
K2FLY LIMITED
ACN 125 345 502
NOTICE OF ANNUAL GENERAL MEETING

Notice is given that the Meeting will be held at:

TIME: 10:30 am (WST)

DATE: Monday, 25 November 2019

PLACE: Steinepreis Paganin Lawyers and Consultants
Level 4, The Read Buildings, 16 Milligan Street, Perth WA 6000

The business of the Meeting affects your shareholding and your vote is important.

This Notice of Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.

The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Meeting are those who are registered Shareholders at 10:30 am on 21 November 2019.

BUSINESS OF THE MEETING

AGENDA

1. FINANCIAL STATEMENTS AND REPORTS

To receive and consider the annual financial report of the Company for the financial year ended 30 June 2019 together with the declaration of the Directors, the Director's report, the Remuneration Report and the auditor's report.

2. RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT

To consider and, if thought fit, to pass, with or without amendment, the following resolution as a **non-binding resolution**:

"That, for the purposes of section 250R(2) of the Corporations Act and for all other purposes, approval is given for the adoption of the Remuneration Report as contained in the Company's annual financial report for the financial year ended 30 June 2019."

Note: the vote on this Resolution is advisory only and does not bind the Directors or the Company.

Voting Prohibition Statement:

A vote on this Resolution must not be cast (in any capacity) by or on behalf of either of the following persons:

- (a) a member of the Key Management Personnel, details of whose remuneration are included in the Remuneration Report; or
- (b) a Closely Related Party of such a member.

However, a person (the **voter**) described above may cast a vote on this Resolution as a proxy if the vote is not cast on behalf of a person described above and either:

- (a) the voter is appointed as a proxy by writing that specifies the way the proxy is to vote on this Resolution; or
- (b) the voter is the Chair and the appointment of the Chair as proxy:
 - (i) does not specify the way the proxy is to vote on this Resolution; and
 - (ii) expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

3. RESOLUTION 2 – RE-ELECTION OF DIRECTOR – JAMES DEACON

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, for the purpose of clause 14.2 of the Constitution, ASX Listing Rule 14.5 and for all other purposes, Mr James Deacon, a Director, retires by rotation, and being eligible, is re-elected as a Director."

4. RESOLUTION 3 – ISSUE OF OPTIONS TO RELATED PARTY – BRIAN MILLER

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, for the purposes of ASX Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue 1,051,200 Executive Options to Mr Brian Miller (or his nominee) on the terms and conditions set out in the Explanatory Statement."

Voting Exclusion Statement: The Company will disregard any votes cast in favour of the Resolution by or on behalf of Mr Brian Miller (or his nominee) or any of their associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Voting Prohibition Statement:

A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

- (a) the proxy is either:
 - (i) a member of the Key Management Personnel; or
 - (ii) a Closely Related Party of such a member; and
- (b) the appointment does not specify the way the proxy is to vote on this Resolution.

However, the above prohibition does not apply if:

- (a) the proxy is the Chair; and
- (b) the appointment expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

5. RESOLUTION 4 – ISSUE OF OPTIONS TO JENNY CUTRI

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

“That, for the purposes of section 195(4) and section 208 of the Corporations Act, ASX Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue 200,000 NED Options to Jenny Cutri (or her nominee) on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast in favour of the Resolution by or on behalf of Ms Jenny Cutri (or her nominee) or any of their associates (**Resolution 4 Excluded Party**). However, the Company need not disregard a vote if it is cast by a **person** as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Voting Prohibition Statement:

A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

- (a) the proxy is either:
 - (i) a member of the Key Management Personnel; or
 - (ii) a Closely Related Party of such a member; and
- (b) the appointment does not specify the way the proxy is to vote on this Resolution.

Provided the Chair is not a Resolution 4 Excluded Party, the above prohibition does not apply if:

- (a) the proxy is the Chair; and
- (b) the appointment expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

6. RESOLUTION 5 – ISSUE OF OPTIONS TO NEIL CANBY

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

“That, for the purposes of section 195(4) and section 208 of the Corporations Act, ASX Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue 200,000 NED Options to Neil Canby (or his nominee) on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast in favour of the Resolution by or on behalf of Mr Neil Canby (or his nominee) or any of their associates (**Resolution 5 Excluded Party**). However, the Company need not disregard a vote if it is cast by a **person** as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Voting Prohibition Statement:

A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

- (a) the proxy is either:
 - (i) a member of the Key Management Personnel; or
 - (ii) a Closely Related Party of such a member; and
- (b) the appointment does not specify the way the proxy is to vote on this Resolution.

Provided the Chair is not a Resolution 5 Excluded Party, the above prohibition does not apply if:

- (a) the proxy is the Chair; and
- (b) the appointment expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

7. RESOLUTION 6 – ISSUE OF OPTIONS TO JAMES DEACON

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

“That, subject to the passing of Resolution 2, for the purposes of section 195(4) and section 208 of the Corporations Act, ASX Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue 200,000 NED Options to James Deacon (or his nominee) on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast in favour of the Resolution by or on behalf of Mr James Deacon (or his nominee) or any of their associates (**Resolution 6 Excluded Party**). However, the Company need not disregard a vote if it is cast by a **person** as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Voting Prohibition Statement:

A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

- (a) the proxy is either:
 - (i) a member of the Key Management Personnel; or
 - (ii) a Closely Related Party of such a member; and
- (b) the appointment does not specify the way the proxy is to vote on this Resolution.

Provided the Chair is not a Resolution 6 Excluded Party, the above prohibition does not apply if:

- (a) the proxy is the Chair; and
- (b) the appointment expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

8. RESOLUTION 7 – ISSUE OF OPTIONS TO BELLATRIX CORPORATE PTY LTD

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue 100,000 Options on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast in favour of the Resolution by or on behalf of a person who is expected to participate in, or who will obtain a material benefit as a result of, the proposed issue (except a benefit solely by reason of being a holder of ordinary securities in the Company) or an associate of that person (or those persons). However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

9. RESOLUTION 8 – RATIFICATION OF PRIOR ISSUE TO CANARY CAPITAL PTY LTD

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, for the purposes of ASX Listing Rule 7.4 and for all other purposes, Shareholders ratify the issue of 62,454 Shares on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast in favour of the Resolution by or on behalf of a person who participated in the issue or any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

10. RESOLUTION 9 – RATIFICATION OF 13 MAY 2019 ISSUE

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, for the purposes of ASX Listing Rule 7.4 and for all other purposes, Shareholders ratify the issue of 1,333,477 Shares on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast in favour of the Resolution by or on behalf of a person who participated in the issue or any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

11. RESOLUTION 10 – RATIFICATION OF 13 MAY 2019 ISSUE – LISTING RULE 7.1A

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, for the purposes of ASX Listing Rule 7.4 and for all other purposes, Shareholders ratify the issue of 6,666,523 Shares on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast in favour of the Resolution by or on behalf of a person who participated in the issue or any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

12. RESOLUTION 11 – RATIFICATION OF 13 MAY 2019 ISSUE – CANARY CAPITAL PTY LTD

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, for the purposes of ASX Listing Rule 7.4 and for all other purposes, Shareholders ratify the issue of 626,460 Shares on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast in favour of the Resolution by or on behalf of a person who participated in the issue or any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

13. RESOLUTION 12 – RATIFICATION OF 26 SEPTEMBER 2019 ISSUE

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, for the purposes of ASX Listing Rule 7.4 and for all other purposes, Shareholders ratify the issue of 6,250,000 Shares on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast in favour of the Resolution by or on behalf of a person who participated in the issue or any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

14. RESOLUTION 13 – RATIFICATION OF PRIOR ISSUE TO CANARY CAPITAL PTY LTD

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, for the purposes of ASX Listing Rule 7.4 and for all other purposes, Shareholders ratify the issue of 81,522 Shares and 750,000 Options on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast in favour of the Resolution by or on behalf of a person who participated in the issue or any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

15. RESOLUTION 14 – APPROVAL OF 10% PLACEMENT CAPACITY

To consider and, if thought fit, to pass the following resolution as a **special resolution**:

“That, for the purposes of Listing Rule 7.1A and for all other purposes, approval is given for the Company to issue up to that number of Equity Securities equal to 10% of the issued capital of the Company at the time of issue, calculated in accordance with the formula prescribed in ASX Listing Rule 7.1A.2 and otherwise on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast in favour of the Resolution by or on behalf of a person who is expected to participate in, or who will obtain a material benefit as a result of, the proposed issue (except a benefit solely by reason of being a holder of ordinary securities in the Company) or an associate of that person (or those persons). However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

16. RESOLUTION 15 – AMENDMENT TO CONSTITUTION

To consider and, if thought fit, to pass the following resolution as a **special resolution**:

“That, for the purposes of section 136(2) of the Corporations Act and for all other purposes, approval is given for the Company to amend its existing Constitution to insert the following clause:

‘Restricted Securities

The Company shall comply in all respects with the requirements of the Listing Rules with respect to Restricted Securities. Without limiting the generality of the above:

- (a) a holder of Restricted Securities must not Dispose of, or agree or offer to Dispose of, the Securities during the escrow period applicable to those Securities except as permitted by the Listing Rules or the ASX;*
- (b) if the Restricted Securities are in the same class as quoted Securities, the holder will be taken to have agreed in writing that the Restricted Securities are to be kept on the Company’s issuer sponsored subregister and are to have a Holding Lock applied for the duration of the escrow period applicable to those Securities;*
- (c) the Company will refuse to acknowledge any Disposal (including, without limitation, to register any transfer) of Restricted Securities during the escrow period applicable to those Securities except as permitted by the Listing Rules or the ASX;*
- (d) a holder of Restricted Securities will not be entitled to participate in any return of capital on those Securities during the escrow period applicable to those Securities except as permitted by the Listing Rules or the ASX; and*

- (e) if a holder of Restricted Securities breaches a Restriction Deed or a provision of this Constitution restricting a Disposal of those Securities, the holder will not be entitled to any dividend or distribution, or to exercise any voting rights, in respect of those Securities for so long as the breach continues.'

and make all associated edits to definitions and other clauses to reflect the inclusion of this new clause as required by the ASX Listing Rules."

Dated: 17 October 2019

By order of the Board



**Catherine Grant-Edwards
Company Secretary**

Voting by proxy

To vote by proxy, please complete and sign the enclosed Proxy Form and return by the time and in accordance with the instructions set out on the Proxy Form.

In accordance with section 249L of the Corporations Act, Shareholders are advised that:

- each Shareholder has a right to appoint a proxy;
- the proxy need not be a Shareholder of the Company; and
- a Shareholder who is entitled to cast two (2) or more votes may appoint two (2) proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If the member appoints two (2) proxies and the appointment does not specify the proportion or number of the member's votes, then in accordance with section 249X(3) of the Corporations Act, each proxy may exercise one-half of the votes.

Shareholders and their proxies should be aware that:

- if proxy holders vote, they must cast all directed proxies as directed; and
- any directed proxies which are not voted will automatically default to the Chair, who must vote the proxies as directed.

Voting in person

To vote in person, attend the Meeting at the time, date and place set out above.

You may still attend the Meeting and vote in person even if you have appointed a proxy. If you have previously submitted a Proxy Form, your attendance will not revoke your proxy appointment. However, if you are present in person at the Meeting, the proxy must not speak or vote at the Meeting while you are present.

Please bring your personalised Proxy Form with you as it will help you to register your attendance at the Meeting. If you do not bring your Proxy Form with you, you can still attend the meeting but representatives from Advanced Share Registry Services will need to verify your identity. You can register from 10:00 am on the day of the Meeting.

Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary on +61 8 8 6333 1833.

EXPLANATORY STATEMENT

This Explanatory Statement has been prepared to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions.

1. FINANCIAL STATEMENTS AND REPORTS

In accordance with the Constitution, the business of the Meeting will include receipt and consideration of the annual financial report of the Company for the financial year ended 30 June 2019 together with the declaration of the Directors, the Directors' report, the Remuneration Report and the auditor's report.

The Company will not provide a hard copy of the Company's annual financial report to Shareholders unless specifically requested to do so. The Company's annual financial report is available on its website at <https://k2fly.com/>.

2. RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT

2.1 General

The Corporations Act requires that at a listed company's annual general meeting, a resolution that the remuneration report be adopted must be put to the shareholders. However, such a resolution is advisory only and does not bind the company or the directors of the company.

The remuneration report sets out the company's remuneration arrangements for the directors and senior management of the company. The remuneration report is part of the directors' report contained in the annual financial report of the company for a financial year.

The chair of the meeting must allow a reasonable opportunity for its shareholders to ask questions about or make comments on the remuneration report at the annual general meeting.

2.2 Voting consequences

A company is required to put to its shareholders a resolution proposing the calling of another meeting of shareholders to consider the appointment of directors of the company (**Spill Resolution**) if, at consecutive annual general meetings, at least 25% of the votes cast on a remuneration report resolution are voted against adoption of the remuneration report and at the first of those annual general meetings a Spill Resolution was not put to vote. If required, the Spill Resolution must be put to vote at the second of those annual general meetings.

If more than 50% of votes cast are in favour of the Spill Resolution, the company must convene a shareholder meeting (**Spill Meeting**) within 90 days of the second annual general meeting.

All of the directors of the company who were in office when the directors' report (as included in the company's annual financial report for the most recent financial year) was approved, other than the managing director of the company, will cease to hold office immediately before the end of the Spill Meeting but may stand for re-election at the Spill Meeting.

Following the Spill Meeting those persons whose election or re-election as directors of the company is approved will be the directors of the company.

2.3 Previous voting results

At the Company's previous annual general meeting the votes cast against the remuneration report considered at that annual general meeting were less than 25%. Accordingly, the Spill Resolution is not relevant for this Annual General Meeting.

3. RESOLUTION 2 – RE-ELECTION OF DIRECTOR – JAMES DEACON

3.1 General

ASX Listing Rule 14.5 provides that an entity which has directors must hold an election of directors at each annual general meeting.

The Constitution sets out the requirements for determining which Directors are to retire by rotation at an annual general meeting.

Mr James Deacon, who has served as a Director since 14 February 2017, and was last elected on 21 November 2017, retires by rotation and seeks re-election.

3.2 Qualifications and other material directorships

- (a) **Position:** Mr Deacon holds the position of Non-Executive Director of the Company and is Chair of the Remuneration Committee.
- (b) **Length of Service:** Mr Deacon was appointed as a Director of the Company on 14 February 2017.
- (c) **Formal Qualifications:** BSc MBA (Exec) GAICD
- (d) **Skills and Experience:** Mr Deacon is a veteran of the technology sector with a proven track record in successful business transformation in IT services across a number of industries including utilities, mining, financial services and airlines. He currently provides advisory services to the management teams of large Australian private and public sector organisations. He has held senior positions at Information Services Group (ISG), Horizon Power, UnisysWest and US Airways. Mr Deacon is a Certified Professional and Member of the Australian Computer Society and Member of the International Association of Outsourcing Professionals.
- (e) **Other Listed Company Directorships:** In the 3 years immediately before the end of the financial year, Mr Deacon did not serve as a Director on any other ASX listed company.

3.3 Independence

If re-elected the Board considers Mr Deacon will be an independent Director.

3.4 Board recommendation

The Board supports the re-election of Mr Deacon and recommends that Shareholders vote in favour of Resolution 2.

4. RESOLUTION 3 – ISSUE OF OPTIONS TO RELATED PARTY – BRIAN MILLER

4.1 General

The Company has agreed, subject to obtaining Shareholder approval, to issue 1,051,200 Options, comprising of 367,920 Zero Exercise Price Options (**ZEP Options**) and 683,280 Premium Exercise Price Options (**PEP Options**) (together, the **Executive Options**) to Mr Brian Miller (or his nominee) on the terms and conditions set out below.

Resolution 3 seeks Shareholder approval for the grant of the Executive Options to Brian Miller (or his nominee).

4.2 Chapter 2E of the Corporations Act

For a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

- (a) obtain the approval of the public company's members in the manner set out in sections 217 to 227 of the Corporations Act; and
- (b) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in sections 210 to 216 of the Corporations Act.

The grant of Executive Options constitutes giving a financial benefit and Brian Miller is a related party of the Company by virtue of being a Director.

The Directors (other than Mr Miller who has a material personal interest in the Resolution) consider that Shareholder approval pursuant to Chapter 2E of the Corporations Act is not required in respect of the grant of Executive Options because the agreement to grant the Executive Options, reached as part of the remuneration package for Mr Brian Miller, is considered reasonable remuneration in the circumstances and was negotiated on an arm's length basis.

The Company appointed BDO Reward (WA) Pty Ltd (**BDO**) as an independent advisor to the Board for the provision of advice on board and executive remuneration structures. The number of and structuring of the Executive Options to be granted to Brian Miller, was determined based on the independent report prepared by BDO in 2018, which compared executive remuneration for peers and appropriate incentives for chief executive officers in peer organisations (those of similar size and function to the Company) and current benchmarks for CEO Executive remuneration.

The ZEP Options proposed to be issued to Brian Miller vest and become exercisable (subject to Mr Miller's sustained tenure) 18 months from the date of issue and upon the achievement of certain Company performance metrics. These performance metrics are determined by the Company's Remuneration Committee and are linked to operational objectives (including targets associated with revenue, profitability, cashflow positivity, and product development) and sustainability objectives (including targets associated with customer satisfaction, and service mix). The terms and conditions of the ZEP Options are detailed in Schedule 1.

The PEP Options proposed to be issued to Brian Miller will vest and become exercisable (subject to Mr Miller's sustained tenure) 3 years from the date of issue. There are no performance metrics applicable to the vesting of the ZEP Options. The terms and conditions of the PEP Options are detailed in Schedule 2.

4.3 ASX Listing Rule 10.11

ASX Listing Rule 10.11 also requires shareholder approval to be obtained where an entity issues, or agrees to issue, securities to a related party, or a person whose relationship with the entity or a related party is, in ASX's opinion, such that approval should be obtained unless an exception in ASX Listing Rule 10.12 applies.

As the grant of the Executive Options involves the issue of securities to a related party of the Company, Shareholder approval pursuant to ASX Listing Rule 10.11 is required unless an exception applies. It is the view of the Directors that the exceptions set out in ASX Listing Rule 10.12 do not apply in the current circumstances.

4.4 Technical Information required by ASX Listing Rule 10.13

Pursuant to and in accordance with ASX Listing Rule 10.13, the following information is provided in relation to Resolution 3:

- (a) the Executive Options will be granted to Mr Brian Miller (or his nominee);
- (b) the number of Executive Options to be issued is 1,051,200, comprising of:
 - (i) 367,920 ZEP Options; and
 - (ii) 683,280 PEP Options;
- (c) the Executive Options will be granted no later than 1 month after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that issue of the Options will occur on the same date;
- (d) as the Executive Options will be issued for nil cash consideration, no funds will be raised; and
- (e) the terms and conditions of the Executive Options are set out in Schedules 1 and 2.

Approval pursuant to ASX Listing Rule 7.1 is not required for the grant of the Executive Options as approval is being obtained under ASX Listing Rule 10.11. Accordingly, the grant of Executive Options to Mr Brian Miller (or his nominee) will not be included in the use of the Company's 15% annual placement capacity pursuant to ASX Listing Rule 7.1.

5. RESOLUTIONS 4, 5 AND 6 – ISSUE OF OPTIONS TO RELATED PARTIES

5.1 General

The Company has agreed, subject to obtaining Shareholder approval, to issue a total of 600,000 Options (**NED Options**) to Ms Cutri, Mr Canby and Mr Deacon (**Related Parties**) on the terms and conditions set out below.

For a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

- (a) obtain the approval of the public company's members in the manner set out in sections 217 to 227 of the Corporations Act; and
- (b) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in sections 210 to 216 of the Corporations Act.

The grant of the NED Options constitutes giving a financial benefit and Ms Cutri, Mr Canby and Mr Deacon are related parties of the Company by virtue of being Directors.

In addition, ASX Listing Rule 10.11 also requires shareholder approval to be obtained where an entity issues, or agrees to issue, securities to a related party, or a person whose relationship with the entity or a related party is, in ASX's opinion, such that approval should be obtained unless an exception in ASX Listing Rule 10.12 applies.

It is the view of the Company that the exceptions set out in sections 210 to 216 of the Corporations Act and ASX Listing Rule 10.12 do not apply in the current circumstances. Accordingly, Shareholder approval is sought for the grant of NED Options to the Related Parties.

5.2 Shareholder Approval (Chapter 2E of the Corporations Act and Listing Rule 10.11)

Pursuant to and in accordance with the requirements of section 219 of the Corporations Act and ASX Listing Rule 10.13, the following information is provided in relation to the proposed grant of NED Options:

- (a) the related parties are Ms Cutri, Mr Canby and Mr Deacon and they are related parties by virtue of being Directors;
- (b) the maximum number of NED Options (being the nature of the financial benefit being provided) to be granted to the Related Parties is:
 - (i) 200,000 NED Options to Ms Jenny Cutri;
 - (ii) 200,000 NED Options to Mr Neil Canby; and
 - (iii) 200,000 NED Party Options to Mr James Deacon;
- (c) the NED Options will be granted to the Related Parties no later than 1 month after the date of the Meeting (or such later date as permitted by any ASX waiver or modification of the ASX Listing Rules) and it is anticipated the NED Options will be issued on one date;

- (d) the NED Options will be granted for nil cash consideration, accordingly no funds will be raised;
- (e) the terms and conditions of the NED Options are set out in Schedule 3;
- (f) the value of the NED Options and the pricing methodology is set out in Schedule 4;
- (g) the relevant interests of the Related Parties in securities of the Company are set out below:

Related Party	Shares	Options
Jenny Cutri	155,186	115,474 ^{1,2}
Neil Canby	462,500	127,344 ³
James Deacon	120,368	95,743 ⁴

Notes:

- ¹ 26,255 Listed Options (exercisable at \$0.20 each on or before 18 May 2020) are held directly by Ms Cutri.
- ² 89,219 Unlisted Options exercisable at \$0 each on or before 26 November 2020 (subject to vesting conditions) are held indirectly for Ms Cutri by M Cavanagh and T Cavanagh <ECMC Family Trust> (family trust associated with Ms Jenny Cutri).
- ³ Comprising of 38,125 Listed Options (exercisable at \$0.20 each on or before 18 May 2020) and 89,219 Unlisted Options exercisable at \$0 each on or before 26 November 2020 (subject to vesting conditions).
- ⁴ Comprising of 6,524 Listed Options (exercisable at \$0.20 each on or before 18 May 2020) and 89,219 Unlisted Options exercisable at \$0 each on or before 26 November 2020 (subject to vesting conditions).

- (h) the remuneration and emoluments from the Company to the Related Parties for the previous financial year and the proposed remuneration and emoluments for the current financial year are set out below:

Related Party	Current Financial Year	Previous Financial Year
Jenny Cutri	\$36,000	\$44,878 ¹
Neil Canby	\$36,000	\$44,878 ¹
James Deacon	\$36,000	\$44,878 ¹

¹ Consisting of \$36,000 in director fees and \$8,878 share based payment expense recognised in respect of Options.

- (i) if the NED Options granted to the Related Parties are exercised, a total of 600,000 Shares would be issued. This will increase the number of Shares on issue from 81,685,663 to 82,285,663 (assuming that no other Options are exercised and no other Shares are issued) with the effect that the shareholding of existing Shareholders would be diluted by an aggregate of 0.73%, comprising 0.24% by Ms Cutri, 0.24% by Mr Canby and 0.24% by Mr Deacon.

The market price for Shares during the term of the NED Options would normally determine whether or not the NED Options are exercised. If, at any time any of the NED Options are exercised and the Shares are trading

on ASX at a price that is higher than the exercise price of the NED Options, there may be a perceived cost to the Company.

- (j) the trading history of the Shares on ASX in the 12 months before the date of this Notice is set out below:

	Price	Date
Highest	\$0.295	24 October 2018
Lowest	\$0.11	15 June 2019
Last	\$0.17	16 October 2019

- (k) the Board acknowledges the grant of NED Options to the Related Parties is contrary to Recommendation 8.3 of The Corporate Governance Principles and Recommendations with 2010 Amendments (2nd Edition) as published by The ASX Corporate Governance Council. However, the Board considers the grant of NED Options to the Related Parties reasonable in the circumstances for the reason set out in paragraph (m);
- (l) the primary purpose of the grant of the NED Options to the Related Parties is to provide additional non cash remuneration for their roles as Directors (as the Directors currently only receive low fees when compared to their peers and based on the BDO Report referred to in paragraph 4.2 above) and to fairly remunerate the Directors for "special exertion" the Directors contributed in the acquisition of the assets (RCubed software solution) of Prodmark Pty Ltd and associated entities (as per the 7 May 2019 announcement). Other special exertion included participation in the Remuneration Committee and Chairperson responsibilities;
- (m) Jenny Cutri declines to make a recommendation to Shareholders in relation to Resolution 4 due to her material personal interest in the outcome of the Resolution on the basis that she is to be granted NED Options in the Company should Resolution 4 be passed. However, in respect of Resolutions 5 and 6, Ms Cutri recommends that Shareholders vote in favour of those Resolutions for the following reasons:
- (i) the grant of NED Options to the Related Parties, will align the interests of the Related Parties with those of Shareholders;
 - (ii) the grant of the NED Options is a reasonable and appropriate method to provide cost effective remuneration as the non-cash form of this benefit will allow the Company to spend a greater proportion of its cash reserves on its operations than it would if alternative cash forms of remuneration were given to the Related Parties; and
 - (iii) it is not considered that there are any significant opportunity costs to the Company or benefits foregone by the Company in granting the NED Options upon the terms proposed;
- (n) Neil Canby declines to make a recommendation to Shareholders in relation to Resolution 5 due to his material personal interest in the outcome of the Resolution on the basis that he is to be granted NED Options in the Company should Resolution 5 be passed. However, in respect of Resolutions 4 and 6, Mr Canby recommends that Shareholders vote in favour of those Resolutions for the reasons set out in paragraph (m);

- (o) James Deacon declines to make a recommendation to Shareholders in relation to Resolution 6 due to his material personal interest in the outcome of the Resolution on the basis that he is to be granted NED Options in the Company should Resolution 6 be passed. However, in respect of Resolutions 4 and 5, Mr Deacon recommends that Shareholders vote in favour of those Resolutions for the reasons set out in paragraph (m)
- (p) Brian Miller recommends that Shareholders vote in favour of Resolutions 4, 5 and 6 for the reasons set out in paragraph (m)(ii);
- (q) in forming their recommendations, each Director considered the experience of each other Related Party, the current market price of Shares, the current market practices when determining the number of NED Options to be granted as well as the exercise price and expiry date of those NED Options; and
- (r) the Board is not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass Resolutions 4, 5 and 6.

Approval pursuant to ASX Listing Rule 7.1 is not required in order to issue the NED Options to the Related Parties as approval is being obtained under ASX Listing Rule 10.11. Accordingly, the issue of NED Options to the Related Parties will not be included in the 15% calculation of the Company's annual placement capacity pursuant to ASX Listing Rule 7.1.

6. RESOLUTION 7 – ISSUE OF OPTIONS TO BELLATRIX CORPORATE PTY LTD

6.1 General

Resolution 7 seeks Shareholder approval for the issue of 100,000 Options in consideration for services provided to the Company by Bellatrix Corporate Pty Ltd (**Bellatrix**).

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more equity securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period.

The effect of Resolution 7 will be to allow the Company to issue the Options pursuant to Bellatrix during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

6.2 Technical information required by ASX Listing Rule 7.1

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to Resolution 7:

- (a) the maximum number of Options to be issued is 100,000;
- (b) the Options will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that issue of the Options will occur on the same date;

- (c) the Options will be issued for nil cash consideration in satisfaction of company sectorial and accounting services provided by Bellatrix;
- (d) the Options will be issued to Bellatrix, who is not a related party of the Company;
- (e) the Options will be issued on the terms and conditions set out in Schedule 5; and
- (f) no funds will be raised from the issue to Bellatrix as the Options are being issued in consideration for consulting services provided by Bellatrix.

7. RESOLUTION 8 – RATIFICATION OF PRIOR ISSUE TO CANARY CAPITAL PTY LTD

7.1 General

On 21 December 2018, the Company issued 62,454 Shares in consideration for investor marketing services provided in July 2018 and August 2018 by Canary Capital Pty Ltd (**Canary Capital**), a boutique Sydney headquartered investment management and corporate advisory firm.

Resolution 8 seeks Shareholder ratification pursuant to ASX Listing Rule 7.4 for the issue of those Shares (**Ratification**).

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more equity securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period.

ASX Listing Rule 7.4 sets out an exception to ASX Listing Rule 7.1. It provides that where a company in general meeting ratifies the previous issue of securities made pursuant to ASX Listing Rule 7.1 (and provided that the previous issue did not breach ASX Listing Rule 7.1) those securities will be deemed to have been made with shareholder approval for the purpose of ASX Listing Rule 7.1.

By ratifying this issue, the Company will retain the flexibility to issue equity securities in the future up to the 15% annual placement capacity set out in ASX Listing Rule 7.1 without the requirement to obtain prior Shareholder approval.

7.2 Technical information required by ASX Listing Rule 7.4

Pursuant to and in accordance with ASX Listing Rule 7.5, the following information is provided in relation to the Ratification:

- (a) 62,454 Shares were issued;
- (b) the Shares were issued for nil cash consideration in satisfaction of investor marketing services provided by Canary Capital;
- (c) the Shares issued were all fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;
- (d) the Shares were issued to Canary Capital, who is not a related party of the Company; and
- (e) no funds were raised from this issue as the Shares were issued in consideration for investor marketing services provided by Canary Capital.

8. RESOLUTIONS 9 AND 10 – RATIFICATION OF 13 MAY 2019 ISSUE

8.1 General

On 13 May 2019, the Company issued 8,000,000 Shares, at an issue price of \$0.10 per Share to raise \$800,000 (**May Placement**);

6,666,523 Shares of the May Placement were issued pursuant to the Company's capacity under ASX Listing Rule 7.1A which was approved by Shareholders at the annual general meeting held on 26 November 2018 and 1,959,937 Shares were issued pursuant to the Company's capacity under ASX Listing Rule 7.1.

Resolutions 9 and 10 seek Shareholder ratification pursuant to ASX Listing Rule 7.4 for the issue of those Shares (**Ratification**).

A summary of ASX Listing Rules 7.1 and 7.4 is set out in Section 7.1 above.

ASX Listing Rule 7.1A provides that in addition to issues permitted without prior shareholder approval under ASX Listing Rule 7.1, an entity that is eligible and obtains shareholder approval under ASX Listing Rule 7.1A may issue or agree to issue during the period for which the approval is valid a number of quoted equity securities which represents 10% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period as adjusted in accordance with the formula in ASX Listing Rule 7.1.

Where an eligible entity obtains shareholder approval to increase its placement capacity under ASX Listing Rule 7.1A then any ordinary securities issued under that additional placement capacity:

- (a) will not be counted in variable "A" in the formula in ASX Listing Rule 7.1A; and
- (b) are counted in variable "E",

until their issue has been ratified under ASX Listing Rule 7.4 (and provided that the previous issue did not breach ASX Listing Rule 7.1A) or 12 months has passed since their issue.

By ratifying the issues the subject of Resolution 9 and 10, the base figure (ie variable "A") in which the Company's 15% and 10% annual placement capacities are calculated will be a higher number which in turn will allow a proportionately higher number of securities to be issued without prior Shareholder approval. Although, it is noted that the Company's use of the 10% annual placement capacity following this Meeting remains conditional on Resolution 14 being passed by the requisite majority.

By ratifying this issue, the Company will retain the flexibility to issue equity securities in the future up to the 15% annual placement capacity set out in ASX Listing Rule 7.1 without the requirement to obtain prior Shareholder approval.

8.2 Technical information required by ASX Listing Rule 7.4

Pursuant to and in accordance with ASX Listing Rule 7.5, the following information is provided in relation to the Ratification:

- (a) 8,000,000 Shares were issued on the following basis:

- (i) 1,333,477 Shares were issued pursuant to ASX Listing Rule 7.1 at an issue price of \$0.10 per Share to raise \$133,347.70 (the subject of Resolution 9); and
 - (ii) 6,666,523 Shares were issued pursuant to ASX Listing Rule 7.1A at an issue price of \$0.10 per Share to raise \$666,652.30 (the subject of Resolution 10);
- (b) the Shares issued were all fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;
 - (c) the Shares were issued to sophisticated and professional investors, being clients of Canary Capital. None of these subscribers are related parties of the Company; and
 - (d) the funds raised from the issue of the 8,000,000 Shares were used to fund the acquisition of the assets of Prodmark Pty Ltd and associated entities (as per the 7 May 2019 announcement).

9. RESOLUTION 11 – RATIFICATION OF 13 MAY 2019 ISSUE

9.1 General

On 13 May 2019, the Company issued the following, pursuant to the Company's capacity under ASX Listing Rule 7.1:

- (a) 510,000 Shares in consideration for advisory services provided by Canary Capital, regarding the May Placement; and
- (b) 116,460 Shares issued pursuant to an investor marketing mandate with Canary Capital.

Resolution 11 seeks Shareholder ratification pursuant to ASX Listing Rule 7.4 for the issue of those Shares (**Ratification**).

A summary of ASX Listing Rules 7.1 and 7.4 is set out in Section 7.1 above.

By ratifying this issue, the Company will retain the flexibility to issue equity securities in the future up to the 15% annual placement capacity set out in ASX Listing Rule 7.1 without the requirement to obtain prior Shareholder approval.

9.2 Technical information required by ASX Listing Rule 7.4

Pursuant to and in accordance with ASX Listing Rule 7.5, the following information is provided in relation to the Ratification:

- (a) 626,460 Shares were issued on the following basis:
 - (i) 510,000 Shares being issued for nil cash consideration in satisfaction of advisory services provided by Canary Capital, regarding the May Placement; and
 - (ii) 116,460 Shares being issued for nil cash consideration pursuant to an investor marketing mandate with Canary Capital;

- (b) the Shares issued were all fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;
- (c) the Shares were issued to Canary Capital who is not a related party of the Company; and
- (d) no funds were raised from the issue as the Shares were issued for nil cash consideration.

10. RESOLUTION 12 – RATIFICATION OF 26 SEPTEMBER 2019 ISSUE

10.1 General

On 26 September 2019, the Company issued 6,250,000 Shares at an issue price of \$0.16 per Share to raise \$1,000,000.

Resolution 12 seeks Shareholder ratification pursuant to ASX Listing Rule 7.4 for the issue of those Shares (**Ratification**).

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more equity securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period.

A summary of ASX Listing Rules 7.1 and 7.4 is set out in Section 7.1 above.

By ratifying this issue, the Company will retain the flexibility to issue equity securities in the future up to the 15% annual placement capacity set out in ASX Listing Rule 7.1 without the requirement to obtain prior Shareholder approval.

10.2 Technical information required by ASX Listing Rule 7.4

Pursuant to and in accordance with ASX Listing Rule 7.5, the following information is provided in relation to the Ratification:

- (a) 6,250,000 Shares were issued;
- (b) the issue price was \$0.16 per Share;
- (c) the Shares issued were all fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;
- (d) the Shares were issued to institutional and sophisticated clients of Canary Capital. None of these subscribers are related parties of the Company; and
- (e) the funds raised from this issue were used to implement the RCubed contracts, anticipated new contract wins and to deliver further sales growth for the business.

11. RESOLUTION 13 – RATIFICATION OF PRIOR ISSUE TO CANARY CAPITAL PTY LTD

11.1 General

As announced on 11 October 2019, the Company entered into an investor marketing mandate with Canary Capital (**Mandate**). In accordance with the terms of the Mandate, on 11 October 2019 the Company issued:

- (a) 81,522 Shares; and
- (b) 750,000 Options exercisable at \$0.35 each on before 11 October 2022 (**Canary Options**),

(together, the **Canary Securities**), in consideration for marketing and advisory services provided to the Company.

The Company issued the Canary Securities without prior Shareholder approval out of its 15% annual placement capacity. Resolution 13 seeks Shareholder ratification pursuant to ASX Listing Rule 7.4 for the issue of the Canary Securities.

A summary of ASX Listing Rules 7.1 and 7.4 is set out in Section 7.1 above.

By ratifying this issue, the Company will retain the flexibility to issue equity securities in the future up to the 15% annual placement capacity set out in ASX Listing Rule 7.1 without the requirement to obtain prior Shareholder approval.

11.2 Technical information required by ASX Listing Rule 7.4

Pursuant to and in accordance with ASX Listing Rule 7.5, the following information is provided in relation to Resolution 13:

- (a) 81,522 Shares and 750,000 Canary Options were issued;
- (b) the Shares and Canary Options were issued for nil cash consideration in satisfaction of investor marketing and advisory services provided by Canary Capital;
- (c) the Shares issued were all fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;
- (d) the Canary Options were issued on the terms and conditions set out in Schedule 6;
- (e) the Shares and Canary Options were issued to Canary Capital, who is not a related party of the Company; and
- (f) no funds were raised from this issue as the Shares and Canary Options were issued in consideration for investor marketing and advisory services provided to the Company.

12. RESOLUTION 14 – APPROVAL OF 10% PLACEMENT CAPACITY

12.1 General

ASX Listing Rule 7.1A provides that an Eligible Entity (as defined below) may seek shareholder approval by special resolution passed at an annual general meeting to have the capacity to issue up to that number of Equity Securities equal to 10%

of its issued capital (**10% Placement Capacity**) without using that entity's existing 15% annual placement capacity granted under ASX Listing Rule 7.1.

An Eligible Entity is one that, as at the date of the relevant annual general meeting:

- (a) is not included in the S&P/ASX 300 Index; and
- (b) has a maximum market capitalisation (excluding restricted securities and securities quoted on a deferred settlement basis) of \$300,000,000.

As at the date of this Notice, the Company is an Eligible Entity as it is not included in the S&P/ASX 300 Index and has a current market capitalisation of \$13,886,563 (based on the number of Shares on issue at 16 October 2019 and the closing price of Shares on the ASX on 16 October 2019 and excluding any restricted securities that may be on issue).

An Equity Security is a share, a unit in a trust, a right to a share or unit in a trust or option, an option over an issued or unissued security, a convertible security, or, any security that ASX decides to classify as an equity security.

Any Equity Securities issued under the 10% Placement Capacity must be in the same class as an existing class of quoted Equity Securities.

As at the date of this Notice, the Company currently has two classes of quoted Equity Securities on issue, being the Shares (ASX Code: K2F) and listed Options (ASX Code: K2FOA).

If Shareholders approve Resolution 14, the number of Equity Securities the Company may issue under the 10% Placement Capacity will be determined in accordance with the formula prescribed in ASX Listing Rule 7.1A.2.

Resolution 14 is a special resolution. Accordingly, at least 75% of votes cast by Shareholders present and eligible to vote at the Meeting must be in favour of Resolution 14 for it to be passed.

12.2 Technical information required by ASX Listing Rule 7.1A

Pursuant to and in accordance with ASX Listing Rule 7.3A, the information below is provided in relation to this Resolution 14:

(a) Minimum Price

The minimum price at which the Equity Securities may be issued is 75% of the volume weighted average price of Equity Securities in that class, calculated over the 15 ASX trading days on which trades in that class were recorded immediately before:

- (i) the date on which the price at which the Equity Securities are to be issued is agreed; or
- (ii) if the Equity Securities are not issued within 5 ASX trading days of the date in Section 12.2(a)(i), the date on which the Equity Securities are issued.

(b) **Date of Issue**

The Equity Securities may be issued under the 10% Placement Capacity commencing on the date of the Meeting and expiring on the first to occur of the following:

- (i) 12 months after the date of this Meeting; and
- (ii) the date of approval by Shareholders of any transaction under ASX Listing Rules 11.1.2 (a significant change to the nature or scale of the Company's activities) or 11.2 (disposal of the Company's main undertaking) (after which date, an approval under Listing Rule 7.1A ceases to be valid),

(10% Placement Capacity Period).

(c) **Risk of voting dilution**

Any issue of Equity Securities under the 10% Placement Capacity will dilute the interests of Shareholders who do not receive any Shares under the issue.

If Resolution 14 is approved by Shareholders and the Company issues the maximum number of Equity Securities available under the 10% Placement Capacity, the economic and voting dilution of existing Shares would be as shown in the table below.

The table below shows the dilution of existing Shareholders calculated in accordance with the formula outlined in ASX Listing Rule 7.1A(2), on the basis of the market price of Shares and the number of Equity Securities on issue as at 16 October 2019.

The table also shows the voting dilution impact where the number of Shares on issue (Variable A in the formula) changes and the economic dilution where there are changes in the issue price of Shares issued under the 10% Placement Capacity.

Number of Shares on Issue (Variable A in ASX Listing Rule 7.1A2)		Shares issued – 10% voting dilution	Dilution		
			Issue Price		
			\$0.085	\$0.170	\$0.255
			50% decrease	Issue Price	50% increase
Funds Raised					
Current	94,949,841 Shares	9,494,984 Shares	\$807,074	\$1,614,147	\$2,421,221
50% increase	142,424,762 Shares	14,242,476 Shares	\$1,210,610	\$2,421,221	\$3,631,831
100% increase	189,899,682 Shares	18,989,968 Shares	\$1,614,147	\$3,228,295	\$4,842,442

*The number of Shares on issue (Variable A in the formula) could increase as a result of the issue of Shares that do not require Shareholder approval (such as under a pro-rata rights issue or scrip issued under a takeover offer) or that are issued with Shareholder approval under Listing Rule 7.1.

The table above uses the following assumptions:

1. There are currently 81,685,663 Shares and 13,264,178 quoted Options on issue.
2. The issue price set out above is the closing price of the Shares on the ASX on 16 October 2019.
3. The Company issues the maximum possible number of Equity Securities under the 10% Placement Capacity.
4. The Company has not issued any Equity Securities in the 12 months prior to the Meeting that were not issued under an exception in ASX Listing Rule 7.2 or with approval under ASX Listing Rule 7.1.
5. The issue of Equity Securities under the 10% Placement Capacity consists only of Shares. However, it is assumed that those quoted Options are exercised into Shares for the purpose of calculating the voting dilution effect on existing Shareholders. Other than the quoted Options, it is assumed that no other Options are exercised into Shares before the date of issue of the Equity Securities.
6. The calculations above do not show the dilution that any one particular Shareholder will be subject to. All Shareholders should consider the dilution caused to their own shareholding depending on their specific circumstances.
7. This table does not set out any dilution pursuant to approvals under ASX Listing Rule 7.1 unless otherwise disclosed.
8. The 10% voting dilution reflects the aggregate percentage dilution against the issued share capital at the time of issue. This is why the voting dilution is shown in each example as 10%.
9. The table does not show an example of dilution that may be caused to a particular Shareholder by reason of placements under the 10% Placement Capacity, based on that Shareholder's holding at the date of the Meeting.

Shareholders should note that there is a risk that:

- (i) the market price for the Company's Shares may be significantly lower on the issue date than on the date of the Meeting; and
- (ii) the Shares may be issued at a price that is at a discount to the market price for those Shares on the date of issue.

(d) Purpose of Issue under 10% Placement Capacity

The Company may issue Equity Securities under the 10% Placement Capacity for the following purposes:

- (i) as cash consideration in which case the Company intends to use funds raised for acquiring new technologies and/or businesses (including expenses associated with such an acquisition), marketing and promotional expenses, costs associated with sales and potential geographical expansion, enhancement of the Infoscope and RCubed products or any new products which may be acquired, research and development and for general working capital; or
- (ii) as non-cash consideration for the acquisition of new technologies or businesses in such circumstances the Company will provide a valuation of the non-cash consideration as required by listing Rule 7.1A.3.

The Company will comply with the disclosure obligations under Listing Rules 7.1A(4) and 3.10.5A upon issue of any Equity Securities.

(e) **Compliance with ASX Listing Rules 7.1A.4 and 3.10.5A**

When the Company issues Equity Securities pursuant to the 10% Placement Capacity, it must give to ASX:

- (i) a list of the recipients of the Equity Securities and the number of Equity Securities issued to each (not for release to the market), in accordance with Listing Rule 7.1A.4; and
- (ii) the information required by Listing Rule 3.10.5A for release to the market.

(f) **Allocation policy under the 10% Placement Capacity**

The recipients of the Equity Securities to be issued under the 10% Placement Capacity have not yet been determined. However, the recipients of Equity Securities could consist of current Shareholders or new investors (or both), none of whom will be related parties of the Company.

The Company will determine the recipients at the time of the issue under the 10% Placement Capacity, having regard to the following factors:

- (i) the purpose of the issue;
- (ii) alternative methods for raising funds available to the Company at that time, including, but not limited to, an entitlement issue or other offer where existing Shareholders may participate;
- (iii) the effect of the issue of the Equity Securities on the control of the Company;
- (iv) the circumstances of the Company, including, but not limited to, the financial position and solvency of the Company;
- (v) prevailing market conditions; and
- (vi) advice from corporate, financial and broking advisers (if applicable).

Further, if the Company is successful in acquiring new resources, assets or investments, it is likely that the recipients under the 10% Placement Capacity will be vendors of the new resources, assets or investments.

The Company previously obtained approval from its Shareholders pursuant to ASX Listing Rule 7.1A at its annual general meeting held on 26 November 2018 (**Previous Approval**).

The Company has issued 6,666,523 Shares pursuant to the Previous Approval.

During the 12 month period preceding the date of the Meeting, being on and from 25 November 2018, the Company otherwise issued a total of 15,020,436 Shares and 4,016,416 Options which, together with the Equity Securities issued under the Previous Approval, represents approximately 21.93% of the total diluted number of Equity Securities on issue in the Company on 25 November 2018, which was 86,816,905.

Further details of the issues of Equity Securities by the Company during the 12-month period preceding the date of the Meeting are set out in Schedule 7.

12.3 Voting Exclusion

A voting exclusion statement is included in this Notice. As at the date of this Notice, the Company has not invited any existing Shareholder to participate in an issue of Equity Securities under ASX Listing Rule 7.1A. Therefore, no existing Shareholders will be excluded from voting on Resolution 14.

13. RESOLUTION 15 – REPLACEMENT OF CONSTITUTION

13.1 General

A company may modify or repeal its constitution or a provision of its constitution by special resolution of Shareholders.

Resolution 15 is a special resolution which will enable the Company to amend its existing Constitution (**Amended Constitution**) to ensure it reflects the proposed changes to ASX Listing Rule 15.12 which is due to be finalised and released in December 2019. Under this change, ASX will require certain more significant holders of restricted securities and their controllers (such as related parties, promoters, substantial holders, service providers and their associates) to execute a formal escrow agreement in the form Appendix 9A, as is currently the case. However, for less significant holdings (such as non-related parties and non-promoters), ASX will instead permit the Company to issue restriction notices to holders of restricted securities in the form of a new Appendix 9C advising them of the restriction rather than requiring signed restriction agreements.

A copy of the Amended Constitution can be sent to Shareholders upon request to the Company Secretary. Shareholders are invited to contact the Company if they have any queries or concerns.

GLOSSARY

\$ means Australian dollars.

10% Placement Capacity has the meaning given in Section 12.1.

Annual General Meeting or **Meeting** means the meeting convened by the Notice.

ASIC means the Australian Securities & Investments Commission.

ASX means ASX Limited (ACN 008 624 691) or the financial market operated by ASX Limited, as the context requires.

ASX Listing Rules means the Listing Rules of ASX.

Board means the current board of directors of the Company.

Business Day means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day, and any other day that ASX declares is not a business day.

Chair means the chair of the Meeting.

Closely Related Party of a member of the Key Management Personnel means:

- (a) a spouse or child of the member;
- (b) a child of the member's spouse;
- (c) a dependent of the member or the member's spouse;
- (d) anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealing with the entity;
- (e) a company the member controls; or
- (f) a person prescribed by the Corporations Regulations 2001 (Cth) for the purposes of the definition of 'closely related party' in the Corporations Act.

Company means K2Fly Limited (ACN 125 345 502).

Constitution means the Company's constitution.

Corporations Act means the *Corporations Act 2001* (Cth).

Directors means the current directors of the Company.

Eligible Entity means an entity that, at the date of the relevant general meeting:

- (a) is not included in the S&P/ASX 300 Index; and
- (b) has a maximum market capitalisation (excluding restricted securities and securities quoted on a deferred settlement basis) of \$300,000,000.

Equity Securities includes a Share, a right to a Share or Option, an Option, a convertible security and any security that ASX decides to classify as an Equity Security.

Executive Options means the options to be issued to Brian Miller the subject of Resolution 3, and the terms and conditions of which are set out in Schedules 1 and 2.

Explanatory Statement means the explanatory statement accompanying the Notice.

Key Management Personnel has the same meaning as in the accounting standards issued by the Australian Accounting Standards Board and means those persons having authority and responsibility for planning, directing and controlling the activities of the Company, or if the Company is part of a consolidated entity, of the consolidated entity, directly or indirectly, including any director (whether executive or otherwise) of the Company, or if the Company is part of a consolidated entity, of an entity within the consolidated group.

NED Options means the options to be issued to Non-Executive Directors Jenny Cutri, Neil Canby and James Deacon the subject of Resolutions 4, 5 and 6, and the terms and conditions of which are set out in Schedule 3.

Notice or **Notice of Meeting** means this notice of meeting including the Explanatory Statement and the Proxy Form.

Option means an option to acquire a Share.

Optionholder means a holder of an Option.

Proxy Form means the proxy form accompanying the Notice.

Remuneration Report means the remuneration report set out in the Director's report section of the Company's annual financial report for the year ended 30 June 2019.

Resolutions means the resolutions set out in the Notice, or any one of them, as the context requires.

Section means a section of the Explanatory Statement.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a registered holder of a Share.

Variable A means "A" as set out in the formula in ASX Listing Rule 7.1A(2).

WST means Western Standard Time as observed in Perth, Western Australia.

SCHEDULE 1 – TERMS AND CONDITIONS OF EXECUTIVE OPTIONS - ZERO EXERCISE PRICE OPTIONS

(a) **Entitlement**

Once vested, each ZEP Option entitles the holder to subscribe for one Share, for nil consideration.

(b) **Expiry Date**

Each ZEP Option will expire at 5:00 pm (WST) on the date that is two years from the date of grant (**Expiry Date**). A ZEP Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.

(c) **Vesting Conditions**

Subject to (d), the ZEP Options shall vest and become exercisable when any vesting conditions (including remaining employed by the Company for a period of 18 months from date of issue of the ZEP Options) have been satisfied or waived by the Board .

(d) **Cessation of Employment**

Should the holder cease employment or engagement by the Company:

- (i) any unexercised ZEP Options that have vested as at the date of cessation of employment or engagement with the Company (**Cessation Date**) shall lapse if the holder does not exercise the ZEP Option within a period of 6 months after the Cessation Date; and
- (ii) any unexercised ZEP Options that have not vested as at the Cessation Date shall immediately lapse upon the Cessation Date.

(e) **Exercise Period**

The ZEP Options are exercisable at any time on and from the satisfaction of the relevant vesting conditions set out in (c) above until the Expiry Date (**Exercise Period**).

(f) **Notice of Exercise**

The ZEP Options may be exercised during the Exercise Period by notice in writing to the Company in the manner specified on the ZEP Option certificate (**Notice of Exercise**).

(g) **Exercise Date**

A Notice of Exercise is only effective on and from date of receipt of the Notice of Exercise (**Exercise Date**).

(h) **Timing of issue of Shares on exercise**

Within 15 Business Days after the Exercise Date, the Company will:

- (i) issue the number of Shares required under these terms and conditions in respect of the number of ZEP Options specified in the Notice of Exercise;

- (ii) if required, give ASX a notice that complies with section 708A(5)(e) of the Corporations Act, or, if the Company is unable to issue such a notice, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors; and
- (iii) if admitted to the official list of ASX at the time, apply for official quotation on ASX of Shares issued pursuant to the exercise of the ZEP Options.

If a notice delivered under (h)(ii) for any reason is not effective to ensure that an offer for sale of the Shares does not require disclosure to investors, the Company must, no later than 20 Business Days after becoming aware of such notice being ineffective, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors.

(i) **Shares issued on exercise**

Shares issued on exercise of the ZEP Options rank equally with the then issued shares of the Company.

(j) **Reconstruction of capital**

If at any time the issued capital of the Company is reconstructed, all rights of an Optionholder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.

(k) **Participation in new issues**

There are no participation rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the ZEP Options without exercising the ZEP Options.

(l) **Transferability**

The ZEP Options are not transferable.

SCHEDULE 2 – TERMS AND CONDITIONS OF EXECUTIVE OPTIONS - PREMIUM EXERCISE PRICE OPTIONS

(a) **Entitlement**

Once vested, each PEP Option entitles the holder to subscribe for one Share, at a cost of 143% of the 5 day volume weighted average price of the Company's Shares on the date of grant (**Exercise Price**).

(b) **Expiry Date**

Each PEP Option will expire at 5:00 pm (WST) on the date that is four years from the date of grant (**Expiry Date**). A PEP Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.

(c) **Vesting Conditions**

Subject to (d), the PEP Options shall vest and become exercisable when any vesting conditions (including remaining employed by the Company for a period of 3 years from date of issue of the PEP Options) have been satisfied or waived by the Board.

(d) **Cessation of Employment**

Should the holder cease employment or engagement by the Company:

- (i) any unexercised PEP Options that have vested as at the date of cessation of employment or engagement with the Company (**Cessation Date**) shall lapse if the holder does not exercise the PEP Option within a period of 12 months after the Cessation Date; and
- (ii) any unexercised PEP Options that have not vested as at the Cessation Date shall immediately lapse upon the Cessation Date.

(e) **Exercise Period**

The PEP Options are exercisable at any time on and from the satisfaction of the relevant vesting conditions set out in (c) above until the Expiry Date (**Exercise Period**).

(f) **Notice of Exercise**

The PEP Options may be exercised during the Exercise Period by notice in writing to the Company in the manner specified on the PEP Option certificate (**Notice of Exercise**) and payment of the Exercise Price for each PEP Option being exercised in Australian currency by electronic funds transfer or other means of payment acceptable to the Company.

(g) **Exercise Date**

A Notice of Exercise is only effective on and from date of receipt of the Notice of Exercise and the date of receipt of the payment of the Exercise Price for each Option being exercised in cleared funds (**Exercise Date**).

(h) **Timing of issue of Shares on exercise**

Within 15 Business Days after the Exercise Date, the Company will:

- (i) issue the number of Shares required under these terms and conditions in respect of the number of PEP Options specified in the Notice of Exercise and for which cleared funds have been received by the Company;
- (ii) if required, give ASX a notice that complies with section 708A(5)(e) of the Corporations Act, or, if the Company is unable to issue such a notice, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors; and
- (iii) if admitted to the official list of ASX at the time, apply for official quotation on ASX of Shares issued pursuant to the exercise of the PEP Options.

If a notice delivered under (h)(ii) for any reason is not effective to ensure that an offer for sale of the Shares does not require disclosure to investors, the Company must, no later than 20 Business Days after becoming aware of such notice being ineffective, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors.

(i) **Shares issued on exercise**

Shares issued on exercise of the PEP Options rank equally with the then issued shares of the Company.

(j) **Reconstruction of capital**

If at any time the issued capital of the Company is reconstructed, all rights of an Optionholder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.

(k) **Participation in new issues**

There are no participation rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the PEP Options without exercising the PEP Options.

(l) **Transferability**

The PEP Options are not transferable.

SCHEDULE 3 – TERMS AND CONDITIONS OF NED OPTIONS

(a) **Entitlement**

Each NED Option entitles the holder to subscribe for one Share, for nil consideration.

(b) **Expiry Date**

Each NED Option will expire at 5:00 pm (WST) on the date that is 2 years from the date of grant (**Expiry Date**). A NED Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.

(c) **Cessation of Employment**

Should the holder cease employment or engagement by the Company any unexercised NED Options as at the date of cessation of employment or engagement with the Company (**Cessation Date**) shall lapse if the holder does not exercise the NED Option within a period of 6 months after the Cessation Date.

(d) **Exercise Period**

The NED Options are exercisable at any time on or prior to the Expiry Date (**Exercise Period**).

(e) **Notice of Exercise**

The NED Options may be exercised during the Exercise Period by notice in writing to the Company in the manner specified on the NED Option certificate (**Notice of Exercise**).

(f) **Exercise Date**

A Notice of Exercise is only effective on and from date of receipt of the Notice of Exercise (**Exercise Date**).

(g) **Timing of issue of Shares on exercise**

Within 15 Business Days after the Exercise Date, the Company will:

- (i) issue the number of Shares required under these terms and conditions in respect of the number of NED Options specified in the Notice of Exercise;
- (ii) if required, give ASX a notice that complies with section 708A(5)(e) of the Corporations Act, or, if the Company is unable to issue such a notice, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors; and
- (iii) if admitted to the official list of ASX at the time, apply for official quotation on ASX of Shares issued pursuant to the exercise of the NED Options.

If a notice delivered under (h)(ii) for any reason is not effective to ensure that an offer for sale of the Shares does not require disclosure to investors, the Company must, no later than 20 Business Days after becoming aware of such notice being ineffective, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of

the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors.

(h) **Shares issued on exercise**

Shares issued on exercise of the NED Options rank equally with the then issued shares of the Company.

(i) **Reconstruction of capital**

If at any time the issued capital of the Company is reconstructed, all rights of an Optionholder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.

(j) **Participation in new issues**

There are no participation rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the NED Options without exercising the NED Options.

(k) **Transferability**

The NED Options are not transferable except with the prior written consent of the Board.

SCHEDULE 4 – VALUATION OF NED OPTIONS

The NED Options to be issued to the Related Parties pursuant to Resolutions 4, 5 and 6 have been valued by internal management using a probability-based valuation methodology with reference to the share price at grant date of issue of the NED Options.

Based on this valuation methodology and the assumptions set out below, the NED Options were ascribed the following value:

Assumptions:	
Valuation date	7 October 2019
Market price of Shares	16.5 cents
Exercise price	Nil
Expiry date (length of time from issue)	2 years
Indicative value per NED Option	16.5 cents
Total Value of NED Options	\$99,000
- Jenny Cutri	\$33,000
- Neil Canby	\$33,000
- James Deacon	\$33,000

Note: The valuation noted above is not necessarily the market price that the NED Options could be traded at and is not automatically the market price for taxation purposes.

SCHEDULE 5 – TERMS AND CONDITIONS OF BELLATRIX ZERO EXERCISE PRICE OPTIONS

(a) **Entitlement**

Each Bellatrix Option entitles the holder to subscribe for one Share, for nil consideration.

(b) **Expiry Date**

Each Bellatrix Option will expire at 5:00 pm (WST) on the date that is 2 years from the date of grant (**Expiry Date**). A Bellatrix Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.

(c) **Cessation of Employment**

Should the holder cease engagement by the Company any unexercised Bellatrix Options as at the date of cessation of engagement with the Company (**Cessation Date**) shall lapse if the holder does not exercise the Bellatrix Option within a period of 6 months after the Cessation Date.

(d) **Exercise Period**

The Bellatrix Options are exercisable at any time on or prior to the Expiry Date (**Exercise Period**).

(e) **Notice of Exercise**

The Bellatrix Options may be exercised during the Exercise Period by notice in writing to the Company in the manner specified on the Bellatrix Option certificate (**Notice of Exercise**).

(f) **Exercise Date**

A Notice of Exercise is only effective on and from date of receipt of the Notice of Exercise (**Exercise Date**).

(g) **Timing of issue of Shares on exercise**

Within 15 Business Days after the Exercise Date, the Company will:

- (i) issue the number of Shares required under these terms and conditions in respect of the number of Bellatrix Options specified in the Notice of Exercise;
- (ii) if required, give ASX a notice that complies with section 708A(5)(e) of the Corporations Act, or, if the Company is unable to issue such a notice, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors; and
- (iii) if admitted to the official list of ASX at the time, apply for official quotation on ASX of Shares issued pursuant to the exercise of the Bellatrix Options.

If a notice delivered under (h)(ii) for any reason is not effective to ensure that an offer for sale of the Shares does not require disclosure to investors, the Company must, no later than 20 Business Days after becoming aware of such notice being ineffective, lodge with ASIC a prospectus prepared in accordance with the

Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors.

(h) **Shares issued on exercise**

Shares issued on exercise of the Bellatrix Options rank equally with the then issued shares of the Company.

(i) **Reconstruction of capital**

If at any time the issued capital of the Company is reconstructed, all rights of an Optionholder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.

(j) **Participation in new issues**

There are no participation rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Bellatrix Options without exercising the Bellatrix Options.

(k) **Transferability**

The Bellatrix Options are not transferable except with the prior written consent of the Board.

SCHEDULE 6 – TERMS AND CONDITIONS OF CANARY OPTIONS

(a) **Entitlement**

Each Option entitles the holder to subscribe for one Share upon exercise of the Option.

(b) **Exercise Price**

The amount payable upon exercise of each Option will be \$0.35 (**Exercise Price**).

(c) **Expiry Date**

Each Option will expire at 5:00 pm (WST) on 11 October 2022 (**Expiry Date**). An Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.

(d) **Exercise Period**

The Options are exercisable at any time on or prior to the Expiry Date (**Exercise Period**).

(e) **Notice of Exercise**

The Options may be exercised during the Exercise Period by notice in writing to the Company in the manner specified on the Option certificate (**Notice of Exercise**) and payment of the Exercise Price for each Option being exercised in Australian currency by electronic funds transfer or other means of payment acceptable to the Company.

(f) **Exercise Date**

A Notice of Exercise is only effective on and from the later date of receipt of the Notice of Exercise and the date of receipt of the payment of the Exercise Price for each Option being exercised in cleared funds (**Exercise Date**).

(g) **Timing of issue of Shares on exercise**

Within 15 Business Days after the Exercise Date, the Company will:

- (i) issue the number of Shares required under these terms and conditions in respect of the number of Options specified in the Notice of Exercise and for which cleared funds have been received by the Company;
- (ii) if required, give ASX a notice that complies with section 708A(5)(e) of the Corporations Act, or, if the Company is unable to issue such a notice, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors; and
- (iii) if admitted to the official list of ASX at the time, apply for official quotation on ASX of Shares issued pursuant to the exercise of the Options.

If a notice delivered under (h)(ii) for any reason is not effective to ensure that an offer for sale of the Shares does not require disclosure to investors, the Company must, no later than 20 Business Days after becoming aware of such notice being ineffective, lodge with ASIC a prospectus prepared in accordance with the

Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors.

(h) **Shares issued on exercise**

Shares issued on exercise of the Options rank equally with the then issued shares of the Company.

(i) **Reconstruction of capital**

If at any time the issued capital of the Company is reconstructed, all rights of an Optionholder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.

(j) **Participation in new issues**

There are no participation rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options without exercising the Options.

(k) **Change in exercise price**

An Option does not confer the right to a change in Exercise Price or a change in the number of underlying securities over which the Option can be exercised.

(l) **Transferability**

The Options are not transferable except with the prior written consent of the Board.

SCHEDULE 7 – ISSUES OF EQUITY SECURITIES SINCE 25 NOVEMBER 2018 (12 MONTHS PRIOR TO MEETING)

Date	Quantity	Class	Recipients	Issue price and discount to Market Price (if applicable) ¹	Form of consideration
Issue – 21 December 2018 Appendix 3B – 21 December 2018	62,454	Shares ⁴	Shares issued to Canary Capital pursuant to an investor marketing mandate (refer ASX announcement dated 22 November 2018).	The Shares were issued for nil cash consideration in satisfaction of investor marketing services provided by Canary Capital.	Nil cash consideration in satisfaction of investor marketing services provided by Canary Capital. Current value ³ = \$10,617
	1,917,198	Premium exercise price Options ⁵	639,019 premium exercise price Options were issued to Mr Brian Miller (Executive Director) as approved by shareholders at the Company's annual general meeting held 26 November 2018; and 1,278,179 premium exercise price Options were issued to employees under the Company's employee incentive option plan (EIOP), the EIOP as approved by shareholders at the Company's annual general meeting held 26 November 2018 (2018 AGM).	No issue price (non-cash consideration).	No issue price (non-cash consideration). Performance based remuneration for services provided to the Company. Current value ³ = \$0.105 per Option
	1,349,218	Zero exercise price Options ⁶	341,933 zero exercise price Options were issued to a Brian Miller (Executive Director) as approved by shareholders at the 2018 AGM. A total of 267,657 zero exercise price Options were issued to Mr Neil Canby, Ms Jenny Cutri and Mr James Deacon (Non-Executive Directors) as approved by shareholders at the 2018 AGM. 55,762 zero exercise price Options were issued to a consultant (Bellatrix Corporate Pty Ltd) as approved by shareholders at the 2018 AGM. 683,866 zero exercise price Options were issued to employees under the Company's EIOP, the EIOP as approved by shareholders at the 2018 AGM.	No issue price (non-cash consideration).	No issue price (non-cash consideration). Performance based remuneration for services provided to the Company. Current value ³ = \$0.170 per Option
Issue – 13 May 2019 Appendix 3B – 13 May 2019	8,000,000	Shares ⁴	The Shares were issued to sophisticated and professional investors clients of Canary Capital.	The Shares were issued at an issue price of \$0.10 each, being a 23.08% discount to the Share price as traded on the ASX on 21/12/2018 being \$0.13.	Amount raised: \$800,000 Amount spent: \$514,919 Use of funds: To fund the acquisition of the assets of Prodmark Pty Ltd and

Date	Quantity	Class	Recipients	Issue price and discount to Market Price (if applicable) ¹	Form of consideration
					<p>associated entities (as per the 7 May 2019 announcement).</p> <p>Amount remaining: \$285,081</p> <p>Proposed use of remaining funds: Funds raised were also to provide working capital for RCubed assets for 6 months – so funds will continue to be used to pay costs associated with RCubed assets (including staff costs), costs associated with the sale and implementation of the RCubed contracts, and anticipated new contract wins.</p>
	510,000	Shares ⁴	The Shares were issued to Canary Capital.	The Shares were issued for nil cash consideration in satisfaction of advisory services, provided by Canary Capital, regarding the May Placement.	<p>No issue price (non-cash consideration).</p> <p>Current value³ = \$86,700</p>
	116,460	Shares ⁴	The Shares were issued to Canary Capital.	The Shares were issued for nil cash consideration pursuant to an investor marketing mandate with Canary Capital.	<p>No issue price (non-cash consideration).</p> <p>Current value³ = \$19,798</p>
<p>Issue – 26 Septmeber 2019</p> <p>Appendix 3B – 26 Septmeber 2019</p>	6,250,000	Shares ⁴	The Shares were issued to institutional and sophisticated clients of Canary Capital.	The Shares were issued at an issue price of \$0.16 each, being a 5.88% discount to the Share price as traded on the ASX on 26/09/2019 being \$0.17.	<p>Amount raised: \$1,000,000</p> <p>Amount spent: \$Nil</p> <p>Use of funds: The funds raised from this issue are to be used to implement the RCubed contracts, anticipated new contract wins and to deliver further sales growth for the business.</p> <p>Amount remaining: \$1,000,000</p> <p>Proposed use of remaining funds: To continue to implement the current RCubed contracts and anticipated new contract wins, development of RCubed product and to deliver further sales growth for the business.</p>

Date	Quantity	Class	Recipients	Issue price and discount to Market Price (if applicable) ¹	Form of consideration
Issue – 11 October 2019	81,522	Shares ⁴	Shares issued to Canary Capital pursuant to an investor marketing mandate (refer ASX announcement dated 11 October 2019).	The Shares were issued for nil cash consideration in satisfaction of investor marketing services provided by Canary Capital.	Nil cash consideration in satisfaction of investor marketing services provided by Canary Capital. Current value ³ = \$13,859
Appendix 3B – 11 October 2019	750,000	Unquoted Options ⁷	Unquoted Options issued to Canary Capital pursuant to an investor marketing mandate (refer ASX announcement dated 11 October 2019).	No issue price (non-cash consideration).	No issue price (non-cash consideration). Performance based remuneration for services provided to the Company. Current value ³ = \$0.068 per Option

Notes:

1. Market Price means the closing price on ASX (excluding special crossings, overnight sales and exchange traded option exercises). For the purposes of this table the discount is calculated on the Market Price on the last trading day on which a sale was recorded prior to the date of issue of the relevant Equity Securities.
2. This is a statement of current intentions as at the date of this Notice. As with any budget, intervening events and new circumstances have the potential to affect the manner in which the funds are ultimately applied. The Board reserves the right to alter the way the funds are applied on this basis.
3. In respect of quoted Equity Securities, the value is based on the closing price of the Shares (\$0.17) on the ASX on 16 October 2019. In respect of unquoted Equity Securities, the value of Options is measured using the Black & Scholes option pricing model. Measurement inputs include the Share price on the measurement date, the exercise price, the term of the Option, the impact of dilution, the expected volatility of the underlying Share (based on weighted average historic volatility adjusted for changes expected due to publicly available information), the expected dividend yield and the risk free interest rate for the term of the Option. No account is taken of any performance conditions included in the terms of the Option other than market-based performance conditions (i.e. conditions linked to the price of Shares).
4. Fully paid ordinary shares in the capital of the Company, ASX Code: K2F (terms are set out in the Constitution).
5. Unquoted premium exercise price Options, exercisable at \$0.243 each, on or before 26 November 2022, subject to vesting conditions. The full terms and conditions were disclosed in the notice of meeting for the shareholder meeting held on 26 November 2018.
6. Zero exercise price Options, exercisable at \$0.00 each, on or before 26 November 2022, subject to vesting conditions. The full terms and conditions were disclosed in the notice of meeting for the shareholder meeting held on 26 November 2018.
7. Unquoted Options, exercisable at \$0.35 each, on or before 11 October 2022. The full terms and conditions are disclosed at Schedule 6 of this the notice.

PROXY FORM

**K2FLY LIMITED
ACN 125 345 502**

ANNUAL GENERAL MEETING

I/We

of:

being a Shareholder entitled to attend and vote at the Meeting, hereby appoint:

Name:

OR: the Chair of the Meeting as my/our proxy.

or failing the person so named or, if no person is named, the Chair, or the Chair's nominee, to vote in accordance with the following directions, or, if no directions have been given, and subject to the relevant laws as the proxy sees fit, at the Meeting to be held at 10:30 am, on 25 November 2019 at Steinepreis Paganin Lawyers and Consultants, Level 4, The Read Buildings, 16 Milligan Street, Perth WA 6000, and at any adjournment thereof.

AUTHORITY FOR CHAIR TO VOTE UNDIRECTED PROXIES ON REMUNERATION RELATED RESOLUTIONS

Where I/we have appointed the Chair as my/our proxy (or where the Chair becomes my/our proxy by default), I/we expressly authorise the Chair to exercise my/our proxy on Resolutions 1 and 3 to 6 (except where I/we have indicated a different voting intention below) even though Resolutions 1 and 3 to 6 are connected directly or indirectly with the remuneration of a member of the Key Management Personnel, which includes the Chair.

CHAIR'S VOTING INTENTION IN RELATION TO UNDIRECTED PROXIES

The Chair intends to vote undirected proxies in favour of all Resolutions. In exceptional circumstances the Chair may change his/her voting intention on any Resolution. In the event this occurs an ASX announcement will be made immediately disclosing the reasons for the change.

Voting on business of the Meeting		FOR	AGAINST	ABSTAIN
Resolution 1	Adoption of Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	Re-Election of Director – James Deacon	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	Issue of Options to Related Party – Brian Miller	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4	Issue of Options to Jenny Cutri	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5	Issue of Options to Neil Canby	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6	Issue of Options to James Deacon	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 7	Issue of Options to Bellatrix Corporate Pty Ltd	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 8	Ratification of Prior Issue to Canary Capital Pty Ltd	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 9	Ratification of 13 May 2019 Issue	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 10	Ratification of 13 May 2019 Issue – Listing Rule 7.1A	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 11	Ratification of 13 May 2019 Issue – Canary Capital Pty Ltd	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 12	Ratification of 26 September 2019 Issue	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 13	Ratification of Prior Issue to Canary Capital Pty Ltd	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 14	Approval of 10% Placement Capacity	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 15	Amendment to Constitution	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Please note: If you mark the abstain box for a particular Resolution, you are directing your proxy not to vote on that Resolution on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

If two proxies are being appointed, the proportion of voting rights this proxy represents is: _____ %

Signature of Shareholder(s):

Individual or Shareholder 1

Sole Director/Company Secretary

Shareholder 2

Director

Shareholder 3

Director/Company Secretary

Date: _____

Contact name: _____

Contact ph (daytime): _____

E-mail address: _____

Consent for contact by e-mail in relation to this Proxy Form: YES NO

Instructions for completing Proxy Form

1. **(Appointing a proxy):** A Shareholder entitled to attend and cast a vote at the Meeting is entitled to appoint a proxy to attend and vote on their behalf at the Meeting. If a Shareholder is entitled to cast 2 or more votes at the Meeting, the Shareholder may appoint a second proxy to attend and vote on their behalf at the Meeting. However, where both proxies attend the Meeting, voting may only be exercised on a poll. The appointment of a second proxy must be done on a separate copy of the Proxy Form. A Shareholder who appoints 2 proxies may specify the proportion or number of votes each proxy is appointed to exercise. If a Shareholder appoints 2 proxies and the appointments do not specify the proportion or number of the Shareholder's votes each proxy is appointed to exercise, each proxy may exercise one-half of the votes. Any fractions of votes resulting from the application of these principles will be disregarded. A duly appointed proxy need not be a Shareholder.
2. **(Direction to vote):** A Shareholder may direct a proxy how to vote by marking one of the boxes opposite each item of business. The direction may specify the proportion or number of votes that the proxy may exercise by writing the percentage or number of Shares next to the box marked for the relevant item of business. Where a box is not marked the proxy may vote as they choose subject to the relevant laws. Where more than one box is marked on an item the vote will be invalid on that item.
3. **(Signing instructions):**
 - **(Individual):** Where the holding is in one name, the Shareholder must sign.
 - **(Joint holding):** Where the holding is in more than one name, all of the Shareholders should sign.
 - **(Power of attorney):** If you have not already provided the power of attorney with the registry, please attach a certified photocopy of the power of attorney to this Proxy Form when you return it.
 - **(Companies):** Where the company has a sole director who is also the sole company secretary, that person must sign. Where the company (pursuant to Section 204A of the Corporations Act) does not have a company secretary, a sole director can also sign alone. Otherwise, a director jointly with either another director or a company secretary must sign. Please sign in the appropriate place to indicate the office held. In addition, if a representative of a company is appointed pursuant to Section 250D of the Corporations Act to attend the Meeting, the documentation evidencing such appointment should be produced prior to admission to the Meeting. A form of a certificate evidencing the appointment may be obtained from the Company.
4. **(Attending the Meeting):** Completion of a Proxy Form will not prevent individual Shareholders from attending the Meeting in person if they wish. Where a Shareholder completes and lodges a valid Proxy Form and attends the Meeting in person, then the proxy's authority to speak and vote for that Shareholder is suspended while the Shareholder is present at the Meeting.
5. **(Lodgement of Proxy Form):** Proxy forms can be lodged by completing and signing the enclosed Proxy Form and returning by:
 - (a) post to K2Fly Limited, Level 1, Grand Central, 26 Railway Road, Subiaco WA 6008
 - (b) facsimile to the Company on facsimile number +61 8 9380 9666;
 - (c) email to the Company at cath@bellatrixcorp.com.au,so that it is received not less than 48 hours prior to commencement of the Meeting.

Proxy Forms received later than this time will be invalid.