k2fly Solutions for net positive impact

K2fly Limited

ABN 69 125 345 502

ANNUAL REPORT

For the Year Ended

30 June 2020

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CORPORATE DIRECTORY

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

JOINT COMPANY SECRETARY
Melissa Chapman
Catherine Grant-Edwards

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

Dear Fellow Shareholders,

On behalf of the K2F Board of Directors I am pleased to present the Company's Annual Report for the 2020 financial year (**FY20**). In what can only be described as an unprecedented year and market conditions, particularly the later part of FY20, K2F has not only been resilient but has prospered.

Our Purpose

We commenced FY20 clearly stating that our purpose was to provide solutions which contribute to a more transparent and sustainable world, so that:

- Our customers benefit from improved and transparent relationships with their stakeholders.
- We help guide our partners with thought leadership and innovative solutions for our shared customers.
- Our people feel they are contributing in helping provide better communities, environment and governance for all.
- We all feel valued and respected and grow personally and professionally together.

Strategy

Our strategy was to continue our 3 lines of business (own software sales, consultancy and sales of third-party software solutions) and to:

- Maintain an aggressive growth trajectory including:
  - targeting NYSE RCubed prospects by having a dedicated sales resource in the Americas;
  - explore and broaden our current software solutions from existing product lines to reporting other aspects of the resource sector and to other industry sectors; and
  - consider complementary software acquisitions.
- Move to positive cash flow from operations, resulting from disciplined cost control and focus on cash collection from customers.
- Reposition K2F software along industry lines and over time into functional industry solutions and modules.

Notwithstanding that Q3 and Q4 FY20 saw the Company move to remote working and the implementation of prudent cost management measures and cost reductions, the Company successfully implemented most of its strategies or made considerable progress towards achievement of those strategic goals. In terms of complementary software acquisitions this continues to be on the Company's radar, however with the unknown world and economic backdrop the importance of the right acquisition is more imperative than ever. There is also no doubt the assessment of prospects and valuation has become more difficult.

Financial Metrics

Despite all the economic turbulence FY20 was an extremely positive year for the Company. FY20 has seen the Company's revenue continue to grow to a record level, including the percentage of revenue from Software as a Service (SaaS), its annual recurring revenue and total contract values.

In FY20 our revenue increased to $5.6m, an increase of 48% year on year from FY19. During Q4 the Company achieved strong net positive cashflow from operations of $0.66M. At 30 June 2020 the Company had a cash balance of $2.9m and no debt.

Sales

Having completed the acquisition of RCubed Resource Governance Software Solution in the previous financial year, the sales of this SaaS solution to Tier 1 and 2 mining companies has been extraordinarily successful. So much so, that in Q4FY20 we achieved the final milestone in the revenue acquisition performance milestones for RCubed, which had been set to be achieved over a 3 year period.

Since the acquisition of RCubed, K2F has won a number of contracts with significant global mining clients. New clients include: Imerys, Glencore Canada, Nexa Resources, Rio Tinto, Newcrest, Goldfields, Newmont, Sibelco, Kinross Gold, Orano SA and South 32. In addition, existing SaaS clients of K2F's RCubed and Infoscope solutions extended their licencing agreements: Teck Resources (3 years), Westgold (5 years) and AngloGold Ashanti (3 years).

More recently we have announced that we are working with Decipher (an award-winning cloud monitoring platform and a subsidiary of Wesfarmers) to build an integrated monitoring and governance platform for Tailings Storage Facilities.

Capital Raising

In September 2019 the Company successfully completed a $1.0M placement (before costs) to institutional, sophisticated and professional investors.

In 2020 a total of $1.719M (before costs) was raised from the exercise of listed options exercisable at $0.20 per option which expired on 18 May (Listed Options). The exercise of the Listed Options was partially underwritten (no discount to the exercise price) by K S Capital Pty Limited. This level of support with the economic backdrop and turbulence of the Covid 19 was extremely pleasing.

Board, Leadership and K2F Team

The current Board members have diverse and complementary skills, and have made significant contributions to the sustainability, long term growth and governance of our Company. The Non-Executive Directors are also members of the Remuneration Committee and contribute an enormous amount of time to ensure the Company's effectiveness and governance.

During Q3 and Q4 there was increased demand on the directors, who met weekly to monitor and manage the Company's finances during the turbulent economic period. I would like to thank my fellow directors and the leadership team for stepping up and their support during this particular period.

At the end of June we said farewell to Jan de Kock, one of the original founders of RCubed with Chris Jones (who sadly passed away at the end of last year). The RCubed Resource Governance Software Solution is a legacy of their vision, commitment and perseverance.

I also very much thank all members of the K2F team who pitched in, and at times went above and beyond, and who contributed to the Company's overall success in FY20.

Our Valued Shareholders

Importantly, on behalf of the Board, I would like to express our gratitude to the valued shareholders of K2F.

Kind Regards,

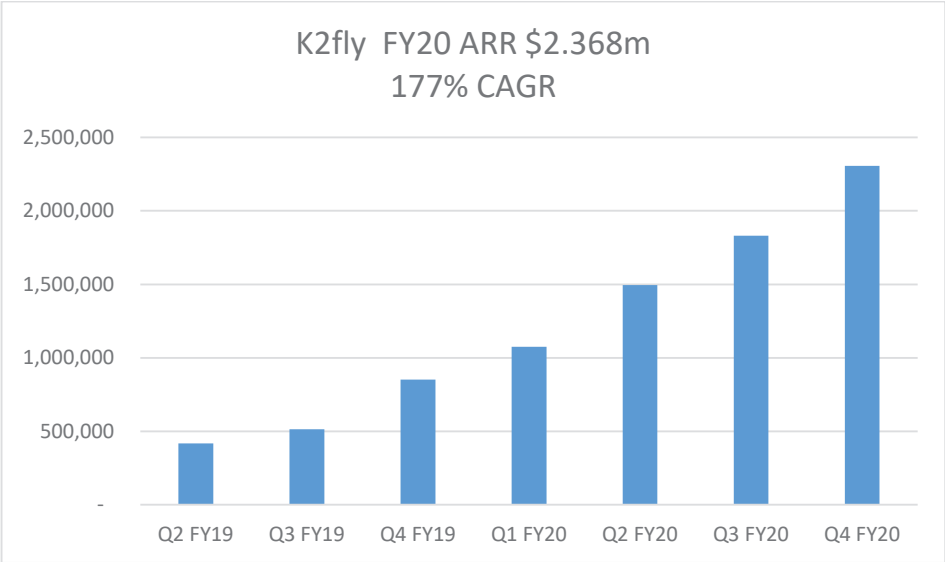
Jenny Cutri
Non-Executive Chair

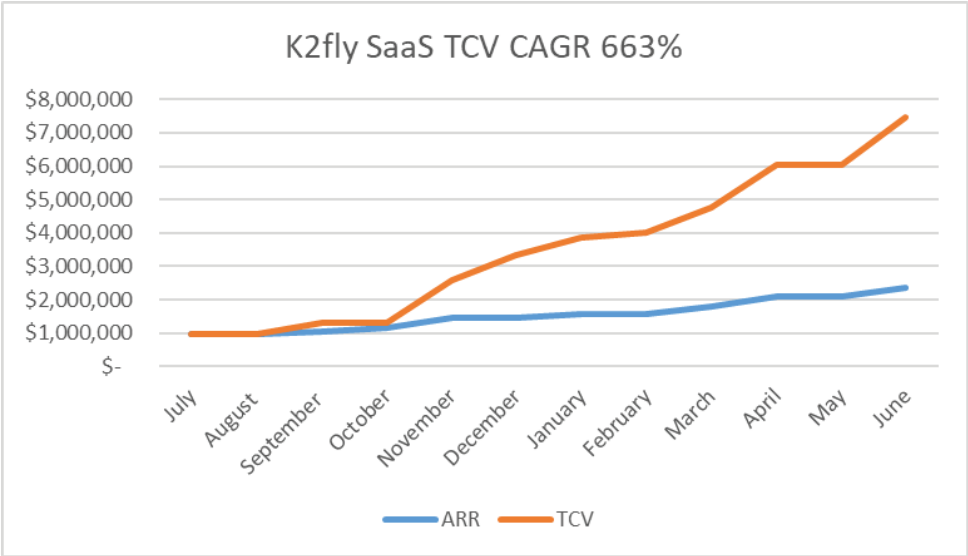
Dear Fellow Shareholders,

I am delighted to deliver this year end (FY20) report as CEO of K2fly.

In last year's annual report, I suggested that our strategy was to steadily increase our Software as a Service (**SaaS**) business so that it became the dominant part of K2fly. I am happy to report that in FY20 this was the case, and the signs are that this will continue to grow in the current financial year. Our year started positively as we began to win new name clients for the recently acquired RCubed solution. During the course of the next 12 months we won contracts with some of the world's largest resource companies and our clients spread across all continents. The new clients for RCubed include Rio Tinto, South 32, Glencore, Newmont, Newcrest, Imerys, Kinross Gold, Nexa Resources, Sibelco and Goldfields. We also started a pilot study with Vale from Brazil.

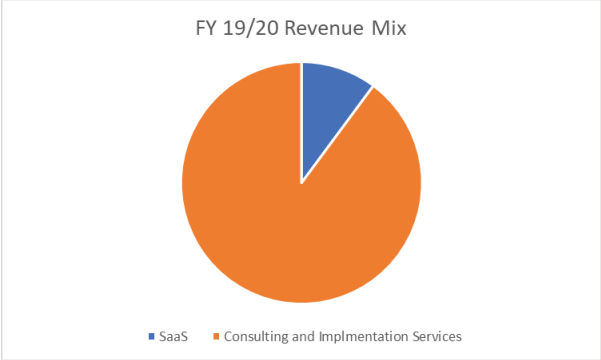
As such, our key metric of SaaS, Annual Recurring Revenue (**ARR**) has grown to $2.37M, which represents a Compound Annual Growth Rate (**CAGR**) of 177%. The Total Contract Value (**TCV**) for SaaS contracts is now approximately $7.47M[1], which is a CAGR of 663%. Average contract terms are now more than 3 years, at 3.16 average SaaS contract term.

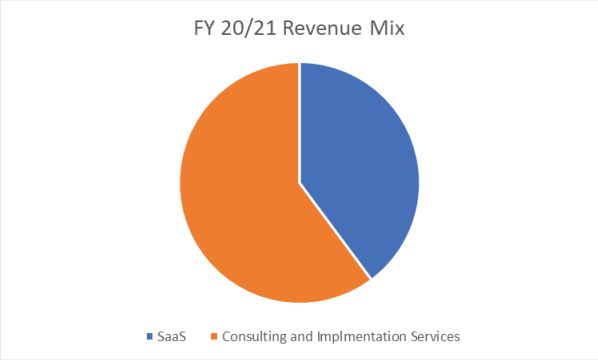




[1] ARR and TCV figures may be affected by exchange rate fluctuations.

Our SaaS annual licensing accounted for 10% of total invoices raised in FY19 and now accounts for 36% at the end of FY20.



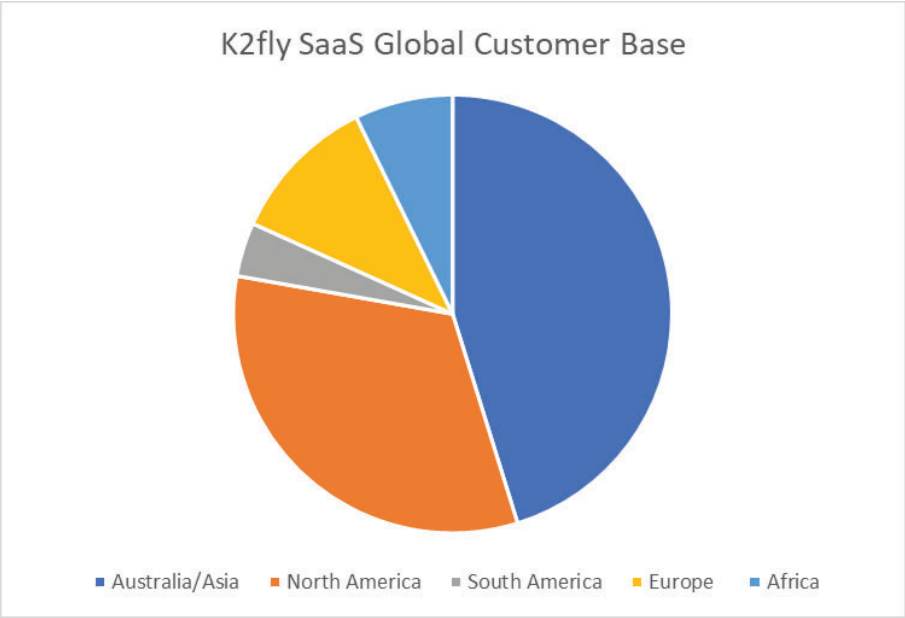


Infoscope and RCubed are our two foundational pieces of Intellectual Property(IP). Collectively K2fly software provides technical assurance enterprise software that delivers environmental, social and governance (**ESG**) outcomes for our clients.

As mentioned by the Chair, during the second half of FY20 K2fly changed from a product to a solution strategy which is already gaining a lot of momentum with our customers and prospects in the mining industry. The key is that our industry solutions are now more fit for purpose to the customers they serve.

As of July 2020 we now have more than 460 sites worldwide where our own IP is either deployed or is currently being implemented. These sites cover 45 commodities and 54 countries. This is an impressive growth from this time last year, and this has been achieved against a background where the advent of COVID-19 has caused delays and uncertainties to many technology projects around the world. To date, K2fly has been relatively immune to this pandemic and has continued to grow successfully particularly in the past 6 months.

In January of 2020 we engaged a sales team in Denver Colorado with a seasoned sales and account representative to service our growing client list in North America which was then Teck Resources, and Glencore Canada. Since opening our US operation we have signed Newmont Gold in Denver and Kinross Gold in Toronto.



However, we are not complacent and we need to be aware that while we were not impacted during FY20, our market is now increasingly global in nature and we will plan for every eventuality to ensure that the business is "future-proofed". Like all businesses we can anticipate that sales' cycles could lengthen as decisions are reviewed within Tier 1 clients and prospects.

K2fly continues to deliver consultancy and implementation services to clients in Australia and the UK. In the past 12 months we have undertaken paid work in such clients as: Western Power, Fortescue Metals Group, Horizon Power, South Australian Water, Arc Infrastructure, SNC-Lavalin, New Hope Group, Stanwell Energy, IGO, Public Transport Authority, Programmed, ABB and COSOL.

The Company has made great progress in the last 12 months. Our South African operations are now fully integrated with the rest of the business and we are planning for a very busy and productive FY21. I would like to thank the non-executive directors for their hard work on behalf of the shareholders. I would also like to thank all of the staff who have helped to make FY20 such a success under some very trying circumstances.

Kind Regards,

Brian Miller
CEO

Your Directors present their report together with the financial statements of the Group consisting of K2fly Limited (the **Company**, **K2fly** or **K2F**) and the entities it controlled during the financial year ended 30 June 2020 (**FY20**). In order to comply with the provisions of the *Corporations Act 2001*, the Directors report as follows:

DIRECTORS

The names of Directors who held office during or since the end of the year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Brian Miller B.Ed (Hons), M.A
Executive Director and CEO

Mr Miller is a 30 year veteran of the IT sector. Founding member of the Institute of Asset Management (UK). Influenced the development of the initial BS5750 standard for asset management within the UK energy sector. Worked closely with various UK industry regulators including Energy, Water and Rail. He has held Board directorships with UK and Australian IT companies. He also brings an extensive network of contacts, opportunities and experience within the mobility in asset intensive sectors.

In the 3 years immediately before the end of the financial year, Mr Miller did not serve as a Director of any other ASX listed company.

Neil Canby BA Hons (Accounting and Financial Management), FCA, MAICD
Non-Executive Director

Mr Canby has an extensive history of senior roles across a variety of industries including energy and utilities with responsibilities ranging from business development, project and operational delivery and commercial and financial management.

In the 3 years immediately before the end of the financial year, Mr Canby did not serve as a Director of any other ASX listed company.

James Deacon BSc MBA (Exec) GAICD
Non-Executive Director

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 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.

In the 3 years immediately before the end of the financial year, Mr Deacon did not serve as a Director of any other ASX listed company.

Jenny Cutri BLaws, B Juris, BCom (Accounting), Grad Dip Executive (MBA)
Non-Executive Chair

Ms Cutri is a highly experienced legal practitioner and compliance specialist with over 25 years' experience, in both the private and public sectors. Ms Cutri is a member of WA Law Society's Commercial Law Committee (previously having being its Convenor (Chair) in 2016 to 2017), a member of Law Council of Australia (Business Law section) and was previously a Director with City of Perth Surf Life Saving Club Inc. Ms Cutri has extensive experience in the regulatory environment previously having been: Assistant [State] Manager, Listings Compliance at ASX in Perth for 7 years; and having held senior positions within the Australian Securities and Investments Commission (ASIC). She has also worked with Bankwest heading up their Marketing Compliance.

In the 3 years immediately before the end of the financial year, Ms Cutri did not serve as a Director of any other ASX listed company.

INTERESTS IN THE SHARES AND OPTIONS OF THE COMPANY AND RELATED BODIES CORPORATE

At the date of this report, shares and options held directly or indirectly by Directors are:

	Fully paid ordinary shares Number	Options Number
Brian Miller	2,756,162	1,690,219
Neil Canby	814,844	-
James Deacon	416,111	-
Jenny Cutri	470,660	-

JOINT COMPANY SECRETARY

Melissa Chapman

Ms Chapman is a certified practising accountant with over 16 years of experience in the mining industry. She has worked extensively in Australia and the United Kingdom. Ms Chapman has a Bachelor of Accounting from Murdoch University and has been a member of CPA Australia since 2000. Melissa has completed a Graduate Diploma of Corporate Governance with the Governance Institute of Australia, and the company director's course with the Australian Institute of Company Directors.

Catherine Grant-Edwards

Mrs Grant-Edwards has a Bachelor of Commerce degree from the University of Western Australia, majoring in Accounting and Finance. She commenced her career at Ernst & Young, where she qualified as an Accountant with the Institute of Chartered Accountants Australia (ICAA) in 2007. Ms Grant-Edwards has over 15 years' experience in accounting and finance and currently provides accounting and company secretarial services to several listed resource companies.

PRINCIPAL ACTIVITIES

The principal activities of the entities within the Group during the year were: asset management consulting services; software and integration consulting services; and sales of owned and third-party software for the asset management and asset intensive industries, including the resources and utility sectors.

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

K2fly owns the following Software Solutions:

- **Mineral Resource Governance - RCubed** a resource and reserve reporting solution that supports reporting codes such as JORC, NI43101 and SAMREC across the major stock exchanges – including NYSE, LSE, TSX, ASX and JSE; and

- **Natural Resource Governance - Infoscope**, an Enterprise Land Management, Natural Resource Governance and Stakeholder Relations solution for the Energy and Resources market.

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

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

REVIEW OF OPERATIONS

ACTIVITIES REPORT

Highlights

- Revenue continues to grow and the outlook for 2020-2021 remains positive
- Total revenue for FY20 is $5.6m, a growth of 48% on the FY19 revenue of $3.79m
- K2fly's operations are classified into 3 operational areas: owned software; 3rd Party software; and consulting services
- K2fly announced an acquisition in May 2019 which saw it acquire the RCubed Resources and Reserves Software solution (**RCubed**) and assets from entities in South Africa. Consequently, K2F engaged twelve new staff members and established an office in Centurion, South Africa. The RCubed solution is sold as Software as a Service (SaaS) and complements K2fly's other owned software offering, Infoscope
- RCubed solution had major clients Teck Resources Ltd and Anglo Gold Ashanti Ltd who were utilising the solution for their mineral resource and reserve reporting
- In FY20 agreements for the RCubed solution were entered into with significant resource companies including: Imerys SA, Newcrest Mining Ltd, Glencore Canada Corporation, Nexa Resources SA, Rio Tinto Ltd, Gold Fields Australia (a subsidiary of Gold Fields Limited), South32 Ltd, , Newmont Inc, SCR-Sibelco NV and Kinross Gold Corporation. Vale Australia (on behalf of Vale S.A) also entered into a purchase order for a proof of concept for the RCubed solution
- New and existing clients entered into multi-year contracts for either the Infoscope or RCubed software solutions. These include Newcrest (3 years), Rio Tinto (5 years), Teck Resources (3 years), Westgold Resources Ltd (5 years), Anglo Gold Ashanti (3 years), and Gold Fields Australia (5 years)
- K2fly's SaaS subscriptions business:
  - Annual Recurring Revenue has grown to over $2.37m or 177% Compound Annual Growth Rate to the end of 30 June 2020
  - Total Contract Value has grown to >$7. 47m[2] by 30 June 2020
- In FY20 K2fly has had continued wins in consultancy and advisory contracts, including with Tier 1 clients
- As at 30 June 2020, there was cash at hand of $2.92m and $1.13m in aged receivables largely from Tier 1 clients

OWNED SOFTWARE

RCubed solution

On 31 May 2019 K2F's subsidiary, K2fly RCubed Pty Ltd (**K2fly RCubed**) acquired the assets of Prodmark Pty Ltd (**Prodmark**) (a South African company) and associated entities, relating to the RCubed Resources and Reserve Reporting software (**RCubed**) (**RCubed Acquisition**). The acquisition is highly complementary to K2fly and strengthens its owned Software as a Service (SaaS) solution targeting the Resources sector. As part of the acquisition K2F set up a South African entity and took on the twelve existing staff and the existing office facilities in Centurion, outside Johannesburg.

K2fly had significant successes in FY20 with the introduction of the new solution known as RCubed. The solution focuses on mineral resource and reserves reporting and works successfully across a number of industry standards including: JORC, SAMREC, NI43101. The RCubed solution works for a number of international bourses including NYSE, LSE, ASX and TSX.

When K2fly acquired the RCubed solution major clients using the software solution for their Mineral Resource and Reserve Reporting included Teck Resources Ltd and Anglo Gold Ashanti Ltd.

Since the acquisition of RCubed, K2F has won a number of contracts with significant global mining clients. New clients include: Imerys, Glencore Canada, Nexa Resources, Rio Tinto, Newcrest, Goldfields, Newmont, Sibelco, Kinross Gold, Orano SA and South 32. In addition, existing SaaS clients of K2F's RCubed solution extended their licencing agreements: Teck Resources (3 years) and AngloGold Ashanti (3 years).

[2] ARR and TCV figures may be affected by exchange rate fluctuations.

Infoscope Solution

In December 2019 a newly formed entity, "The Place of Keeping" agreed to take over the rollout of the Infoscope software and services to Aboriginal groups across Australia. This new entity is expected to give momentum to the rollout of the Keeping Place solution, which is based upon Infoscope functionality, to many indigenous communities in 2020 who will potentially want to deploy the solution. 'The Keeping Place' is built on K2fly's Infoscope solution and is, a secure, customisable online platform that enables Traditional Owners to regain data sovereignty, apply cultural protocols, manage native title, improve governance and unlock social and economic opportunities for current and future generations.

In addition, Westgold an existing SaaS client of K2F's Infoscope solution extended their licencing agreement to 5 years. Fortescue Metals Group Ltd continues to use the SaaS Infoscope solution.

SaaS Solutions

K2fly's SaaS offerings (RCubed and Infoscope) have been deployed or are being deployed in 54 countries, with 45 commodities and across more than 460 sites.

CONSULTANCY SERVICES

Our consulting staff are subject matter experts who bring leading edge advice to our clients. Consequently, K2fly continues to win consulting/advisory contracts, and contract extensions with Tier 1 clients such as Teck Resources, Anglo Gold Ashanti, Imerys, Newcrest Mining, Glencore, Nexa Resources, Fortescue Metals Group, Westgold Resources, Rio Tinto, Gold Fields, South32, Adani Group, Programmed Skilled, Western Power, ABB Group, SA Water, Arc Infrastructure, IGO Ltd, Horizon Power, The Place of Keeping, New Hope Resources Ltd, and Stanwell Energy.

Our consultancy services are typically of low volume (shorter timeframe) and high value rather than long term operational support services. We have built a good reputation for delivering cutting edge advice, and as a result these assignments normally attract premium consultancy rates. Consultancy assignments are normally bid for, sold, and then executed typically in a matter of months so, unlike SaaS products there are no annuity revenues associated with them once they are complete. Our consulting revenue relies both on our clients having active IT work programs, and on our consultants delivering value on every assignment in order to secure further work.

FINANCIAL RESULTS

Financial Position

At 30 June 2020, the Group had cash reserves of $2,919,788 (30 June 2019: $1,059,247).

Operating Results

The Group incurred a net loss after income tax during the full year of $3,330,987 (30 June 2019: $1,938,528).

The financial year ended 30 June 2020 represented a positive and successful period for K2F, in which we continued to build our capabilities across a number of different sectors. We continue to grow and win new contracts.

K2fly invoiced a total of $6.63m during FY20 representing a 60% increase from the prior year (FY19: $4.14m). K2fly's revenue reported for FY20 of $5.60m represents at 48% increase from prior year (FY19: $3.79m). The increase in revenue from ordinary activities is due to the continued growth of the Company, new contract wins and sales to Tier 1 clients. Revenue in this Annual Report is recognised and presented in accordance with International Financial Reporting Standards (IFRS) including AASB 15 *Revenue from Contracts with Customers*. At 30 June 2020, an amount of $1.34m (30 June 2019: $0.44m) in contract liabilities is included in the statement of financial position, representing amounts billed for sales where performance obligations from those contracts have not been fully satisfied; these amounts will be reflected in next year's reported revenue.

The Company's revenues have been further enhanced as a result of SaaS sales from the RCubed and Infoscope Solutions.

Included in the period FY20 net losses are:

- non-cash share-based payment expenses for options issued to employees under the Company's Employee Incentive Option Plan and to directors, as approved by shareholders, and securities issued to corporate advisors totalling $440,162 (30 June 2019: net reversal of $38,119) (refer to note 22); and
- milestone incentive payment expense of $1,200,000 (30 June 2019: $nil) for deferred consideration to be paid to the vendors for the RCubed Acquisition. An amount of $100,000 was paid in May 2020, and the remaining balance is payable in July 2020, October 2020, November 2020, May and November 2021 and 2022 (refer note 17).

As at 30 June 2020, the cash at hand was approximately $2.92m with $1.13m in trade receivables. K2F also received R&D tax refunds of $0.088m in FY20 (FY19: $0.12m).

CORPORATE

RCubed Acquisition Performance Milestones Achieved

Three year performance incentives were incorporated into the RCubed Acquisition (the acquisition date being 31 May 2019) as follows:

- Milestone Payment A (being $600,000) – Rcubed has generated not less than AUD$500k of new net recurring annual licence revenue from the RCubed business product from existing and new customers (New Net Revenue) over the 12 month period commencing from the date of completion (31 May 2019);

- Milestone Payment B (being $400,000) - RCubed has generated not less than AUD$500k of New Net Revenue in the 12 month period from the end of the Milestone A payment period; and

- Milestone Payment C (being $200,000) - RCubed has achieved up to AUD$500k of New Net Revenue in the 12 month period from the end of the Milestone B payment period.

As agreed between the parties, the Milestone Payment A is payable in four instalments ($100,000 in May 2020, $150,000 in July 2020, $50,000 in October 2020 and $300,000 in November 2020). The Milestone Payment B is payable in two equal instalments (May 2021 and November 2021). The Milestone Payment C is payable in two equal instalments (May 2022 and November 2022).

With the additional SaaS contracts secured for K2F's RCubed resource governance solution in FY20, the performance milestone revenue hurdles (which were set to be achieved over a three-year period) have been achieved in just thirteen months since the acquisition of RCubed.

At 30 June 2020, $0.1m of the Milestone Payment A has been paid. The balance of the Milestone Payment A, Milestone Payment B and Milestone Payment C (totalling $1.1m) are included in provisions at 30 June 2020.

Placement

On 26 September 2019, the Company completed a placement of 6,250,000 fully paid ordinary shares at $0.16 per shares to raise cash funds of $1,000,000 (before costs) (**Placement**). Funds raised from the Placement were used to implement the RCubed contracts, new contract wins and to deliver further sales growth for the Company.

Annual General Meeting

The Company's Annual General Meeting (**AGM**) was held on 25 November 2019, where all resolutions put to shareholders were passed. For more information, refer to the Notice of AGM and Results available via the Company's website at www.k2fly.com.

Change in Constitution

On 25 November 2019, the Company adopted a new constitution following the passing of a special resolution at the AGM.

Exercise of Listed Options Partially Underwritten

During the year, the Company raised a total of $1.72 million (before costs) from the exercise of listed options (**K2FOA**) which expired on 18 May 2020 (**Listed Options**). The exercise of the Listed Options was partially underwritten by K S Capital Pty Ltd (**Underwriter**) and pursuant to the underwriting agreement there was no discount to the exercise price of $0.20.

Pursuant to the underwriting agreement, the Underwriter was paid a fee of 6% of the underwritten amount, and was issued one unlisted option in the Company (with an exercise price of $0.30 each and expiry date of 3 years from the date of issue) for every 4 Options underwritten (**Underwriter Options**). A total of 1,912,500 Underwriter Options were issued on 12 June 2020.

Canary Mandate

On 11 October 2019, the Company announced it had executed a new mandate with Canary Capital Pty Ltd (**Canary Capital**), a boutique Sydney headquartered investment management and corporate advisory firm, to continue to provide investor marketing services to the Company (**Investor Marketing Mandate**). Part of the fees for services rendered pursuant to the Investor Marketing Mandate are paid in shares.

In addition, Canary Capital received 750,000 unlisted options with an exercise price of $0.35 and 3-year expiry from date of issue.

Shares

During the year, the Company issued the following shares:

- 6,250,000 shares issued on 26 September 2019 pursuant to the Placement;
- 81,522 shares issued on 11 October 2019 to advisor Canary Capital pursuant to the Investor Marketing Mandate;
- 68,182 shares issued on 5 May 2020 to advisor Canary Capital pursuant to the Investor Marketing Mandate;
- 380,000 shares issued on 27 December 2019 upon the exercise of $0.225 options which expired on 28 December 2019;
- 200,000 shares issued on 27 December 2019 upon the exercise of $0.25 options which expired on 28 December 2019;
- 137,500 shares on 16 April 2020 upon the conversion of performance rights;
- 8,596,096 shares upon the exercise of $0.20 Listed Options which expired on 18 May 2020 (partially underwritten); and
- 479,340 shares issued upon the exercise of unlisted options exercisable at $0 each with an expiry date of 26 November 2020.

Listed Options

During the year, a total of 8,596,096 K2FOA Listed Options at $0.20 expiring 18 May 2020 were exercised (partially underwritten). A total of 4,668,082 Listed Options expired unexercised on 18 May 2020.

Unlisted Options

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

- 750,000 unlisted options exercisable at $0.35 each on or before 11 October 2022 were issued on 11 October 2019 to Canary Capital pursuant to the Investor Marketing Mandate;
- 1,751,200 unlisted options issued on 20 December 2019 to directors and consultants, as approved by shareholders at the Company's AGM, including:
  - 1,067,920 unlisted options exercisable at $0 each on or before 25 November 2021 (**ZEP Options**) (367,920 of which are subject to vesting conditions);
  - 683,280 unlisted options exercisable at $0.291 each on or before 25 November 2023 (subject to vesting conditions) (**PEP Options**); and
- 2,150,580 unlisted options issued on 20 December 2019 to employees under its shareholder-approved Employee Incentive Option Plan (**EIOP**), including:
  - 748,980 ZEP Options (subject to vesting conditions);

- 1,401,600 PEP Options (subject to vesting conditions); and
- 1,912,500 unlisted options issued on 12 June 2020 in accordance with the terms of an underwriting agreement (being the Underwriter Options).

During the year, the following unlisted options were exercised:

- 380,000 unlisted options at $0.225 options with and expiry date 28 December 2019;
- 200,000 unlisted options at $0.25 options with and expiry date 28 December 2019; and
- 479,340 unlisted options at $0 each with an expiry date of 26 November 2020.

During the year, the following unlisted options lapsed:

- 186,012 unlisted options at $0 with and expiry date 26 November 2020;
- 412,933 unlisted options at $0 with and expiry date 26 November 2020 (under EIOP);
- 350,000 unlisted options at $0.20 expired 1 November 2019;
- 20,000 unlisted options at $0.225 expired 28 December 2019; and
- 250,000 unlisted options at $0.25 expired 28 December 2019.

Performance rights

On 16 April 2020, a total of 137,500 shares were issued in respect of vested performance rights.

DIVIDENDS

No dividends have been paid or declared since the start of the financial year and the Directors do not recommend the payment of a dividend in respect of the financial year.

DIRECTORS' MEETINGS

During FY20, as a result of the market and economic turbulence resulting from the impact of Covid-19, the Directors meet on a more regular basis.

The number of meetings of Directors held during the financial year and the number of meetings attended by each Director were as follows:

	Board Meetings	
	Eligible to Attend	**Attended**
Brian Miller	19	19
Neil Canby	19	19
James Deacon	19	18
Jenny Cutri	19	19

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There have been no significant changes in the state of affairs of the Group to the date of this report.

SIGNIFICANT EVENTS AFTER BALANCE DATE

MOU with Decipher for Tailings Storage Facilities solution

On 8 July 2020 K2fly announced a memorandum of understanding (**MOU**) with Decipher, which offers an award-winning cloud monitoring platform. K2F and Decipher have partnered to create an integrated monitoring and governance platform for Tailings Storage Facilities (**TSF**). The proposed solution will ensure the resource industry has access to a significantly better tool to aid monitoring and governance of TSFs to recognised standards. K2fly was collaborating with SAP on the development of a Tailings solution for SAP customers globally and the Decipher partnership added a further level of detail into the monitoring of facilities.

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

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

Disclosure of information regarding likely developments in the operations of the Group in future financial years and the expected results of those operations is uncertain and therefore not appropriate to disclose. Therefore, this information has not been presented in this report.

OPTIONS GRANTED TO DIRECTORS

At the date of this report, the following options were held directly or indirectly by Directors, having been granted as part of their remuneration:

	Series	Number	Exercise price	Expiry date	Listed / Unlisted
Brian Miller	Series 10	639,019	$0.243	26/11/2022	Unlisted
	Series 14	367,920	$0.00	25/11/2021	Unlisted
	Series 15	683,280	$0.291	25/11/2023	Unlisted
Neil Canby	-	-	-	-	-
James Deacon	-	-	-	-	-
Jenny Cutri	-	-	-	-	-

SHARES

At 30 June 2020 there were 91,546,781 fully paid ordinary shares on issue. At the date of this report, there were 92,935,204 shares on issue.

UNISSUED SHARES UNDER OPTION

Since the end of the year to the date of this report a total of 848,423 shares have been issued as a result of exercise of options.

At the date of this report unissued ordinary shares or interests of the Company under option are:

	Number of shares under option	Exercise price of options	Expiry date of option	Listed / Unlisted
Series 1	1,920,000	$0.25	17/11/2020	Unlisted
Series 2	800,000	$0.25	01/12/2020	Unlisted
Series 9	122,510	$0.00	26/11/2020	Unlisted
Series 10	639,019	$0.243	26/11/2022	Unlisted
Series 11	1,278,179	$0.243	26/11/2022	Unlisted
Series 12	750,000	$0.35	11/10/2022	Unlisted
Series 14	367,920	$0.00	25/11/2021	Unlisted
Series 15	683,280	$0.291	25/11/2023	Unlisted
Series 16	748,980	$0.00	25/11/2021	Unlisted
Series 17	1,401,600	$0.291	25/11/2023	Unlisted
Series 18	1,912,500	$0.30	12/06/2023	Unlisted

PERFORMANCE RIGHTS

At the date of this report, there are 660,000 performance rights on issue with no expiry date. Of this balance, nil rights have vested.

REMUNERATION REPORT

The Remuneration Report which forms part of the Directors' Report, outlines the remuneration arrangements in place for Key Management Personnel for the financial year ended 30 June 2020 and is included on pages 17 to 21.

ENVIRONMENTAL LEGISLATION

The Company is not currently subject to any specific environmental regulation. There have not been any known significant breaches of any environmental regulations during the year under review and up until the date of this report.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

Under the Company's Constitution and to the extent permitted by law (subject to the restrictions in section 199A and 199B of the *Corporations Act 2001*), the Company indemnifies every person who is or has been an officer of the Company against:

(a) any liability (other than for legal costs) incurred by that person as an officer of the Company where the Company requested the officer to accept appointment as Director, and

(b) reasonable legal costs incurred in defending an action for a liability incurred by that person as an officer of the Company.

The Company has insured its Directors, Company Secretaries and executive officers. Under the Company's Directors' and Officers' Liability Insurance Policy (**D&O Policy**), the Company cannot release to any third party or otherwise publish details of the nature of the liabilities insured by the policy or the amount of the premium. Accordingly, the Company relies on section 300(9) of the *Corporations Act 2001* to exempt it from the requirement to disclose the nature of the liability insured against and the premium amount of the relevant policy.

The Company also has in place a Deed of Indemnity, Access and Insurance with each of the Directors.

This Deed:

(i) indemnifies the Director to the extent permitted by law and the Constitution against certain liabilities and legal costs incurred by the Director as an officer of any Group Company;

(ii) requires the Company to maintain, and pay the premium for, a D&O Policy in respect of the Director; and

(iii) provides the Director with access to particular papers and documents requested by the Director for a Permitted Purpose; both during the time that the Director holds office and for a seven-year period after the Director ceases to be an officer of any Group Company, on the terms and conditions contained in the Deed.

NON-AUDIT SERVICES

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in note 31 to the financial statements. The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

The Directors are of the opinion that the services do not compromise the auditor's independence as all non-audit services have been reviewed to ensure that they do not impact the impartiality and objectivity of the auditor and none of the services undermine the general principles relating to auditor independence as set out in Code of Conduct APES 110 *Code of Ethics for Professional Accountants* issued by the Accounting Professional & Ethical Standards Board.

AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

Section 307C of the *Corporations Act 2001* requires our auditors, HLB Mann Judd, to provide the Directors of the Company with an Independence Declaration in relation to the audit of the financial report. This Independence Declaration is set out on page 22 and forms part of this Directors' report for the year ended 30 June 2020.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not a party to any such proceedings during the year.

CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of K2fly support and have adhered to principles of sound corporate governance. The Company continued to follow best practice recommendations as set out by 3rd edition of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations. Where the Company has not followed best practice for any recommendation, an explanation is given in the Corporate Governance Statement which is available on the Company website at https://www.k2fly.com.

Signed in accordance with a resolution of the Directors.

Brian Miller
Executive Director / CEO
Perth, 28 August 2020

Jenny Cutri
Non-Executive Chair
Perth, 28 August 2020

REMUNERATION REPORT

This report, which forms part of the Directors' report, outlines the remuneration arrangements in place for the Key Management Personnel of K2fly Limited for the year ended 30 June 2020. The information provided in this remuneration report has been audited as required by Section 308(3C) of the *Corporations Act 2001*.

The Remuneration Report details the remuneration arrangements for Key Management Personnel who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, including any Director (whether executive or otherwise) of the Group.

Key Management Personnel

The Key Management Personnel of the Group during the financial year were:

Directors

Brian Miller	Chief Executive Officer and Executive Director	Appointed 18 November 2016
Neil Canby	Non-Executive Director	Appointed 14 February 2017
James Deacon	Non-Executive Director	Appointed 14 February 2017
Jenny Cutri	Non-Executive Chair	Appointed 15 September 2017

There are no other Key Management Personnel of the Company.

Remuneration Policy

The Board is responsible for determining and reviewing compensation arrangements for the Directors and management. The Board assesses the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality board and executive team.

As part of its Corporate Governance Policies and Procedures, the Board has adopted a formal Remuneration Committee Charter. In accordance with the Company's Securities Trading Policy, employees, directors and officers must not enter into transactions or arrangements which operate to limit the economic risk of their security holding in the Company without first seeking and obtaining written acknowledgement from the Chair.

The Company previously engaged BDO Reward (WA) Pty Ltd (BDO) in 2018 as an independent advisor to the Board for the provision of advice on board and executive remuneration structures and Employee Incentive Option Plan (**EIOP**).

Remuneration Committee

The Remuneration Committee comprises of Non-Executive Directors. Mr James Deacon is the chairman of the committee, and its members include Ms Jenny Cutri and Mr Neil Canby.

	Remuneration Committee Meetings	
	Eligible to Attend	**Attended**
James Deacon	4	4
Neil Canby	4	4
Jenny Cutri	4	4

Remuneration structure

In accordance with best practice corporate governance, the structure of Executive Director and Non-Executive Directors' remuneration is separate and distinct.

Executive Director Remuneration

Remuneration consists of fixed remuneration and variable remuneration.

Fixed remuneration

Remuneration and other terms of employment of the Executive Director is formalised in an employment contract. The major provision of an agreement related to the remuneration is set out below.

	Total Fixed Remuneration (TFR)	Terms of agreement	Notice period
Brian Miller	$240,000 plus superannuation	Permanent	3 months

On 27 July 2020 the Board resolved to increase Mr Miller's TFR to $250,000 plus superannuation effective from 1 July 2020.

Variable remuneration

The Company has implemented an executive incentive scheme (**Executive Incentive Scheme**) comprising of the following components (representing variable remuneration):

- Short term incentives (STI) – cash based
- Medium term incentives (MTI) – equity based (in the form of Zero Exercise Price Options (**ZEP Options**))
- Long term incentives (LTI) – equity based (in the form of Premium Exercise Price Options (**PEP Options**))

For those eligible to participate in the Executive Incentive Scheme, total fixed remuneration (**TFR**) remains unchanged. However, TFR determines the potential size of the individual's variable remuneration made up of STI, MTI and LTIs.

The amount that may be earned under the STI and MTI components is linked to both company and individual performance metrics. These metrics are agreed with individuals at the commencement of the financial year. For FY20 the Company's performance metrics were 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 revenue mix) (**KPIs**).

In accordance with the Executive Incentive Scheme, in FY20 Mr Miller is entitled to the following variable remuneration:

- STI: $17,472 plus superannuation (this amount is included in the Company's trade and other payables at 30 June 2020);
- MTI: 367,920 ZEP Options (unlisted options at $0 each on or before 25 November 2021, subject to vesting conditions). 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, that is remaining employed at 25 May 2021) have been satisfied or waived by the Board. The ultimate number of options that are capable of vesting are based on the extent of achievement against both Company and individual KPIs in respect of the year ended 30 June 2020, as determined by the Board. Based on an assessment undertaken at 30 June 2020 and subject to Brian Miller meeting the employment tenure condition, the Board has determined that 133,923 of these ZEP Options are likely to vest.
- LTI: 683,280 PEP Options (unlisted options at $0.291 each on or before 25 November 2023 (subject to vesting conditions). PEP Options shall vest and become exercisable upon the employee remaining employed by the Company for a period of 3 years from date of issue of the PEP Options, that is remaining employed at 25 November 2022).

For details of share-based payments recognised in respect of options issued to the Executive Director, refer to note 22.

Director fees

Mr Miller is also entitled to receive a fixed fee of $12,000 per annum in director fees.

Non-Executive Director remuneration

Fixed cash remuneration

The Non-executive Directors are entitled to receive directors' fees of amounts as determined by the shareholders of the Company in general meeting. Non-executive directors may also be remunerated for additional, specialised services performed at the request of the Board and reimbursed for reasonable expenses incurred on Company business.

Directors receive a fixed fee and are remunerated for any professional services conducted for the Company. There are no retirement schemes for any Directors.

Equity based remuneration

Following receipt of shareholder approval at the AGM, Non-Executive Directors Ms Jenny Cutri, Mr Neil Canby, and Mr James Deacon were each issued in lieu of cash remuneration (directly or indirectly) 200,000 ZEP Options (unlisted options at $0 each on or before 25 November 2021 (no vesting conditions).

For details of share-based payments recognised in respect of options issued to Non-Executive Directors, refer to note 22.

Options

Granted as Compensation

The following table summarises remuneration options granted to Key Management Personnel during the year ended 30 June 2020:

Recipient	Options	Series	Number Issued	Grant Date	Value per Option at Grant Date	Value of Options at grant date	Vesting and first exercise date	Expiry date
Brian Miller	ZEP Options	Series 14	367,920	25/11/2019	$0.215	$28,793[1]	Not Vested	25/11/2021
Brian Miller	PEP Options	Series 15	683,280	25/11/2019	$0.1272	$86,894	Not Vested	25/11/2022
Neil Canby	ZEP Options	Series 13	200,000	25/11/2019	$0.215	$43,000	Vested	25/11/2021
James Deacon	ZEP Options	Series 13	200,000	25/11/2019	$0.215	$43,000	Vested	25/11/2021
Jenny Cutri	ZEP Options	Series 13	200,000	25/11/2019	$0.215	$43,000	Vested	25/11/2021

[1]Value reflects the number of options likely to vest based on FY20 KPI performance.

Remuneration of Key Management Personnel

30 June 2020	Short-term employee benefits		Post-employment benefits	Share-based payments			Equity based
	Salary and fees	Cash bonus	Superannuation	Options	Performance Rights	Total	
	$	$	$	$	$	$	%
Brian Miller	252,000	17,472	24,460	62,983	-	356,915	18%
Neil Canby	36,000	-	-	49,289	-	85,289	58%
James Deacon	36,000	-	-	49,289	-	85,289	58%
Jenny Cutri	36,000	-	-	49,289	-	85,289	58%
	360,000	17,472	24,460	210,850	-	612,782	34%

30 June 2019	Short-term employee benefits		Post-employment benefits	Share-based payments			Equity based
	Salary and fees	Cash bonus	Superannuation	Options	Performance Rights	Total	
	$	$	$	$	$	$	%
Brian Miller	252,000	21,888	24,879	23,747	-	322,514	8%
Neil Canby	36,000	-	-	8,878	-	44,878	20%
James Deacon	36,000	-	-	8,878	-	44,878	20%
Jenny Cutri	36,000	-	-	8,878	-	44,878	20%
	360,000	21,888	24,879	50,381	-	457,148	11%

Other information

Shares held by Key Management Personnel

30 June 2020	Opening Balance No.	Exercise of options* No.	Net Change Other No.	Closing Balance No.
Brian Miller	2,200,404	155,921	399,837[1]	2,756,162
Neil Canby	462,500	89,219	63,125[2]	614,844
James Deacon	120,368	89,219	6,524[3]	216,111
Jenny Cutri	155,186	89,219	26,255[4]	270,660
	2,938,458	423,578	495,741	3,857,777

*Movements in remuneration-related securities held by Key Management Personnel.

[1]Includes the on market purchase of 24,600 shares 2-6 March 2020; acquisition of 330,237 shares upon exercise of K2FOA listed options on 9 March 2020; and the on market purchase of 45,000 shares 13-14 May 2020.

[2]Includes the on market purchase of 25,000 shares 7 February 2020; and the acquisition of 38,125 shares upon exercise of K2FOA listed options on 16 April 2020.

[3]Acquisition of 6,524 shares upon exercise of K2FOA listed options on 16 April 2020.

[4]Acquisition of 26,255 shares upon exercise of K2FOA listed options on 16 April 2020.

Options held by Key Management Personnel

30 June 2020	Opening Balance No.	Granted* No.	Exercise of options* No.	Lapsed* No.	Net Change Other No.	Closing Balance No.
Brian Miller	1,266,189	1,051,200	(155,921)	(186,012)	(285,237)[1]	1,690,219
Neil Canby	127,344	200,000	(89,219)	-	(38,125)[2]	200,000
James Deacon	95,743	200,000	(89,219)	-	(6,524)[3]	200,000
Jenny Cutri	115,474	200,000	(89,219)	-	(26,255)[4]	200,000
	1,604,750	1,651,200	(423,578)	(186,012)	(350,241)	2,290,219

*Movements in remuneration-related securities held by Key Management Personnel.

[1]Includes the on market purchase of 45,000 K2FOA listed options on 7 February 2020; offset by the exercise of 330,237 K2FOA listed options on 9 March 2020.

[2]Exercise of 38,125 K2FOA listed options on 16 April 2020.

[3]Exercise of 6,524 K2FOA listed options on 16 April 2020.

[4]Exercise of 26,255 K2FOA listed options on 16 April 2020.

Loans to Key Management Personnel

No loans were advanced to Key Management Personnel in the current or prior year.

Other transactions with Key Management Personnel

There are no other transactions with Key Management Personnel during the year ended 30 June 2020, other than as set out below.

On 31 May 2019, K2fly RCubed Pty Ltd (**K2fly RCubed**) acquired 100% of the assets of RCubed Global Pty Ltd, XCube Holdings Pty Ltd (**XCube**) and Prodmark Pty Ltd (**Prodmark**) relating to the RCubed Resources and Reserve Reporting software pursuant to an asset sale agreement. In February 2019, Brian Miller, a Director of the Company, entered into a short interest free loan agreement with XCube. In accordance with the loan agreement, Mr. Miller advanced XCube funding of $60,000 in February 2019 and a further $40,000 was advanced in March 2019. Funds advanced under the loan agreement were used to cover operating expenses of XCube and associated entities. The acquisition by K2fly RCubed of the assets of RCubed Global Pty Ltd, XCube and Prodmark was completed on 31 May 2019 and the interest free loan was repaid in full to Mr Miller on this date.

During the prior year, certain Directors sub-underwrote a total of $60,000 in respect of a rights issue. There were no sub-underwriting fees charged in relation to these arrangements. The amounts sub-underwritten by Mr Brian Miller, Ms Jenny Cutri and Mr James Deacon were $25,000, $30,000 and $5,000 respectively.

Company Performance and Shareholder Wealth

The earnings of the Group for the four years to 30 June 2020 are summarised below:

	2020	2019	2018	2017
Revenue	5,601,481	3,787,826	2,523,151	626,698
Profit/(loss) after income tax	(3,330,987)	(1,938,528)	(5,410,273)	(2,235,085)

The share price and EPS of the Group for the four years to 30 June 2020 are summarised below:

	2020	2019	2018	2017
Share price at year end ($)	$0.200	$0.155	$0.248	$0.073
Basic earnings/(loss) per share (cents)	(4.08)	(2.94)	(9.55)	(6.70)

Voting at Company's 2019 Annual General Meeting

The Company's remuneration report for the 2019 financial year was approved at the Annual General Meeting (**AGM**) of Shareholders. The Company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

End of audited remuneration report.

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the consolidated financial report of K2Fly Limited for the year ended 30 June 2020, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

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

Perth, Western Australia
28 August 2020

D I Buckley
Partner

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2020

	Notes	2020 $	2019 $
Revenue	2(a)	5,601,481	3,787,826
Cost of sales		(3,298,975)	(2,981,101)
Gross profit		**2,302,506**	**806,725**
Other income	2(b)	79,365	27,205
Administration expense		(330,781)	(206,491)
Amortisation expense	13	(86,240)	(7,187)
Compliance & regulatory expense		(126,103)	(138,090)
Consultancy expense		(282,780)	(291,505)
Depreciation plant and equipment	11	(23,733)	(15,664)
Depreciation right of use assets	12	(71,532)	(4,076)
Directors fees		(120,000)	(120,000)
Employee benefit expense	3	(2,398,578)	(1,447,289)
Impairment of fixed assets	11	-	(2,798)
Impairment of receivables	2(a)	-	(16,400)
Occupancy expense		(51,319)	(110,150)
Public relations & marketing expense		(402,064)	(205,306)
Research costs		(69,200)	(144,892)
Share-based payments reversal / (expense)	22	(440,162)	38,119
Travel expense		(187,880)	(140,805)
Finance expense	18	(10,628)	(813)
Acquisition expenses	33	-	(80,228)
Milestone incentive payments	17	(1,200,000)	-
Loss before income tax expense		(3,419,129)	(2,059,645)
Income tax benefit	4	88,142	121,117
Loss for the year		**(3,330,987)**	**(1,938,528)**
Other comprehensive income/(loss), net of income tax:			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign subsidiaries		23,153	(1,030)
Income tax relating to these items		-	-
Other comprehensive income/(loss) for the year, net of tax		**23,153**	**(1,030)**
Total comprehensive loss for the year		**(3,307,834)**	**(1,939,558)**
Basic and diluted loss per share (cents per share)	6	(4.08)	(2.94)

The accompanying notes form part of the financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2020

	Notes	2020 $	2019 $
Assets			
Current assets			
Cash and cash equivalents	7	2,919,788	1,059,247
Trade and other receivables	8	1,152,714	874,846
Contract asset	9	-	68,750
Total current assets		**4,072,502**	**2,002,843**
Non-current assets			
Restricted cash	10	20,000	15,000
Property, Plant and Equipment	11	39,196	41,080
Right of use assets	12	94,006	178,749
Intangible assets	13	337,773	424,013
Goodwill	14	731,543	731,543
Other financial assets	15	844	844
Total non-current assets		**1,223,362**	**1,391,229**
Total assets		**5,295,864**	**3,394,072**
Liabilities			
Current liabilities			
Trade and other payables	16	956,718	912,046
Provisions and other liabilities	17	931,910	145,781
Interest bearing lease liabilities	18	66,971	65,935
Contract liabilities	19	1,344,058	436,876
Total current liabilities		**3,299,657**	**1,560,638**
Non-current liabilities			
Provisions and other liabilities	17	442,437	34,750
Interest bearing lease liabilities	18	33,230	113,389
Total non-current liabilities		**475,667**	**148,139**
Total liabilities		**3,775,324**	**1,708,777**
Net assets		**1,520,540**	**1,685,295**
Equity			
Issued capital	20	18,189,874	15,661,041
Reserves	21	1,221,096	583,697
Accumulated losses		(17,890,430)	(14,559,443)
Total equity		**1,520,540**	**1,685,295**

The accompanying notes form part of the financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2020

	Issued capital $	Performance rights reserve $	Option reserve $	FCTR reserve $	Asset revaluation reserve $	Accumulated losses $	Total equity $
Balance at 1 July 2018	**13,136,705**	**372,900**	**284,826**	**-**	**120**	**(12,536,035)**	**1,258,516**
Adjustment on initial application of AASB 15 (see note 1(c))	-	-	-	-	-	(84,880)	(84,880)
Balance at 1 July 2018 (restated)	**13,136,705**	**372,900**	**284,826**	**-**	**120**	**(12,620,915)**	**1,173,636**
Loss for the year							
Other comprehensive income	-	-	-	(1,030)	-	-	(1,030)
Total comprehensive loss for the year	-	-	-	(1,030)	-	(1,938,528)	(1,939,558)
Issue of shares – Rights Issue	1,812,293	-	-	-	-	-	1,812,293
Issue of shares - Placement	800,000	-	-	-	-	-	800,000
Issue of shares – exercise of options	2,400	-	-	-	-	-	2,400
Share issue costs	(176,357)	-	-	-	-	-	(176,357)
Share-based payments – shares	86,000	-	-	-	-	-	86,000
Share-based payments – performance rights forfeited	-	(173,800)	-	-	-	-	(173,800)
Share-based payments – options	-	-	100,681	-	-	-	100,681
Balance as at 30 June 2019	**15,661,041**	**199,100**	**385,507**	**(1,030)**	**120**	**(14,559,443)**	**1,685,295**

The accompanying notes form part of the financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2020

	Issued capital $	Performance rights reserve $	Option reserve $	FCTR reserve $	Asset revaluation reserve $	Accumulated losses $	Total equity $
Balance at 1 July 2019	**15,661,041**	**199,100**	**385,507**	**(1,030)**	**120**	**(14,559,443)**	**1,685,295**
Loss for the year	-	-	-	-	-	(3,330,987)	(3,330,987)
Exchange differences on translation of foreign subsidiaries	-	-	-	23,153	-	-	23,153
Total comprehensive loss for the year	-	-	-	23,153	-	(3,330,987)	(3,307,834)
Issue of shares - Placement	1,000,000	-	-	-	-	-	1,000,000
Issue of shares – exercise of options	1,854,717	-	-	-	-	-	1,854,717
Share issue costs	(151,800)	-	-	-	-	-	(151,800)
Share-based payments – shares	30,000	-	-	-	-	-	30,000
Share-based payments – options	(204,084)	-	614,246	-	-	-	410,162
Balance as at 30 June 2020	**18,189,874**	**199,100**	**999,753**	**22,123**	**120**	**(17,890,430)**	**1,520,540**

The accompanying notes form part of the financial statements

CONSOLIDATED STATEMENT OF CASHFLOWS

FOR THE YEAR ENDED 30 JUNE 2020

	Notes	2020 $ Inflows / (Outflows)	2019 $ Inflows / (Outflows)
Cash flows from operating activities			
Receipts from customers		6,296,693	4,235,527
Payments to suppliers and employees		(6,967,348)	(6,140,785)
Government grants received		164,663	143,117
Interest received		279	205
Interest paid		(9,686)	(151)
Movement of cash from non-restricted to restricted		(5,000)	39,145
Net cash (used in) operating activities	7	**(520,399)**	**(1,722,942)**
Cash flows from investing activities			
Payments for plant and equipment	11	(20,458)	(15,720)
Payments for exploration and evaluation expenditure		-	27,457
Investment in subsidiaries (K2fly RCubed)	33	-	(450,000)
Payments for vendor incentive remuneration	17	(100,000)	-
Investment in subsidiaries acquisition costs		(55,439)	(24,788)
Net cash (used in) investing activities		**(175,897)**	**(463,051)**
Cash flows from financing activities			
Proceeds from the issue of shares		1,000,000	2,612,292
Payments for share issue costs		(151,800)	(125,357)
Proceeds from exercise of options		1,854,719	2,400
Repayment of lease liabilities		(75,045)	-
Net cash provided by financing activities		**2,627,874**	**2,489,335**
Net increase in cash held		**1,931,578**	**303,342**
Cash at beginning of the year	7	1,059,247	774,158
Effects of exchange rate fluctuations on cash held		(71,037)	(18,253)
Cash and cash equivalents at the end of the year	7	**2,919,788**	**1,059,247**

The accompanying notes form part of the financial statements

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation and statement of compliance

These financial statements are general purpose financial statements, which have been prepared in accordance with the requirements of the *Corporations Act 2001*, Accounting Standards and Interpretations and comply with other requirements of the law. The financial report was authorised for issue on 28 August 2020.

The financial statements are for the Group consisting of K2fly Limited **(Company, K2fly** or **K2F**) and its subsidiaries (**Group**). The financial statements comprise the consolidated financial statements for the Group. For the purposes of preparing the consolidated financial statements, the Company is a for-profit entity.

The accounting policies detailed below have been consistently applied to all of the years presented unless otherwise stated.

The consolidated financial statements of the Group also comply with International Financial Reporting Standards (**IFRS**) as issued by the International Accounting Standards Board (**IASB**).

The financial statements have been prepared on a historical cost basis, except for available-for-sale investments which have been measured at fair value. Historical cost is based on the fair values of the consideration given in exchange for goods and services. The financial statements are presented in Australian dollars.

The Company is a listed public Company, incorporated and operating in Australia. The Company also has a subsidiary which operates in South Africa.

(b) Going concern

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

Notwithstanding the fact that the Company incurred an operating loss for the period ended 30 June 2020 of $3,330,987 (30 June 2019: $1,938,528), had cash and cash equivalents of $2,919,788 at 30 June 2020 (30 June 2019: $1,059,247), had a net working capital surplus of $772,845 (30 June 2019: $442,205) and a net cash outflow from operating activities amounting to $516,110 (30 June 2019: $1,722,942), the Directors are of the opinion that the Company is a going concern for the reasons outlined below.

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

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

- regular review of management accounts and cash flow forecast, incorporating expected cash inflows from sales invoice and collection of trade receivables;
- close management of both its operating costs and corporate overheads;
- sales pipeline continues to grow and K2F is confident of achieving further sales growth across a number of clients and different product offerings;
- existing contracts are expected to deliver materially significant revenue in the upcoming financial year from both consulting activities and in software sales;
- current assets less current liabilities at 30 June 2020 are $772,845;
- the Company has signed a debt factoring facility in case the need ever arises;
- the Company has a number of unlisted options on issue. If the options are exercised this will result in a significant capital injection into the Company; and
- the Company has the ability to raise funds through equity issues, should the need arise.

(c) New standards, interpretations and amendments adopted by the Group

In the year ended 30 June 2020, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Company and effective for the year end reporting period beginning on or after 1 July 2019.

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

Interpretation 23 Uncertainty over Income Tax Treatments

The Group has adopted interpretation 23 with the date of initial application being 1 July 2019.

The Interpretation clarifies the application of the recognition and measurement criteria in AASB 12 Income Taxes when there is uncertainty over income tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately;
- The assumptions an entity makes about the examination of tax treatments by taxation authorities;
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and
- How an entity considers changes in facts and circumstances.

At 1 July 2019 it was determined that the adoption of Interpretation 23 had no impact on the Group.

AASB 2018-1 Australian Amendments to Australian Accounting Standards – Annual Improvements 2015-2017 Cycle

The Group has adopted AASB 2018-1 with the date of initial application being 1 January 2019.

The amendments clarify certain requirements in:

- AASB 3 Business Combinations and AASB 11 Joint Arrangements - previously held interest in a joint operation.
- AASB 112 Income Taxes - income tax consequences of payments on financial instruments classified as equity.
- AASB 123 Borrowing Costs - borrowing costs eligible for capitalisation.

At 1 July 2019 it was determined that the adoption of AASB 2018-1 had no impact on the Group.

AASB 16 Leases

AASB 16 was early adopted by the Group as at 1 July 2018.

(d) New accounting standards and interpretations not yet effective

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 30 June 2020. The potential effect of these Standards is yet to be fully determined.

Reference	Title	Summary	Application date of standard	Application date for K2F
Not yet issued by the AASB	Conceptual Framework for Financial Reporting and	The revised Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. It is arranged in eight chapters, as follows:	1 January 2020	1 July 2020

Reference	Title	Summary	Application date of standard	Application date for K2F
	relevant amending standards	• Chapter 1 – The objective of financial reporting • Chapter 2 – Qualitative characteristics of useful financial information • Chapter 3 – Financial statements and the reporting entity • Chapter 4 – The elements of financial statements • Chapter 5 – Recognition and derecognition • Chapter 6 – Measurement • Chapter 7 – Presentation and disclosure • Chapter 8 – Concepts of capital and capital maintenance *Amendments to References to the Conceptual Framework in IFRS Standards* has also been issued, which sets out the amendments to affected standards in order to update references to the revised Conceptual Framework. The changes to the Conceptual Framework may affect the application of IFRS in situations where no standard applies to a particular transaction or event. In addition, relief has been provided in applying IFRS 3 and developing accounting policies for regulatory account balances using IAS 8, such that entities must continue to apply the definitions of an asset and a liability (and supporting concepts) in the 2010 Conceptual Framework, and not the definitions in the revised Conceptual Framework.		
AASB 2018-7	Definition of Material (Amendments to AASB 101 and AASB 108)	This Standard amends AASB 101 *Presentation of Financial Statements* and AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The amendments clarify that materiality will depend on the nature or magnitude of information. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.	1 January 2020	1 July 2020

(e) Significant accounting estimates and judgements

The application of accounting policies requires the use of judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions are recognised in the period in which the estimate is revised if it affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Useful lives of depreciable assets

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technical obsolescence that may change the utility of certain software and IT equipment.

Impairment
In assessing impairment, management estimates the recoverable amount of each asset or cash-generating unit based on expected future cash flows and uses an interest rate to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate.

Capitalisation of internally developed software
Distinguishing the research and development phases of a new customised software project and determining whether the recognition requirements for the capitalisation of development costs are met requires judgement. After capitalisation, management monitors whether the recognition requirements continue to be met and whether there are any indicators that capitalised costs may be impaired.

Impairment of intangibles with indefinite useful lives and goodwill:
The Group determines whether intangibles with indefinite useful lives and goodwill are impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash generating units to which the goodwill and intangibles with indefinite useful lives are allocated. The assumptions used in this estimation of recoverable amount and the carrying amount of goodwill and intangibles with indefinite useful lives are discussed in notes 13 and 14.

Share-based payment transactions
The Group measures the cost of equity-settled transactions with employees, directors and consultants by reference to the fair value of the equity instruments at the date at which they are granted. The fair value of unlisted options (other than ZEP Options) is determined in reference to the prevailing share price on date of grant or by using a Black-Scholes model using the assumptions detailed in note 22. The fair value of ZEP Options is calculated using a probability-based valuation methodology with reference to the share price at grant date to issue the ZEP Options.

Performance rights
The Company measures performance rights based upon the grant date being the date of a shared understanding of the terms and conditions being achieved or the date of shareholder approval if required. Where the grant date is after the period in which services have begun to be rendered, the grant date fair value is estimated by reference to the period end share price.

Recovery of deferred tax assets
Deferred tax assets are recognised for deductible temporary differences as management considers that it is probable that sufficient future tax profits will be available to utilise those temporary differences. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits.

Business combinations
Management uses valuation techniques in determining the fair values of the various elements of a business combination. Particularly, the fair value of contingent consideration is dependent on the outcome of many variables that affect future profitability.

Fair value of financial instruments
Management uses valuation techniques to determine the fair value of financial instruments (where active market quotes are not available) and non-financial assets. This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management bases its assumptions on observable data as far as possible, but this is not always available. In that case management uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

Significant judgement in determining the lease term of contracts with renewal options
The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has an option, under one of its leases to lease the assets for additional terms of 12 months. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

(f) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement in the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements listed above.

When the Company has less than a majority of the voting rights in an investee, it has the power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties; rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholder meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Changes in the Group's ownership interest in existing subsidiaries

Changes in the Group's ownership interest in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in subsidiaries. Any difference between the amount paid by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between:

- The aggregate of the fair value of the consideration received and the fair value of any retained interest; and
- The previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests.

All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by the applicable AASBs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under AASB 9, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

(g) Revenue

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

The Group generates its revenue from owned software, third-party software, and consulting and implementation services. Revenue is recognised based on the principles set out in AASB 15. K2fly has utilised the practical expedient under AASB 15 paragraph 121(a) relating to contracts with an expected duration of 12 months or less, which applies to all of the Company's contracts with customers.

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

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

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

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

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

Licenses

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

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

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

Owned Software Provided as a Service

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

Owned Software provided via a Perpetual Licence

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

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

Third-party Software Provided as a Service

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

The Group may consider that these licenses are 'active' licences as the customer has an expectation that the software will be continuously maintained so it remains functional. Much of this maintenance can be related to the infrastructure that the software operates on and is generally not specifically related to the software itself. Management judgement will consider if the performance obligation on these contracts occurs over time. Revenue may then be recognised over time, typically reflecting the annual payment nature of these type of contracts.

Third-party Software Provided via a Perpetual Licence

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

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

Consulting and Implementation Services Provided on a Time and Materials Basis

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

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

Consulting and Implementation Services Provided on a Fixed Price Basis

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

Contract Assets and Contract Liabilities

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

Government Grants

Government grants are recognised at their fair value where there is a reasonable assurance that the grant will be received, and the Group will comply with all attached conditions. Government grants relating to costs are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Interest income

Interest revenue is recognised using the effective interest rate method.

(h) Income tax

The income tax expense or benefit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary difference and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance date.

Deferred income tax is provided on all temporary differences at the balance date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only capitalized to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be capitalised.

The carrying amount of deferred income tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.
Unrecognised deferred income tax assets are reassessed at each balance date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Tax consolidation legislation

K2fly Limited and its 100% owned Australian resident subsidiaries have implemented the tax consolidation legislation. As a consequence, these entities are taxed as a single entity and the deferred tax assets and liability of these entities are set off in the consolidated financial statements.

Other taxes
Revenues, expenses and assets are recognised net of the amount of GST except:
- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is capitalized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

Research and Development
The Group undertakes expenditure on activities that are categorised as “eligible expenditure” under the Research and Development Tax Incentive which, dependent upon certain criteria, may be subject to a tax offset. Where a tax offset has been received or is receivable in cash, the Group accounts for the tax offset as follows:
- Where a grant is received or receivable in relation to research and development costs which have been capitalized, the tax offset is deducted from the carrying amount of the assets; or
- Where a grant is received or receivable in relation to research and development costs which have been charged to profit or loss during this or a prior financial year, the tax offset shall be credited to the Statement of Comprehensive Income.

(i) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker.

The Chief Operating Decision Maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of K2fly Limited.

(j) Earnings per share

Basic earnings/loss per share is calculated as net profit/loss attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings/loss per share is calculated as net profit/loss attributable to members of the parent, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after-tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares; divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(k) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

(l) Cash and cash equivalents

Cash comprises cash at bank and in hand.

Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(m) Trade and other receivables

Initial recognition
Receivables are initially recognised and measured at fair value. Receivables that are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest are classified and subsequently measured at amortised cost. Receivables that do not meet the criteria for amortised cost are measured at fair value through comprehensive income.

Subsequent measurement
Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. The expected credit losses on financial assets are estimated based on the Group's historic credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as forecast conditions at the reporting date.

In relation to all other receivables measured at amortised cost, the Group applies the credit loss model. The expected credit loss model requires the Group to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial asset. In particular, the Group measures the loss allowance at an amount equal to lifetime expected credit loss ("ECL") if the credit risk on the instrument has increased significantly since initial recognition. On the other hand, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to the ECL within the next 12 months.

The Group considers an event of default has occurred when external sources indicate that the debtor is unlikely to pay its creditors, including the Group. A financial asset is credit impaired when there is evidence that the counterparty is in significant financial difficulty or a breach of contract, such as a default or past due event has occurred. The Group writes off a financial asset when there is information indicating the counterparty is in severe financial difficulty and there is no realistic prospect of recovering the contractual cash flow.

(n) Plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation.

Depreciation is calculated on a straight-line basis over the estimated useful life of the assets as follows:

Electronic equipment	3 years
Leasehold improvements	3 years
Office equipment	3 years

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

Derecognition and disposal

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

Impairment

The carrying values of plant and equipment are reviewed for impairment at each balance date, with recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired.

The recoverable amount of plant and equipment is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate largely independent cash inflows, recoverable amount is determined for the cash-generating unit to which the asset belongs, unless the asset's value in use can be estimated to approximate fair value.

An impairment exists when the carrying value of an asset or cash-generating unit exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount.

For plant and equipment, impairment losses are recognised in the statement of comprehensive income in the cost of sales line item.

(o) Intangible assets and goodwill

Intangible assets acquired separately
Intangible assets acquired separately are recorded at cost less accumulated amortisation and impairment. Amortisation is charged on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method is reviewed at the end of each annual reporting period, with any changes in these accounting estimates being accounted for on a prospective basis.

Internally generated intangible assets – research and development expenditure
Expenditure on research activities is recognised as an expense in the period in which it is incurred. Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period as incurred.
An intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- The intention to complete the intangible asset and use or sell it;
- The ability to use or sell the intangible asset;
- How the intangible asset will generate probable future economic benefits;
- The availability of adequate technical, financial and other resources to complete development and to use or sell the intangible asset; and
- The ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

The following useful lives are used in the calculation of amortisation:

Software	3-5 years

Intangible assets acquired in a business combination
Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

Impairment of tangible and intangible assets other than goodwill

The Group assesses at each balance date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or Groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Each unit or group of units to which the goodwill is so allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- is not larger than a segment based on either the Group's primary or the Group's secondary reporting format determined in accordance with AASB 8 Operating Segments.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units), to which the goodwill relates. When the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. When goodwill forms part of a cash-generating unit (group of cash-generating units) and an operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this manner is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Impairment losses recognised for goodwill are not subsequently reversed.

(p) Trade and other payables

Trade and other payables

Trade payables and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. Trade and other payables are presented as current liabilities unless payment is not due within 12 months.

Employee leave benefits

Wages, salaries, annual leave and sick leave

Liabilities accruing to employees in respect of wages and salaries, annual leave, long service leave and sick leave expected to be settled within 12 months of the balance date are recognised in provisions in respect of employees' services up to the balance date. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

Liabilities accruing to employees in respect of wages and salaries, annual leave, long service leave and sick leave not expected to be settled within 12 months of the balance date are recognised in non-current provisions in respect of employees' services up to the balance date. They are measured as the present value of the estimated future outflows to be made by the Group.

(q) Leases

Right of use asset

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease Liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

The Group has elected not to recognise right of use assets and lease liabilities for short term leases and low value assets. For these leases, the Group recognised the lease payments as an expense on a straight line basis over the lease term.

(r) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses. When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

Provisions are measured at the present value or management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability.

When discounting is used, the increase in the provision due to the passage of time is recognised as an interest expense.

Onerous contracts
Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

Warranties
Provisions for the expected cost of warranty obligations under local sale of goods legislation are recognised at the date of sale of the relevant products, at the Directors' best estimate of the expenditure required to settle the Group's obligation.

Long service leave
The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the balance date. Consideration is given to expected future wage and salary levels, experience of employee departures, and period of service. Expected future payments are discounted using market yields at the balance date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

(s) Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is K2fly Limited's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign operations

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each statement of comprehensive income are translated at average exchange rates (unless that is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

When a foreign operation is sold or any borrowings forming part of the net investment are repaid, a proportionate share of such exchange differences is reclassified to profit or loss, as part of the gain or loss on sale where applicable.

(t) Share-based payments reserve

Equity settled transactions
The Group provides benefits to employees (including Directors) of the Group in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using a Black-Scholes model.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of K2fly Limited (market conditions) if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting period).

The cumulative expense recognised for equity-settled transactions at each balance date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the Group's best estimate of the number of equity instruments that will ultimately vest. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The statement of comprehensive income charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition.

If the terms of an equity-settled award with market vesting conditions are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share, refer note 6.

(u) Issued Share Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a new business are not included in the cost of acquisition as part of the purchase consideration.

(v) Business Combination

The acquisition method of accounting is used to account for all business combinations, including business combinations involving entities or business under common control, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

Where a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group attains control) and the resulting gain

or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. These provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Where the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or liability is remeasured at subsequent reporting dates in accordance with AASB 9, or *AASB 137 Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

(w) Parent entity disclosures

The financial information for the parent entity, K2fly Limited, has been prepared on the same basis as the consolidated financial statements, except as set out below.

Investments in subsidiaries, associates and joint venture entities
Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the parent entity's financial statements. Dividends received from associates are recognised in the parent entity's profit or loss, rather than being deducted from the carrying amount of these investments.

Share-based payments
The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution to that subsidiary undertaking. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

NOTE 2: REVENUE AND OTHER INCOME

The Group derives its revenue from the sale of goods and the provision of services at a point in time and over time in the categories detailed below. The Group operates in one business and geographical segment being the technology sector in Australia. The revenue information disclosed below is consistent with reporting by segment under AASB 8 (see note 5).

	2020 $	2019 $
(a) Revenue		
At a point in time		
Consulting and implementation revenue (provided on a fixed price basis)	716,891	92,936
Sales of third-party software (provided via a perpetual license)	29,000	14,729
	745,891	107,665
Over time		
Consulting and implementation revenue (provided on a time and material basis)	3,524,968	3,296,858
Hosting services revenue	106,561	23,750
Sales of own software (provided as a service)	1,224,061	359,553
	4,855,590	3,680,161
	5,601,481	3,787,826

The Group has applied AASB 15 Revenue from Contracts with Customers. The core principle of AASB 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Please refer to note 19 (contract liability) for details on deferred revenue representing contracts that have been billed however the performance obligations are unsatisfied or partially satisfied.

The Group did not recognise any impairment loss on receivables and contract assets from contracts with customers in the statement of comprehensive income for the year ended 30 June 2020 (2019: $16,400).

	2020 $	2019 $
(b) Other income		
Interest income	279	205
Government grants received	76,521	22,000
Other	2,565	5,000
	79,365	27,205

NOTE 3: EMPLOYEE BENEFIT EXPENSE

	2020 $	2019 $
Wages and salaries	1,972,565	992,938
Superannuation	149,669	101,169
Redundancies	39,044	118,880
Payroll tax	91,860	110,112
Fringe benefits tax	(4,014)	15,143
Training	13,897	10,731
Provision	96,464	57,009
Recruitment and relocation costs	39,093	41,307
	2,398,578	1,447,289

NOTE 4: INCOME TAX EXPENSE

	2020 $	2019 $
Income tax expense		
The major components of tax expense are:		
Current tax expense / (income)	-	-
Deferred tax expense	-	-
	-	-
Reconciliation		
The prima facie income tax expense on pre-tax accounting result from operations reconciles to the income tax expense in the financial statements as follows:		
Accounting loss before tax	(3,419,129)	(2,059,645)
Income tax benefit calculated at 2020 27.5% (2019: 27.5%)	(940,260)	(566,402)
Non-deductible expenses	475,890	(3,268)
Non-assessable income	(21,043)	-
R&D refundable rebate	88,142	121,117
Unused tax losses and tax utilised as deferred tax assets	519,030	653,733
Other deferred tax assets and tax liabilities not recognised	(33,079)	(84,063)
Effect of tax rates of subsidiaries in different jurisdictions	(538)	-
Income tax benefit	88,142	121,117

Unrecognised deferred tax balances

The following deferred tax assets and (liabilities) have not been brought to account:

Deferred tax assets comprise:		
Losses available for offset against future taxable income	1,956,442	1,508,206
Depreciation timing differences	1,380,201	1,474,175
Share issue and business costs	25,485	6,816
Employee entitlement	75,524	26,892
Superannuation payable	21,137	13,863
Deferred gains and losses on foreign exchange contracts	28,674	2,283
Investments	1,283	1,283
Leases	1,727	-
Deferred taxes not recognised	(3,490,473)	(3,033,518)
	-	-

	2020 $	2019 $
Recognised in equity:		
Share issue costs	28,018	51,895
Deferred tax assets not recognized	(28,018)	(51,895)
	-	-

The Group has tax losses arising in Australia of $7,114,333 (2019: $5,436,126) that are available indefinitely for offset against future taxable profits of the companies in which the losses arose.

The deductible temporary differences and tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits thereof.

Deferred tax liabilities have not been recognised in respect of these taxable temporary differences as the entity is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

NOTE 5: SEGMENT REPORTING

The Group has adopted AASB 8 *Operating Segments* which requires operating segments to be identified on the basis of internal reports about components of the Group that are reviewed by the Chief Operating Decision Maker in order to allocate resources to the segment and assess its performance. The Board of K2fly Limited reviews internal reports prepared as consolidated financial statements and strategic decisions of the Group are determined upon analysis of these internal reports.

During the year, the Group operated predominantly in one business and geographical segment being the technology sector in Australia but identifies their revenue streams from consulting, sale of own software and sale of third party software as its operating segment.

During 2020, the Group's revenues depended on several main customers as follows:

- $701,689 or 13% (2019: 1,543,325 or 41%)
- $1,031,958 or 18% (2019: $864,481 or 23%)
- $1,102,529 or 20% (2019: $615,883 or 16%)

NOTE 6: LOSS PER SHARE

	2020	2019
Basic loss per share (cents per shares)	(4.08)	(2.94)
Loss		
Loss used in the calculation of basic loss per share ($)	(3,330,987)	(1,938,528)
Weighted average number of shares		
Weighted average number of ordinary shares (number of shares)	81,633,144	65,968,473

Diluted loss per share has not been calculated as the result does not increase loss per share.

NOTE 7: CASH AND CASH EQUIVALENTS

	2020 $	2019 $
Cash at bank and on hand	2,919,788	1,059,247
	2,919,788	1,059,247

Cash at bank earns interest at floating rates based on daily bank deposit rates.

Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

Reconciliation to the Statement of Cash Flows:

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash on hand and at bank, net of corporate credit cards.

Cash and cash equivalents as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

	2020 $	2019 $
Cash and cash equivalents	2,919,788	1,059,247
Reconciliation of profit for the year to net cash flows from operating activities		
Net loss for the year	(3,330,987)	(1,938,528)
Non-cash items and other adjustments:		
Amortisation	86,240	7,187
Depreciation plant and equipment	23,733	15,664
Depreciation leased assets	71,532	4,076
Impairment – fixed assets	-	2,798
Share-based payments	440,162	(38,119)
Employment provisions	96,464	37,512
Impairment of receivables	-	16,400
Acquisition expenses (investing activity) (note 33)	55,439	80,228
Movements in working capital:		
Increase in trade and other receivables	(277,868)	(220,075)
Increase in other assets	-	-
Increase/(decrease) in restricted cash	5,000	(39,145)
Increase in provisions	1,193,816	(37,567)
Increase in contract assets	68,750	(46,293)
Increase in contract liabilities	907,182	416,247
Increase in trade and other payables	140,138	16,673
Net cash used in operating activities	(520,399)	(1,722,942)

Changes in liabilities arising from financing activities

	2020 $	2019 $
Opening balance	179,324	-
Acquisition of plant and equipment by means of finance leases	-	182,825
Interest expense	9,686	813
Repayments of principal	(75,045)	(4,314)
Foreign exchange	(13,764)	-
Closing balance	100,201	179,324

NOTE 8: TRADE AND OTHER RECEIVABLES

	2020 $	2019 $
Trade receivables	1,127,917	823,347
Other	15,886	44,233
Deposits	8,911	7,266
	1,152,714	874,846

Terms and conditions relating to the above:

- All amounts are expected to be recoverable
- Trade receivables are non-interest bearing and normally settled on 30 to 60 day terms.
- Due to the short nature of trade and other receivables, their carrying value is assumed to be approximate to their fair value.

Ageing of past due but not impaired

	2020 $	2019 $
30 – 60 Days	934,899	642,452
60 – 90 Days	121,137	-
90 – 120 Days	71,880	110,000
120+ days (a)	-	70,895
Total	1,127,917	823,347

(a) The debtor balances included under 120+ days is expected to be recovered based on external sources, no provision for impairment has been included.

NOTE 9: CONTRACT ASSET

	2020 $	2019 $
Contract assets (a)	-	68,750
	-	68,750

(a) This contract asset is initially recognised for revenue earned from perpetual licensing fees that have been provided to the customer (thus satisfying performance obligations) but not yet invoiced.

NOTE 10: RESTRICTED CASH

	2020 $	2019 $
Bank guarantees	20,000	15,000

NOTE 11: PLANT AND EQUIPMENT

	Electronic Equipment $	Leasehold improvements $	Office equipment $	Total $
Cost	66,997	2,939	13,105	83,041
Accumulated depreciation	(34,296)	(2,939)	(6,610)	(43,845)
	32,701	-	6,495	39,196
Reconciliation				
Opening balance	32,927	631	7,523	41,080
Additions	20,177	-	3,441	23,618
Depreciation	(19,386)	(631)	(3,717)	(23,733)
Foreign exchange	(1,017)	-	(752)	(1,769)
Closing balance	32,701	-	6,495	39,196

NOTE 12: RIGHT OF USE ASSETS

	2020 $	2019 $
Right of use assets		
Cost	165,538	182,825
Accumulated depreciation	(71,532)	(4,076)
	94,006	178,749
Balance as at beginning of year	178,749	-
Additions	-	182,825
Depreciation	(71,532)	(4,076)
Foreign exchange	(13,211)	-
Balance at end of year	94,006	178,749

Leased assets are capitalised at the commencement date of the lease and comprise of the initial lease liability amount, initial direct costs incurred when entering into the lease less any lease incentives received. On initial adoption of AASB 16 the Group has adjusted the right-of-use assets at the date of initial application by the amount of any provision for onerous leases recognised immediately before the date of initial application. Following initial application, an impairment review is undertaken for any right of use lease asset that shows indicators of impairment and an impairment loss is recognised against any right of use lease assets that is impaired.

NOTE 13: INTANGIBLE ASSETS

	2020 $	2019 $
Software at cost (a)	431,200	431,200
Software - accumulated amortisation (a)	(93,427)	(7,187)
Total Intangible Assets	337,773	424,013

	2020 $	2019 $
Movements:		
Carrying amount at the beginning of the year	424,013	-
Acquired	-	431,200
Amortisation	(86,240)	(7,187)
Carrying amount at the end of the year	337,773	424,013

(a) During the year ended 30 June 2019, K2Fly RCubed Pty Ltd (**K2F RCubed**), a wholly owned subsidiary of K2fly Limited, acquired 100% of the assets of RCubed Global Pty Ltd (**RCubed Global**), XCube Holdings Pty Ltd (**XCube**) and Prodmark Pty Ltd (**Prodmark**) relating to the RCubed Resources and Reserve Reporting software (**RCubed Acquisition**). Cash consideration of $450,000 was paid for the acquisition of which $431,200 was ascribed to the intellectual property rights associated with the RCubed Resources and Reserve Reporting software based on an independent valuation at 31 May 2019 (refer note 33). There have been no indicators of impairment since this date.

NOTE 14: GOODWILL

	2020 $	2019 $
Goodwill (a)	731,543	731,543

(a) Goodwill arose in relation to the Infoscope Acquisition (refer note 34 of the FY19 annual report for details). During the year ended 30 June 2020, management has conducted an impairment assessment in relation to goodwill. The recoverable amount was based on a value-in-use calculation and was determined at the cash-generating unit level (**Infoscope CGU**). The pre-tax discount rate adopted was 29.2% (2019: 29.2%) and the value-in-use was based upon forecast cash flows over a five year period with a final year terminal value. The five year forecast used as the basis for the value-in-use model was based on the 12 month budget (extrapolated over a four year period at a highly conservative nil% growth rate to provide a total five year forecast model) and forecast assumptions as approved by the Board of Directors. The assumptions are considered reasonable and supportable and were derived with due consideration to actual Infoscope CGU performance indicators, actual revenue achieved in the year immediately before the budgeted year, existing revenue streams, and potential new client revenue streams.

The Company has considered the impact of possible changes in key assumptions. Based on a sensitivity analysis undertaken, the following possible changes (taken in isolation) would not result in a reduction of the carrying value of goodwill:

- reduction of forecast revenue of up to 31% against management's estimates at 30 June 2020;
- adjustment of terminal value amount to nil;
- increase in the post-tax discount rate to over 65%; and
- increase of 34% in allocated overhead costs.

Based upon the value in use calculation, no impairment has been recognised.

NOTE 15: OTHER FINANCIAL ASSETS

	2020 $	2019 $
Shares in listed entity – at fair value	844	844

NOTE 16: TRADE AND OTHER PAYABLES

	2020 $	2019 $
Current		
Accounts payable	443,158	437,549
Accrued expenses	166,244	157,555
Other payable	124,958	104,881
Employee liabilities	222,358	212,061
	956,718	912,046

Terms and conditions relating to the above:

- All amounts are expected to be settled.
- Trade payable are non-interest bearing and normally settled on 30 day terms.
- Due to the short nature of trade and other payables, their carrying value is assumed to be approximate to their fair value.

NOTE 17: PROVISIONS AND OTHER PAYABLES

	2020 $	2019 $
Current		
Employee leave provisions	231,910	145,781
RCubed Milestone Incentives	700,000	-
	931,910	145,781
Non Current		
Employee leave provisions	42,437	34,750
RCubed Milestone Incentives	400,000	-
	442,437	34,750
Total Current and Non-Current	1,374,347	180,531

On 31 May 2019 K2F RCubed, a wholly owned subsidiary of the Company, acquired 100% of the assets of RCubed Global, XCube and Prodmark relating to the RCubed Resources and Reserve Reporting software pursuant to an asset sale agreement (**Agreement**).

In accordance with the terms of the Agreement (as varied) the following incentive payments are payable:

- Milestone Payment A (being $600,000) – RCubed sales generated not less than AUD$500k of new net recurring annual licence revenue from the RCubed business product from existing and new customers (New Net Revenue) over the 12 month period commencing from the date of completion (31 May 2019);

- Milestone Payment B (being $400,000) - RCubed sales generated not less than AUD$500k of New Net Revenue in the 12 month period from the end of the Milestone A payment period; and

- Milestone Payment C (being $200,000) - RCubed sales achieved up to AUD$500k of New Net Revenue in the 12 month period from the end of the Milestone B payment period.

As agreed between the parties, the Milestone Payment A is payable in four instalments ($100,000 in May 2020, $150,000 in July 2020, $50,000 in October 2020 and $300,000 in November 2020). The Milestone Payment B is payable in two equal instalments (May 2021 and November 2021). The Milestone Payment C is payable in two equal instalments (May 2022 and November 2022).

With the additional contracts secured for K2F's RCubed resource governance solution in FY20, has seen the performance milestone revenue hurdles (which were set to be achieved over a three-year period) be achieved in just thirteen months since acquisition.

At 30 June 2020, an $0.1m of the Milestone Payment A has been paid. The balance of the Milestone Payment A, Milestone Payment B and Milestone Payment C (totalling $1.1m) are included in provisions at 30 June 2020.

NOTE 18: INTEREST BEARING LEASE LIABILITIES

	2020 $	2019 $
Current		
Lease liability	66,971	65,935
	66,971	65,935
Non-Current		
Lease liability	33,230	113,389
	33,230	113,389
Total Current and Non-Current	100,201	179,324

The Group has entered into a commercial lease to rent office space at its head office in Subiaco, Western Australia. The lease has a fixed term of 2 years.

The Group has also entered into a commercial lease to rent office space at its South African branch. The lease has a fixed term of 3 years with a renewal option of a further 12 months following this initial term unless terminated.

NOTE 19: CONTRACT LIABILITIES

	2020 $	2019 $
Deferred revenue (a)	1,344,058	436,876

Movements:	2020 $	2019 $
Opening balance	436,876	18,379
Deferred during the year	1,344,058	436,876
Released to the statement of profit or loss	(436,876)	(18,379)
Closing balance	1,344,058	436,876

(a) Represents aggregate amounts of transaction prices relating to the performance obligations from existing contracts that have been billed and received but are unsatisfied or partially satisfied. A break-down of the revenue line items (as reported at note 2) to which these contracts liabilities will be recognised in the next financial year is as follows:

	2020 $	2019 $
Consulting revenue (at a point in time)	-	24,000
Consulting revenue (over time)	-	9,000
Hosting services revenue	25,358	7,000
Sales of own software (software as a service)	1,318,700	396,876
	1,344,058	436,876

NOTE 20: ISSUED CAPITAL

	2020 $	2019 $
Issued and paid up capital	21,038,690	18,153,972
Share issue costs	(2,848,816)	(2,492,932)
	18,189,874	15,661,041

	2020		2019	
Movements:	Number	$	Number	$
Opening balance	75,354,141	15,661,041	60,409,751	13,136,705
Shares issued – Rights Issue	-	-	6,040,976	1,812,293
Shares issued upon exercise of listed options	-	-	12,000	2,400
Shares issued – vesting of performance rights	-	-	202,500	-
Shares issued to advisors	-	-	62,454	20,000
Shares issued – Placement	-	-	8,000,000	800,000
Shares issued to advisors	-	-	510,000	51,000
Shares issued to advisors	-	-	116,460	15,000
Shares issued – Placement (a)	6,250,000	1,000,000	-	-
Shares issued to advisors (b)	81,522	15,000	-	-
Shares issued to advisors (c)	68,182	15,000	-	-
Shares issued – Exercise of options (d)	323,419	-	-	-
Shares issued – Exercise of options (e)	155,921	-	-	-
Shares issued – Exercise of options (f)	580,000	135,500	-	-
Shares issued – vesting of performance rights (g)	137,500	-		
Shares issued – Exercise of listed options (h)	8,596,096	1,719,217		
Share issue costs	-	(355,884)	-	(176,357)
Closing balance	91,546,781	18,189,874	75,354,141	15,661,041

(a) On 26 September 2019, the Company raised $1,000,000 from sophisticated and professional investors via a placement of 6,250,000 fully paid ordinary shares at $0.16 each to fund the implementation and anticipated implementation of RCubed contracts and to grow the business.

(b) On 11 October 2019, the Company announced it had executed a new mandate with Canary Capital Pty Ltd (**Canary Capital**), a boutique Sydney headquartered investment management and corporate advisory firm, to continue to provide investor marketing services to the Company (**Investor Marketing Mandate**). On the same day, a total of 81,522 shares were issued to Canary Capital pursuant to Investor Marketing Mandate as equity-settled fees for the six-month period from September 2019 to February 2020, valued at $15,000 which has been recognised as a share-based payment expense during the period (refer note 22(a)).

(c) On 5 May 2020, a further 68,182 shares were issued to Canary Capital pursuant to the Investor Marketing Mandate, valued at $15,000 which has been recognised as a share-based payment expense during the period (refer note (22)(a)).

(d) On 11 December 2019, a total of 323,419 shares were issued upon the exercise of 267,657 unlisted options exercisable at $0 each expiring 26 November 2020 (Series 8) by Non-Executive Directors of the Company and 55,762 unlisted options exercisable at $0 each expiring 26 November 2020 (Series 8) by consultants of the Company.

(e) On 10 June 2020, a total of 155,921 shares were issued upon the exercise of 155,921 unlisted options exercisable at $0 each expiring 26 November 2020 (Series 8) by the CEO of the Company.

(f) On 30 December 2019, a total of 580,000 shares were issued upon the exercise of 380,000 unlisted options exercisable at $0.225 each on or before 28 December 2019 (Series 4) and 200,000 unlisted options exercisable at $0.25 each on or before 28 December 2019 (Series 5).

(g) On 16 April 2020, a total of 137,500 shares were issued in respect of vested performance rights, following receipt of a conversion notice from the holder.

(h) During the year, the Company raised a total of $1,719,219 (before costs) from the exercise of listed options (**K2FOA**) which expired on 18 May 2020 (**Options**). The exercise of the Options was partially underwritten by K S Capital Pty Ltd (**Underwriter**) and pursuant to the underwriting agreement there was no discount to the Option exercise price of $0.20.

Pursuant to the underwriting agreement, the Underwriter was paid a fee of 6% of the underwritten amount, and was issued one unlisted option in the Company (with an exercise price of $0.30 each and expiry date of 3 years from the date of issue) for every 4 Options underwritten (**Underwriter Options**). A total of 1,912,500 Underwriter Options were issued on 12 June 2020, valued at $204,084 (refer note 22(d)). This amount is included in share issue costs.

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

NOTE 21: RESERVES

Nature and purpose of reserves

Asset revaluation reserve
The asset revaluation reserve is used to record increases in the fair value of investments to the extent that such decreases relate to an increase on the same asset previously recognised in equity.

Share-based payments and option reserves
This reserve is used to record the value of equity benefits provided to employees and Directors as part of their remuneration, or arises from services performed. Refer to note 22 for further details of these plans.

	2020 $	2019 $
Performance rights reserve (a)	199,100	199,100
Option reserve (b)	999,753	385,507
FCTR reserve	22,123	(1,030)
Asset revaluation reserve	120	120
	1,221,096	583,697
(a) Movements in performance rights reserve		
Carrying amount at the beginning of the period	199,100	372,900
Issue of performance rights – Share-based payment expense recorded through profit or loss	-	-
Cancellation of unvested performance rights	-	(173,800)
Carrying amount at the end of the period	199,100	199,100
(b) Movements in option reserve		
Carrying amount at the beginning of the period	385,507	284,826
Share-based payments expense – options (recorded through profit or loss)	410,162	100,681
Share-based payments expense – options (recorded through equity in share issue costs)	204,084	100,681
Carrying amount at the end of the period	999,753	385,507

NOTE 22: SHARE-BASED PAYMENTS EXPENSE

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

	2020 $	2019 $
Shares issued to advisor (a)	30,000	35,000
Unlisted options issued to advisors (b)	50,782	-
Unlisted options issued to directors, employees and consultants (c)	359,380	100,681
Performance rights issued to directors / (reversal)	-	(173,800)
	440,162	(38,119)

Total costs arising from share-based payment transactions recognised through equity during the year were as follows:

	2020 $	2019 $
Options issued to advisor (d)	204,084	-

(a) Shares

During the year a total of 149,704 shares were issued to Canary Capital pursuant to the Investor Marketing Mandate. Refer to note 20(b) and note 20(c).

(b) Unlisted options to advisor

During the period, the Company issued to Canary Capital 750,000 unlisted options at an exercise price of $0.35 expiring 11 October 2022 pursuant to the Investor Marketing Mandate in respect of marketing services provided and to be provided.

The fair value of these options were determined using a Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model for the options:

	Canary Options (Series 12)
Dividend yield (%)	Nil
Expected volatility (%)	91.05%
Risk free interest rate (%)	0.78%
Exercise price ($)	$0.35
Marketability discount (%)	Nil
Expected life of options (years)	3.0
Share price at grant date ($)	$0.165
Value per option ($)	$0.0677

(c) Unlisted options to directors, employees and consultants

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

- 1,751,200 unlisted options issued on 20 December 2019 to directors and consultants, as approved by shareholders at the Company's Annual General Meeting (**AGM**), including:
  - 700,000 unlisted options exercisable at $0 each on or before 25 November 2021 (ZEP Options) (no vesting conditions) (**Series 13**)
  - 367,920 unlisted options exercisable at $0 each on or before 25 November 2021 (ZEP Options) (subject to vesting conditions) (**Series 14**); and
  - 683,280 unlisted options exercisable at $0.291 each on or before 25 November 2023 (PEP Options) (subject to vesting conditions) (**Series 15**); and

- 2,150,580 unlisted options issued on 20 December 2019 to employees under its shareholder approved Employee Incentive Option Plan (**EIOP**), including:
  - 748,980 unlisted options exercisable at $0 each on or before 25 November 2021 (ZEP Options) (subject to vesting conditions) (**Series 16**); and
  - 1,401,600 unlisted options exercisable at $0.291 each on or before 25 November 2023 (PEP Options) (subject to vesting conditions) (**Series 17**).

Fair Value of ZEP Options

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

Series	Recipient	Number Issued	Value per ZEP Option	Expected % to vest	Condition	Vested / Not Vested	Total Value $
Series 13	Non-Executive Directors / Consultants	700,000	$0.215	100%	Non-Market	Vested	$150,500
Series 14	Executive Director / CEO	367,920	$0.215	36.4%	Non-Market[1]	Not Vested	$28,793
Series 16	Employees (EIOP participants)	748,980	$0.215	36.8%	Non-Market[1]	Not Vested	$59,279
		1,816,900					$238,572

[1] 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, that is remaining employed at 25 May 2021) have been satisfied or waived by the Board. The ultimate number of options that are capable of vesting are based on the extent of achievement against both Company and individual KPIs in respect of the year ended 30 June 2020, as determined by the Board.

Fair Value of PEP Options

The fair value of PEP Options was determined using a Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. The following table lists the input to the model for the options:

	PEP Options (Series 15 and Series 17)
Dividend yield (%)	Nil
Expected volatility (%)	91.73%
Risk free interest rate (%)	0.82%
Exercise price ($)	$0.291
Marketability discount (%)	Nil
Expected life of options (years)	4.0
Share price at grant date ($)	$0.215
Value per option ($)	$0.1272

The PEP Options shall vest and become exercisable upon the employee remaining employed by the Company for a period of 3 years from date of issue of the PEP Options, that is remaining employed at 25 November 2022.

(d) Unlisted options to advisor

During the year, the Company issued 1,912,500 unlisted options with an exercise price of $0.30 each and expiry date of 3 years from the date of issue) (being the **Underwriter Options**) (refer to note 20(h) for details).

The fair value of these options were determined using a Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model for the options:

	Underwriter Options (Series 18)
Dividend yield (%)	Nil
Expected volatility (%)	86.95%
Risk free interest rate (%)	0.25%
Exercise price ($)	$0.30
Marketability discount (%)	Nil
Expected life of options (years)	3.0
Share price at grant date ($)	$0.220
Value per option ($)	$0.1067

NOTE 23: UNLISTED OPTIONS (SHARE-BASED PAYMENTS)

The following refers to unlisted options issued as share-based payment. Other options issued by the Company which do not constitute a share-based payment are not included in this disclosure note.

The following share-based payment arrangements were in place during the current and prior periods.

	Grant date	**Expiry date**	**Exercise price**	**Fair value at grant date per option**	**Vesting date**
Series 1	22/11/2016	17/11/2020	$0.25	$0.016	17/11/2016
Series 2	22/11/2016	01/12/2020	$0.25	$0.016	17/11/2016
Series 3	01/11/2017	01/11/2019	$0.20	$0.090	01/11/2017
Series 4	28/12/2017	28/12/2019	$0.225	$0.255	28/12/2017
Series 5	28/12/2017	28/12/2019	$0.25	$0.255	28/12/2017
Series 7	07/7/2017	07/7/2020	$0.25	$0.030	7/7/2017
Series 8	26/11/2018	26/11/2020	$0.00	$0.170	26/05/2020
Series 8	26/11/2018	26/11/2020	$0.00	$0.170	30/11/2019
Series 9*	26/11/2018	26/11/2020	$0.00	$0.170	26/05/2020
Series 10	26/11/2018	26/11/2022	$0.243	$0.105	26/11/2021
Series 11*	26/11/2018	26/11/2022	$0.243	$0.105	26/11/2021
Series 12	8/10/2019	11/10/2022	$0.350	$0.068	8/10/2019
Series 13	25/11/2019	25/11/2021	$0.000	$0.215	25/11/2019
Series 14	25/11/2019	25/11/2021	$0.000	$0.215	25/05/2021
Series 15	25/11/2019	25/11/2023	$0.291	$0.127	25/11/2022
Series 16*	25/11/2019	25/11/2021	$0.000	$0.215	25/05/2021
Series 17*	25/11/2019	25/11/2023	$0.291	$0.127	25/11/2022
Series 18	18/05/2020	12/06/2023	$0.30	$0.107	12/06/2020

*Issued under the Company's EIOP.

There has been no alteration of the terms and conditions of the above share-based payment arrangements since grant date.

Movements in the various classes of unlisted options during the year ended 30 June 2020 is detailed as follows:

	Opening balance 1 July 2019	Granted	Exercised	Lapsed / Expired	Closing balance 30 June 2020	Vested / Unvested
Series 1	1,920,000	-	-	-	1,920,000	Vested
Series 2	800,000	-	-	-	800,000	Vested
Series 3	350,000	-	-	(350,000)	-	-
Series 4	400,000	-	(380,000)	(20,000)	-	-
Series 5	450,000	-	(200,000)	(250,000)	-	-
Series 7	350,000	-	-	-	350,000	Vested
Series 8	665,352	-	(479,340)	(186,012)	-	-
Series 9*	683,866	-	-	(412,933)	270,933	Vested
Series 10	639,019	-	-	-	639,019	Unvested
Series 11*	1,278,179	-	-	-	1,278,179	Unvested
Series 12	-	750,000	-	-	750,000	Vested
Series 13	-	700,000	-	-	700,000	Vested
Series 14	-	367,920	-	-	367,920	Unvested
Series 15	-	683,280	-	-	683,280	Unvested
Series 16*	-	748,980	-	-	748,980	Unvested
Series 17*	-	1,401,600	-	-	1,401,600	Unvested
Series 18	-	1,912,500	-	-	1,912,500	Vested
	7,536,416	6,564,280	(1,059,340)	(1,218,945)	11,822,411	

*Issued under the Company's EIOP.

The following table illustrates the number and weighted average price and movements in share options issued during the year in summary form.

	2020		2019	
	Number	Weighted average exercise price $	Number	Weighted average exercise price $
Opening balance	7,536,416	$0.20	4,270,000	$0.24
Granted	6,564,280	$0.14	3,266,416	$0.14
Exercised	(1,059,340)	$0.13	-	-
Lapsed / expired	(1,218,945)	$0.11	-	-
Outstanding at the end of the year	11,822,411	$0.23	7,536,416	$0.20
Exercisable at the end of year	6,703,433	$0.24	4,270,000	$0.24

A total of 1,059,340 unlisted options were exercised during the year for $135,500 (2019: nil).

Unlisted options outstanding at 30 June 2020 had a weighted average exercise price of $0.23 (2019: $0.20) and a weighted average remaining contractual life of 704 days (2019: 637 days).

The weighted average fair value of options granted during the year was $0.14 (2019: $0.14).

NOTE 24: LISTED OPTIONS

There were nil listed options on issue at 30 June 2020. At 30 June 2019, there were 13,264,178 listed options on issue exercisable at $0.20 with an expiry date of 18 May 2020 (ASX Code: K2FOA) (Series 6).

There were 8,596,096 listed options exercised during the year (2019: 12,000). The remaining 4,668,082 listed options expired during the period.

NOTE 25: INVESTMENT IN CONTROLLED ENTITIES

Transactions with subsidiaries

The consolidated financial statements include the financial statements of K2fly Limited and the subsidiary listed in the following table.

	Country of Incorporation	2020 Percentage owned	2019 Percentage owned
Controlled entities			
Power Minerals Pty Ltd	Australia	100%	100%
Infoscope Pty Ltd	Australia	100%	100%
K2fly RCubed Pty Ltd	Australia	100%	100%
K2fly South Africa Pty Ltd	South Africa	100%	100%

K2fly Limited is the ultimate Australian parent entity and ultimate parent of the Group.

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation.

NOTE 26: PARENT ENTITY DISCLOSURES

	2020 $	2019 $
Statement of financial position		
Assets		
Current assets	2,664,560	998,005
Non-current assets	1,914,820	1,639,771
Total assets	4,579,380	2,637,776
Liabilities		
Current liabilities	2,693,357	920,863
Non-current liabilities	365,483	31,618
Total liabilities	3,058,840	952,482
Equity		
Issued capital	18,189,892	15,661,058
Share-based payment reserve	1,198,852	584,606
Accumulated losses	(17,868,204)	(14,560,369)
Total equity	1,520,540	1,685,295
Statement of comprehensive income		
Loss for the year	(3,307,885)	(2,024,437)
Other comprehensive income	-	-
Total comprehensive loss	(3,307,885)	(2,024,437)

No guarantees have been entered into by the parent entity in relation to the debts of its subsidiaries.

Contingent liabilities of the parent entity

Contingent liabilities of the parent entity are the same as those of the Group at 30 June 2020, as detailed at note 28.

Commitments

Commitments of the parent entity are the same as those of the Group at 30 June 2020, as detailed at note 27.

NOTE 27: COMMITMENTS

	2020 $	2019 $
Commitments in respect to leases on premises:		
Within one year	-	-
Between one and five years	-	-
Longer than five years	-	-
	-	-

NOTE 28: CONTINGENT ASSETS AND LIABILITIES

The Company had no contingent assets and liabilities at 30 June 2020.

NOTE 29: FINANCIAL INSTRUMENTS

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The Group's overall strategy remains unchanged from 2019. The Group is involved in the sale of software licenses under a Software-as-a-Service business model. The Group is actively engaged in the direct sale of its own intellectual property rights (**IPR**) as well as the sale of third party IPR through its partnership arrangements.

The capital structure of the Group consists of cash and cash equivalents, borrowings and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings.

None of the Group's entities are subject to externally imposed capital requirements.

Operating cash flows are used to maintain and expand operations, as well as to make routine expenditures such as tax, dividends and general administrative outgoings.

Gearing levels are reviewed by the Board on a regular basis in line with its target gearing ratio, the cost of capital and the risks associated with each class of capital.

Financial assets and liabilities

	2020 $	2019 $
Cash	2,919,788	1,059,247
Trade and other receivables	1,152,714	874,846
Available-for-sale-financial assets	844	844
Trade and other payables	956,718	912,046
Interest bearing liabilities	100,201	179,324

Financial risk management objectives

The Group has exposure to the following risks from their use of financial instruments:

- Market risk
- Credit risk
- Liquidity risk
- Foreign exchange risk
- Equity price risk

This note presents information about the Group's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. Management monitors and manages the financial risks relating to the operations of the Group through regular reviews of the risks.

Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk from the previous period.

Interest rate risk management

The Group has no material exposure to interest rate risk.

Equity price risk management

The Group is exposed to equity price risks arising from equity investments. Equity investments are held for strategic rather than trading purposes. The Group does not actively trade these investments. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group. The majority of the Group's investments are publicly traded.

Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's trade debtors. For the parent entity it also arises from receivables due from subsidiaries. The Group has adopted the policy of only dealing with credit worthy counterparties where appropriate, as a means of mitigating the risk of financial loss from defaults.

Foreign Exchange Risk

Foreign exchange risk arises from future commercial transaction and recognised assets and liability denominated in a currency that is not the Entity's functional currency and net investments in foreign operations. The Group has not formalised a foreign currency risk management policy however it monitors its foreign currency expenditure in light of exchange rate movements. The international operations are at the start-up stage and there is limited exposure at the reporting date to assets and liabilities denominated in foreign currencies.

Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group manages liquidity risk by maintaining adequate reserves by continuously monitoring forecast and actual cash flows.

Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The following tables detail the Groups expected contractual maturity for its non-derivative financial liabilities as at 30 June 2020:

	Current	Non-Current	
	0-1 years	1-5 years	5+ years
	$	$	$
Trade and other payables	956,718	-	-
Interest bearing liabilities	71,809	34,462	-

The following tables detail the Groups expected contractual maturity for its non-derivative financial liabilities as at 30 June 2019:

	Current	Non-Current	
	0-1 years	1-5 years	5+ years
	$	$	$
Trade and other payables	912,046	-	-
Interest bearing liabilities	77,014	120,219	-

Fair value measurement

Set out below is an overview of financial instrument, other than cash and short-term deposits, held by the Group as at 30 June 2020:

	At amortised cost	Fair value through profit or loss	Fair value through other comprehensive income
	$	$	$
Financial Assets			
Trade and other receivables	1,152,714	-	-
Other Financial assets	-	-	844
Total Assets	1,152,714	-	844
Financial Liabilities			
Trade and other payables	956,718	-	-
Interest bearing liabilities	100,201	-	-
	1,056,919	-	-

Set out below is a comparison on the carrying amount and fair values of financial instruments as at 30 June 2020:

	Carrying Value	Fair Value
	$	$
Financial Assets		
Trade and other receivables	1,152,714	1,152,714
Other Financial assets	844	844
Total Assets	1,153,558	1,153,558
Financial Liabilities		
Trade and other payables	956,718	956,718
Interest bearing liabilities	100,201	100,201
Total Liabilities	1,056,919	1,056,919

Fair value measurement

Set out below is an overview of financial instrument, other than cash and short-term deposits, held by the Group as at 30 June 2019:

	At amortised cost $	Fair value through profit or loss $	Fair value through other comprehensive income $
Financial Assets			
Trade and other receivables	874,846	-	-
Other Financial assets	-	-	844
Total Assets	874,846	-	844
		-	-
Financial Liabilities			
Trade and other payables	912,046	-	-
Interest bearing liabilities	179,324	-	-
	1,091,370	-	-

Set out below is a comparison on the carrying amount and fair values of financial instruments as at 30 June 2019:

	Carrying Value $	Fair Value $
Financial Assets		
Trade and other receivables	874,846	874,846
Other Financial assets	844	844
Total Assets	875,690	875,690
Financial Liabilities		
Trade and other payables	912,046	912,046
Total Liabilities	912,046	912,046

NOTE 30: RELATED PARTY DISCLOSURES

Remuneration of Key Management Personnel

	2020 $	2019 $
Short-term employee benefits	377,472	381,888
Post-employment employee benefits	24,460	24,879
Share-based payment	210,850	50,381
	612,782	457,148

	2020 $	2019 $
Payables and accruals:		
Brian Miller	57,982	9,017
Neil Canby	12,000	6,000
James Deacon	15,000	12,000
Jenny Cutri	12,000	6,000

Other transactions with Key Management Personnel

On 31 May 2019, K2fly RCubed acquired 100% of the assets of RCubed Global, XCube Holdings and Prodmark relating to the RCubed Resources and Reserve Reporting software pursuant to an asset sale agreement. In February 2019, Brian Miller, a Director of the Company, entered into a short interest free loan agreement with XCube. In accordance with the loan agreement, Mr Miller advanced XCube funding of $60,000 in February 2019 and a further $40,000 was advanced in March 2019. Funds advanced under the loan agreement were used to cover operating expenses of XCube and associated entities. The acquisition by K2fly RCubed of the assets of RCubed Global Pty Ltd, XCube and Prodmark was completed on 31 May 2019 and the interest free loan was repaid in full to Mr Miller on this date.

During the prior year, certain Directors sub-underwrote a total of $60,000 in respect of a rights issue. There were no sub-underwriting fees charged in relation to these arrangements. The amounts sub-underwritten by Mr Brian Miller, Ms Jenny Cutri and Mr James Deacon were $25,000, $30,000 and $5,000 respectively.

There are no other transactions with Key Management Personnel during the year ended 30 June 2020.

NOTE 31: AUDITOR'S REMUNERATION

	2020 $	2019 $
Audit or review of financial statements	46,575	41,480
Taxation compliance	16,750	22,075
	63,325	63,555

NOTE 32: SIGNIFICANT EVENTS AFTER BALANCE DATE

MOU with Decipher for Tailings Storage Facilities solution

On 8 July K2fly announced a memorandum of understanding (**MOU**) with Decipher, which offers an award-winning cloud monitoring platform. K2F and Decipher have partnered to create an integrated monitoring and governance platform for Tailings Storage Facilities (TSF). The proposed solution will ensure the resource industry has access to a significantly better tool to aid monitoring and governance of TSFs to recognised standards. K2fly were already collaborating with SAP on the development of a Tailings solution for SAP customers globally and the Decipher partnership added a further level of detail into the monitoring of facilities.

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

NOTE 33: BUSINESS COMBINATION

On 31 May 2019, K2fly RCubed Pty Ltd (**K2F RCubed**), a wholly owned subsidiary of the Company, acquired 100% of the assets of RCubed Global Pty Ltd (**RCubed Global**) XCube Holdings Pty Ltd (**XCube**) and Prodmark Pty Ltd (**Prodmark**) relating to the RCubed Resources and Reserve Reporting software. RCubed software generates resource and reserve reports that support reporting codes such as JORC, NI43101 and SAMREC across the major stock exchanges including NYSE, LSE, TSX, ASX and JSE. This acquisition complements the Company's Infoscope enterprise land management software as it assists Mining and Resource companies in complying with their regulatory reporting obligations. The acquisition is expected to bring synergies from the combination and the value of the workforce of K2fly and K2F RCubed.

Details of the business combination are as follows:

	2019 $
Consideration	
Cash (a)	450,000
	450,000

	$
Assets Acquired	
Intellectual property rights – Sentinel and RCubed	431,200
Tangible fixed assets	18,800
Customer contracts – at cost	-
Deferred tax asset	-
	450,000
Less: Trade and other payables	-
	450,000
Goodwill	**-**
Net cash outflow arising on acquisition	
Cash paid	450,000
Less net cash acquired	-
Net cash outflow	**450,000**

(a) Consideration payment of $450,000 includes the short term loan repayment of $100,000 to Mr Brian Miller.

Contingent liabilities

In accordance with the terms of the Agreement, and subject to the retainment and performance of key operational employees (Key Executives) remaining employed by the Company and specified revenue metrics from sales of RCubed software being met, the Key Executives shall have the facility to share in certain incentive payments linked to the achievement of performance milestones. Refer note 17 for details.

Identifiable net assets

The fair values of the identifiable intangible assets have been determined at 31 May 2019. The fair value of tangible fixed assets acquired as part of the business combination amounted to $18,800. The value of intangible assets amounted to $431,200 as outlined in the intangible assets note (refer note 13).

DIRECTORS' DECLARATION

In the opinion of the Directors of K2fly Limited (the 'Company'):

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

i. giving a true and fair view of the Group's financial position as at 30 June 2020 and of its performance for the year then ended; and

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

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.

This declaration has been made after receiving the declarations required to be made to the Directors in accordance with Section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2020.

This declaration is signed in accordance with a resolution of the board of Directors.

Brian Miller	Jenny Cutri
Executive Director / CEO	Non-Executive Chair
Perth, 28 August 2020	Perth, 28 August 2020

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INDEPENDENT AUDITOR'S REPORT
To the members of K2Fly Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of K2Fly Limited ("the Company") and its controlled entities ("the Group"), which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of K2Fly Limited is in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the Group's financial position as at 30 June 2020 and of its financial performance for the year then ended; and

b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* ("the Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

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Key Audit Matter	How our audit addressed the key audit matter
Going concern Note 1(b) of the financial report	
The Group recorded a consolidated loss of $3,330,986 and had cash outflows from operating and investing activities of $520,399 and $175,897 respectively. As at 30 June 2020 the Group had cash and cash equivalents of $2,919,788. If the going concern basis of preparation of the financial statements was inappropriate, the carrying amount of certain assets and liabilities may have significantly differed. In addition, management and the auditor must consider whether a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Disclosure is required in the financial report should significant doubt exist. Due to the significant judgement involved with forecasting cash flows, this is considered a key audit matter.	Our audit procedures included but were not limited to: • We considered the appropriateness of the going concern basis of accounting by evaluating the underlying assumptions in cash flow projections prepared by the Group including sensitivity analysis; • We obtained representations from management surrounding key revenue growth assumptions within the forecast; • We have considered the likelihood of outstanding options at year end being exercised and the ability of the Group to raise funds if required; and • We examined the adequacy of disclosures made in the financial report.
Recoverable amount of goodwill Note 14 of the financial report	
The carrying amount of goodwill of $731,543, recognised on acquisition of Infoscope Pty Ltd, is required to be tested for impairment annually in accordance with AASB 138 *Intangible Assets* and AASB 136 *Impairment of Assets*. It is due to size, complexity and judgement involved that this is considered a key audit matter.	Our audit procedures included but were not limited to: • We assessed the appropriateness of the allocated cash generating units; • We assessed the appropriateness of the methodology in the value in use model and the basis for key assumptions; • We assessed the value in use model for consistency with the requirements of Australian Accounting Standards; • We performed sensitivity analyses around the key inputs used in the cash flow forecasts and the headroom impact on the value in use model; • We reviewed the mathematical accuracy of the model; • We compared the discounted cash flow value to the carrying amount of assets comprising the cash-generating unit; • We considered whether the assets comprising the cash-generating unit had been correctly allocated; • We assessed the reasonableness of forecast cash flows; • We considered the appropriateness of the discount rate used; and • We assessed the adequacy of the disclosures made in the financial report.

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Information other than the financial report and auditor's report thereon

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2020, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

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

In preparing the financial report, the directors are responsible for assessing the ability of the Company and the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

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-
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's or Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company or the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included within the directors' report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of K2Fly Limited for the year ended 30 June 2020 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

D I Buckley
Partner

Perth, Western Australia
28 August 2020

HOLDINGS AS AT 25 AUGUST 2020

ORDINARY SHARES

Number of securities held	Fully paid ordinary shares	Number of holders	% of total issued capital
1 to 1,000	6,913	92	0.01%
1,001 to 5,000	635,909	292	0.69%
5,001 to 10,000	704,875	87	0.76%
10,001 to 100,000	12,983,547	332	14.05%
100,001 and over	78,063,963	134	84.49%
Total	**92,395,204**	**937**	**100.00%**

ASX escrowed shares	**Nil**	
Number of holders of less than a marketable parcel	**219**	**0.16%**
Percentage of the 20 largest holders		**54.83%**

TOP 20 SHAREHOLDERS

Rank	Name	Units	% of Units
1	**GROUP # 1166450**	**9,368,934**	**10.14**
.	MR PAUL JOSEPH COZZI	300,000	0.32
.	MR PAUL JOSEPH COZZI	1,068,934	1.16
.	MR PAUL COZZI	8,000,000	8.66
2	**GROUP # 1166440**	**5,723,057**	**6.19**
.	MRS NARELLE FAY	896,000	0.97
.	MRS NARELLE FAY	4,827,057	5.22
3	**GROUP # 1205157**	**5,644,581**	**6.11**
.	MRS REBECCA POPE	921,967	1
.	DR RAOUL POPE	4,722,614	5.11
4	KALGOORLIE MINE MANAGEMENT PTY LTD	3,500,000	3.79
5	MR NICHOLAS JOHN AXAM	3,272,200	3.54
6	**GROUP # 11856**	**2,756,162**	**2.98**
.	MR BRIAN PETER MILLER	23,000	0.02
.	DR ROSLYN JANE CARBON	155,921	0.17
.	MR BRIAN PETER MILLER	753,154	0.82
.	MR BRIAN PETER MILLER	1,824,087	1.97
7	**GROUP # 1408144**	**2,613,478**	**2.83**
.	KYRIACO BARBER PTY LTD	175,000	0.19
.	KYRIACO BARBER PTY LTD	1,186,330	1.28
.	KYRIACO BARBER PTY LTD	1,252,148	1.36
8	SWB HOLDINGS PTY LTD	1,987,616	2.15
9	**GROUP # 1166451**	**1,983,989**	**2.15**
.	INSYNC EQUITY SERVICES PTY LTD	93,323	0.1
.	INSYNC EQUITY SERVICES PTY LTD	131,896	0.14
.	ANNA CARINA PTY LTD <ANNA CARINA FAMILY A/C>	400,000	0.43
.	MRS ANNA HART + MR PAUL HART <HART FAMILY SUPER FUND A/C>	1,358,770	1.47
10	**GROUP # 1321161**	**1,800,000**	**1.95**

Rank	Name	Units	% of Units
.	MRS MARGARET JANE LINDEMANN + MR LUKE CHARLES LINDEMANN <LINDEMANN SUPER FUND A/C>	1,800,000	1.95
11	CANARY CAPITAL PTY LTD	1,587,920	1.72
12	MR PAUL JAMES MADDEN	1,401,665	1.52
13	**GROUP # 1176150**	**1,393,943**	**1.51**
.	B2B HOLDINGS PTY LIMITED	120,000	0.13
.	GREGORY J WOOD & ASSOCIATES PTY LTD	141,900	0.15
.	GREGORY J WOOD & ASSOCIATES PTY LTD <THE G J WOOD FAMILY A/C>	475,560	0.51
.	K S CAPITAL PTY LIMITED	656,483	0.71
14	INTERNATZIONALE CONSULTING PTY LTD	1,197,760	1.3
15	**GROUP # 29957**	**1,197,585**	**1.3**
.	CITICORP NOMINEES PTY LIMITED	1,197,585	1.3
16	**GROUP # 36516**	**1,140,141**	**1.23**
.	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	1,140,141	1.23
17	MR TREVOR KJELL GIACOMETTI <LINLONG INVESTMENT A/C>	1,100,000	1.19
18	**GROUP # 1205152**	**1,039,000**	**1.12**
.	MR EAMONN THOMAS ROLES + MRS OONAGH MARY ROLES <ROLES FAMILY S/F A/C>	347,500	0.38
.	MR EAMONN ROLES + MRS OONAGH ROLES <ROLES FAMILY SUPER FUND A/C>	691,500	0.75
19	PARKYN PTY LTD <SHELLES SUPERANNUATION A/C>	1,000,000	1.08
20	MR ANDREW WILLIAM BLACKMAN	950,000	1.03
Totals: Top 20 holders of K2F ORDINARY FULLY PAID		**50,658,031**	**54.83**

Substantial Shareholders

The Group has been notified of the following substantial shareholdings:	**Number**	**%**
MR PAUL COZZI	6,679,261	10.01%
MRS NARELLE FAY	5,228,895	6.30%

Voting Rights

The Constitution of the Group makes the following provision for voting at general meetings:

On a show of hands, every ordinary shareholder present in person, or by proxy, attorney or representative has one vote. On a poll, every shareholder present in person, or by proxy, attorney or representative has one vote for any share held by the shareholder.

Unlisted Securities

At 25 August 2020 the Company has on issue 7,072,719 unlisted options over ordinary shares and 660,000 performance rights.

The names of security holders holding more than 20% of an unlisted class of security are listed below.

Holder	Performance Rights (Class 2)	Performance Rights (Class 3)	Performance Rights (Class 4)	Performance Rights (Class 7)	Performance Rights (Class 8)	Performance Rights (Class 9)
Rachael D'Anna	66,250	66,250	66,250	66,250	66,250	66,250
Talos Mining Pty Ltd <Talos Mining A/C>	43,750	43,750	43,750	43,750	43,750	43,750
Holders individually less than 20%	-	-	-	-	-	-
Total	**110,000**	**110,000**	**110,000**	**110,000**	**110,000**	**110,000**

Holder	Unlisted Options $0.25 17/11/20	Unlisted Options $0.25 1/12/20	Unlisted Options $0.243 26/11/22	Unlisted Options $0.00 25/11/21	Unlisted Options $0.291 25/11/23	Unlisted Options $0.35 11/10/22	Unlisted Options $0.30 12/06/23	Unlisted Options $0.00 26/11/20 (EIOP)	Unlisted Options $0.243 26/11/22 (EIOP)	Unlisted Options $0.00 25/11/21 (EIOP)	Unlisted Options $0.291 25/11/23 (EIOP)
Dr Roslyn Jane Carbon	-	-	639,019	367,920	683,280	-	-	-	-	-	-
Robert William Pradera	-	-	-	-	-	-	-	-	284,944	-	-
Jessica Eve Pradera	-	-	-	-	-	-	-	-	-	166,440	332,880
Neil David Young & Lucrezia Maria Young ATF the Zenith Trust <The Zenith A/C>	-	-	-	-	-	-	-	-	268,662	144,540	289,080
Navin Nirmalrajan & Aparna Navin ATF Elohim Family Trust <Elohim Family Trust>	-	-	-	-	-	-	-	-	276,803	148,920	297,840
Livvy Pty Ltd <Pollock Family Trust>	-	-	-	-	-	-	-	122,510	447,770	289,080	481,800
Kalgoorlie Mine Management Pty Ltd	-	800,000	-	-	-	-	-	-	-	-	-
Canary Capital Pty Ltd	-	-	-	-	-	750,000	-	-	-	-	-
Holders individually less than 20%	1,920,000	-	-	-	-	-	1,912,500	-	-	-	-
Total	**1,920,000**	**800,000**	**639,019**	**367,920**	**683,280**	**750,000**	**1,912,500**	**122,510**	**1,278,179**	**748,980**	**1,401,600**