the right to return the +securities to be quoted under section 1019B of the Corporations Act at the time that we request that the +securities be quoted.

3 We will indemnify ASX to the fullest extent permitted by law in respect of any claim, action or expense arising from or connected with any breach of the warranties in this agreement.

4 We give ASX the information and documents required by this form. If any information or document is not available now, we will give it to ASX before +quotation of the +securities begins. We acknowledge that ASX is relying on the information and documents. We warrant that they are (will be) true and complete.

Sign here:



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(Joint Company Secretary)

Date: 23 December 2019

Print name: Catherine Grant-Edwards

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+ See chapter 19 for defined terms.

Appendix 3B – Annexure 1

Calculation of placement capacity under rule 7.1 and rule 7.1A for eligible entities

Introduced 01/08/12 Amended 04/03/13

Part 1

Rule 7.1 – Issues exceeding 15% of capital	
Step 1: Calculate “A”, the base figure from which the placement capacity is calculated	
Insert number of fully paid +ordinary securities on issue 12 months before the +issue date or date of agreement to issue	66,665,227
Add the following: <ul style="list-style-type: none"> Number of fully paid +ordinary securities issued in that 12 month period under an exception in rule 7.2 Number of fully paid +ordinary securities issued in that 12 month period with shareholder approval Number of partly paid +ordinary securities that became fully paid in that 12 month period Note: <ul style="list-style-type: none"> Include only ordinary securities here – other classes of equity securities cannot be added Include here (if applicable) the securities the subject of the Appendix 3B to which this form is annexed It may be useful to set out issues of securities on different dates as separate line items 	62,454 Shares (21 December 2018) (ratified at 25 November 2019 AGM) 1,333,477 Shares (13 May 2019) (ratified at 25 November 2019 AGM) 510,000 Shares (13 May 2019) (ratified at 25 November 2019 AGM) 116,460 Shares (13 May 2019) (ratified at 25 November 2019 AGM) 6,250,000 Shares (26 September 2019) (ratified at 25 November 2019 AGM) 81,522 Shares (11 October 2019) (ratified at 25 November 2019 AGM) 6,666,523 Shares (13 May 2019) (ratified at 25 November 2019 AGM) 323,419 Shares (11 December 2019) (shareholder approval for exercised underlying option obtained at 26 November 2018)
Subtract the number of fully paid +ordinary securities cancelled during that 12 month period	Nil
“A”	82,009,082
Step 2: Calculate 15% of “A”	
“B”	0.15

+ See chapter 19 for defined terms.

	<i>[Note: this value cannot be changed]</i>
Multiply “A” by 0.15	12,301,362
Step 3: Calculate “C”, the amount of placement capacity under rule 7.1 that has already been used	
<p>Insert number of ⁺equity securities issued or agreed to be issued in that 12 month period <i>not counting</i> those issued:</p> <ul style="list-style-type: none"> • Under an exception in rule 7.2 • Under rule 7.1A • With security holder approval under rule 7.1 or rule 7.4 <p><i>Note:</i></p> <ul style="list-style-type: none"> • <i>This applies to equity securities, unless specifically excluded – not just ordinary securities</i> • <i>Include here (if applicable) the securities the subject of the Appendix 3B to which this form is annexed</i> • <i>It may be useful to set out issues of securities on different dates as separate line items</i> 	Nil
“C”	Nil
Step 4: Subtract “C” from [“A” x “B”] to calculate remaining placement capacity under rule 7.1	
<p>“A” x 0.15</p> <p><i>Note: number must be same as shown in Step 2</i></p>	12,301,362
<p>Subtract “C”</p> <p><i>Note: number must be same as shown in Step 3</i></p>	Nil
Total [“A” x 0.15] – “C”	12,301,362

+ See chapter 19 for defined terms.

Part 2

Rule 7.1A – Additional placement capacity for eligible entities	
Step 1: Calculate “A”, the base figure from which the placement capacity is calculated	
“A” <i>Note: number must be same as shown in Step 1 of Part 1</i>	82,009,082
Step 2: Calculate 10% of “A”	
“D”	0.10 <i>Note: this value cannot be changed</i>
Multiply “A” by 0.10	8,200,908
Step 3: Calculate “E”, the amount of placement capacity under rule 7.1A that has already been used	
Insert number of +equity securities issued or agreed to be issued in that 12 month period under rule 7.1A <i>Notes:</i> <ul style="list-style-type: none"> • This applies to equity securities – not just ordinary securities • Include here – if applicable – the securities the subject of the Appendix 3B to which this form is annexed • Do not include equity securities issued under rule 7.1 (they must be dealt with in Part 1), or for which specific security holder approval has been obtained • It may be useful to set out issues of securities on different dates as separate line items 	Nil
“E”	Nil

+ See chapter 19 for defined terms.

Step 4: Subtract “E” from [“A” x “D”] to calculate remaining placement capacity under rule 7.1A	
“A” x 0.10 <i>Note: number must be same as shown in Step 2</i>	8,200,908
Subtract “E” <i>Note: number must be same as shown in Step 3</i>	Nil
Total [“A” x 0.10] – “E”	8,200,908

+ See chapter 19 for defined terms.