
**POWER RESOURCES LIMITED
(TO BE RENAMED “K2FLY LIMITED”)
ACN 125 345 502**

NOTICE OF GENERAL MEETING

TIME: 11 am (WST)

DATE: 22 August 2016

PLACE: Steinepreis Paganin
Level 4
The Read Building
16 Milligan Street
Perth WA 6000

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

Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary on +61 8 9481 7833.

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IMPORTANT INFORMATION

Time and place of Meeting

Notice is given that the Meeting will be held at 11 am WST on 22 August 2016 at:

Steinepreis Paganin
Level 4
The Read Building
16 Milligan Street
Perth WA 6000

Your vote is important

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

Voting eligibility

The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Meeting are those who are registered Shareholders at 5:00pm (WST) on 19 August 2016.

Voting in person

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

Voting by proxy

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

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

- each Shareholder has a right to appoint a proxy;

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

Shareholders and their proxies should be aware that changes to the Corporations Act made in 2011 mean that:

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

Further details on these changes are set out below.

Proxy vote if appointment specifies way to vote

Section 250BB(1) of the Corporations Act provides that an appointment of a proxy may specify the way the proxy is to vote on a particular resolution and, **if it does:**

- the proxy need not vote on a show of hands, but if the proxy does so, the proxy must vote that way (ie as directed); and
- if the proxy has 2 or more appointments that specify different ways to vote on the resolution, the proxy must not vote on a show of hands; and
- if the proxy is the chair of the meeting at which the resolution is voted on, the proxy must vote on a poll, and must vote that way (ie as directed); and
- if the proxy is not the chair, the proxy need not vote on the poll, but if the proxy does so, the proxy must vote that way (ie as directed).

Transfer of non-chair proxy to chair in certain circumstances

Section 250BC of the Corporations Act provides that, if:

- an appointment of a proxy specifies the way the proxy is to vote on a particular resolution at a meeting of the Company's members; and
- the appointed proxy is not the chair of the meeting; and
- at the meeting, a poll is duly demanded on the resolution; and
- either of the following applies:
 - the proxy is not recorded as attending the meeting; or
 - the proxy does not vote on the resolution,

the chair of the meeting is taken, before voting on the resolution closes, to have been appointed as the proxy for the purposes of voting on the resolution at the meeting.

BUSINESS OF THE MEETING

AGENDA

1. RESOLUTION 1 – CHANGE TO NATURE AND SCALE OF ACTIVITIES

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

"That, subject to and conditional on the passing of all Essential Resolutions, for the purpose of ASX Listing Rule 11.1.2 and for all other purposes, approval is given for the Company to complete the Acquisition as described in the Explanatory Statement and to consequently make a significant change to the nature and scale of its activities."

Short Explanation: If successful, the Acquisition will result in the Company changing the nature and scale of its activities. ASX Listing Rule 11.1.2 requires the Company to seek Shareholder approval where it proposes to make a significant change to the nature and scale of its activities. ASX has also advised the Company that it will be required to re-comply with the requirements of Chapters 1 and 2 of the ASX Listing Rules in accordance with ASX Listing Rule 11.1.3. Please refer to the Explanatory Statement for details.

Voting Exclusion: The Company will disregard any votes cast on this Resolution by any person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the resolution is passed. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

2. RESOLUTION 2 – CONSOLIDATION OF CAPITAL

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

"That, subject to and conditional on the passing of all Essential Resolutions, pursuant to section 254H of the Corporations Act and for all other purposes, the issued capital of the Company be consolidated on the basis that every 9.4 Shares be consolidated into 1 Share and, where this Consolidation results in a fraction of a Share being held, the Company be authorised to round that fraction up to the nearest whole Share."

Short Explanation: The Company must consolidate its capital in order to satisfy Chapters 1 and 2 of the ASX Listing Rules and as a condition of the Company's securities recommencing trading on the ASX following completion of the Acquisition.

3. RESOLUTION 3 – ISSUE OF CONSIDERATION SHARES TO K2FLY NL

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

“That, subject to and conditional on the passing of all Essential Resolutions, for the purposes of section 611 (item 7) of the Corporations Act and for all other purposes, approval is given for:

- (a) the Company to issue up to 16,000,000 Shares (on a post-Consolidation basis) to K2fly (or its nominees); and*
- (d) the acquisition of a relevant interest in the issued voting shares of the Company by K2fly which is otherwise prohibited by section 606(1) of the Corporations Act (**Voting Acquisition**),*

on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: No votes may be cast in favour of this Resolution by:

- (a) the person proposing to make the acquisition and their associates; or
- (b) the persons (if any) from whom the acquisition is to be made and their associates.

Accordingly, the Company will disregard any votes cast on this Resolution by K2fly and any of their associates.

Short Explanation: The Company entered into a sale of asset agreement with K2fly on 11 May 2016 (**Asset Sale Agreement**) and an amended and restated sale of asset agreement dated 14 June 2016 (**Amended and Restated Asset Sale Agreement**), pursuant to which the Company agrees to acquire K2fly's right, title and interest in the Assets in exchange for the Consideration Shares (**Acquisition**). As a result of the issue of the Consideration Shares pursuant to the Asset Sale Agreement K2fly will hold approximately 36.19% of the voting rights attaching to Shares in the Company, on a post-Consolidation basis. The Company seeks shareholder approval for the issue of the Consideration Shares to K2fly (or its nominees) as set out in this Resolution.

Expert's Report: Shareholders should carefully consider the Independent Expert's Report prepared for the purpose of the Shareholder approval required under section 611 (Item 7) of the Corporations Act. The Independent Expert's Report comments on the fairness and reasonableness of the transactions the subject of this Resolution to the non-associated Shareholders in the Company. The Independent Expert has determined the ultimate issue of the relevant number of Shares and the resulting Voting Acquisition is **fair and reasonable** to the non-associated Shareholders.

4. RESOLUTION 4 – ISSUE OF SHARES TO CONVERTIBLE NOTE HOLDERS

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

“That, subject to and conditional on the passing of all Essential Resolutions, for the purposes of ASX Listing Rule 7.1 and for all other purposes, Shareholders approve the conversion right of Convertible Notes issued to Noteholders which will result in the issue of up to 937,500 Shares (on a post-Consolidation basis) on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by any person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

5. RESOLUTION 5 – ISSUE OF SHARES TO K2 TECHNOLOGY PTY LTD

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

“That, subject to and conditional on the passing of all Essential Resolutions, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue up to 1,500,000 Shares (on a post-Consolidation basis) to K2 Technology Pty Ltd (or its nominees) on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by any person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

6. RESOLUTION 6 – ISSUE OF SHARES TO KALGOORLIE MINE MANAGEMENT PTY LTD

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

“That, subject to and conditional on the passing of all Essential Resolutions, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue up to 4,500,000 Shares (on a post-Consolidation basis) to Kalgoorlie Mine Management Pty Ltd (or its nominees) on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by any person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

7. RESOLUTION 7 – ISSUE OF SHARES TO CORPORATE ADVISOR AND LEAD MANAGER

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

“That, subject to and conditional on the passing of all Essential Resolutions, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue up to 1,250,000 Shares (on a post-Consolidation basis) between the corporate advisor of K2fly and the lead manager of the Capital Raising on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by any person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

8. RESOLUTION 8 – CAPITAL RAISING

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

“That, subject to and conditional on the passing of all Essential Resolutions, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue up to 25,000,000 Shares at \$0.20 per Share (on a post-Consolidation basis) on the terms and conditions set out in the Explanatory Statement accompanying this Notice.”

Short Explanation: The Company must issue a Prospectus in order to satisfy the requirements of Chapters 1 and 2 of the ASX Listing Rules and as a condition of the Company's securities recommencing trading on the ASX following the Acquisition. Please refer to the Explanatory Statement for details.

Voting Exclusion: The Company will disregard any votes cast on this Resolution by any person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

9. RESOLUTION 9 – ISSUE OF BROKER OPTIONS

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

“That, subject to and conditional on the passing of all Essential Resolutions, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue up to 1,650,000 Broker Options (on a post-Consolidation basis) to the lead manager (or its nominee) on the terms and conditions set out in the Explanatory Statement accompanying this Notice.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by any person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

10. RESOLUTION 10 – ISSUE OF BROKER OPTIONS TO K S CAPITAL PTY LTD

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

“That, subject to and conditional on the passing of all Essential Resolutions, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue up to 350,000 Broker Options (on a post-Consolidation basis) to K S Capital Pty Ltd (or its nominees) on the terms and conditions set out in the Explanatory Statement accompanying this Notice.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by any person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

11. RESOLUTION 11 – ELECTION OF DIRECTOR – BRIAN MILLER

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

“That, subject to and conditional on the passing of all Essential Resolutions, for the purpose of clause 14.4 of the Constitution and for all other purposes, Mr Brian Miller who, being eligible and having consented to act, be elected as a director of the Company on and from Settlement.”

12. RESOLUTION 12 – ELECTION OF DIRECTOR – GINO D’ANNA

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

“That, subject to and conditional on the passing of all Essential Resolutions, for the purpose of clause 14.4 of the Constitution and for all other purposes, Mr Gino D’Anna who, being eligible and having consented to act, be elected as a director of the Company on and from Settlement.”

13. RESOLUTION 13 – ELECTION OF DIRECTOR – RUSSELL MORAN

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

“That, subject to and conditional on the passing of all Essential Resolutions, for the purpose of clause 14.4 of the Constitution and for all other purposes, Mr Russell Moran who, being eligible and having consented to act, be elected as a director of the Company on and from Settlement.”

14. RESOLUTION 14 – ELECTION OF DIRECTOR – NOEL BONNICK

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

“That, subject to and conditional on the passing of all Essential Resolutions, for the purpose of clause 14.4 of the Constitution and for all other purposes, Mr Noel Bonnick who, being eligible and having consented to act, be elected as a director of the Company on and from Settlement.”

15. RESOLUTION 15 – CHANGE OF COMPANY NAME

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

“That for the purposes of section 157(1)(a) of the Corporations Act and for all other purposes, approval is given for the name of the Company to be changed to “K2fly Limited” with effect from Settlement.”

Dated: 18 July 2016

By order of the Board

**Norman Grafton
Company Secretary
Power Resources Limited**

EXPLANATORY STATEMENT

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

Resolutions 1 to 14 (inclusive) are **Essential Resolutions**, as such the Essential Resolutions must be passed for the Acquisition to proceed. If any one of the Essential Resolutions are not approved at the Meeting, none of them will take effect and the Agreement and other matters contemplated by those Resolutions will not be completed.

1. BACKGROUND TO THE PROPOSED ACQUISITION OF THE ASSETS

1.1 Background on the Company

The Company is a public company listed on the official list of ASX with its principal focus being the exploration of the Company's Western Australian mineral projects comprising the Linden (Good Hope) project and Pelt Well Project, prospective for gold and other economic resources.

The Company was incorporated on 18 May 2007 and was admitted to the official list of the ASX on 15 February 2008.

In addition to its principal business activities, the Company has been actively seeking to identify and evaluate new opportunities in industries that may increase Shareholder value.

1.2 Background on the Acquisition

On 16 May 2016, the Company announced that it had entered into a sale of asset agreement (**Asset Sale Agreement**) with K2fly NL (ACN 163 818 059) (**K2fly**). On 16 June 2016 the Company announced that it had entered into an amended and restated sale of asset agreement (**Amended and Restated Asset Sale Agreement**) which replaces the Asset Sale Agreement and sets out the terms on which the Company agrees to acquire, and K2fly agrees to sell all of its right, title and interest in the assets listed Schedule 1 (**Assets**), which form the core business operations of K2fly (the **Acquisition**).

Completion of the Acquisition is conditional upon, among other things, Shareholders approving the Essential Resolutions including a change to the nature and scale of the Company's activities resulting from the Acquisition. A summary of the key terms and conditions of the Amended and Restated Asset Sale Agreement is set out in Section 1.5.

Each Essential Resolution is conditional upon the approval by Shareholders of all Essential Resolutions. If any of the Essential Resolutions are not approved by Shareholders, all of the Essential Resolutions will fail and Settlement will not occur. A summary of the Resolutions is as follows:

- (a) As the Company is currently a mineral exploration company, the Acquisition, if successfully completed, will represent a significant change in the nature or scale of the Company's operations to a Software-as-a-Service technology company, for which Shareholder approval is required under ASX Listing Rule 11.1.2 (Resolution 1).
- (b) Consolidation of the Company's issued capital on the basis that every 9.4 Shares be consolidated into 1 Share (Resolution 2).

- (c) The issue to K2fly (or its nominees) up to 16,000,000 Shares in consideration for the acquisition of Assets in accordance with the Amended and Restated Asset Sale Agreement (Resolution 3).
- (d) The issue to Noteholders of up to 937,500 Shares upon conversion of the Convertible Notes issued by K2fly to raise an additional \$150,000 in accordance with the Convertible Note Deeds (Resolution 4).
- (e) The issue to K2 Technology (or its nominees) up to 1,500,000 Shares in part consideration for the sale of the Assets in accordance with the Amended and Restated Asset Sale Agreement (Resolution 5).
- (f) The issue to KMM (or its nominees) up to 4,500,000 Shares in consideration for historical and future services provided by KMM to K2fly in accordance with the Amended and Restated Asset Sale Agreement (Resolution 6).
- (g) The issue to the corporate advisor of K2fly and the lead manager of the Capital Raising of up to 1,250,000 Shares in consideration for lead manager and corporate advisory services provided with respect to the Acquisition in accordance with the Amended and Restated Asset Sale Agreement (Resolution 7).
- (h) As noted above, the Company will need to re-comply with Chapters 1 and 2 of the ASX Listing Rules and, to achieve this, must successfully undertake a capital raising by issuing not less than 15,000,000 Shares at \$0.20 per Share to raise at least \$3,000,000 (**Minimum Subscription**) and up to 25,000,000 Shares at \$0.20 per Share to raise up to \$5,000,000 (**Maximum Subscription**) via a prospectus (**Capital Raising**) (Resolution 8).
- (i) The issue to brokers (or their nominees) of up to 1,650,000 Broker Options in consideration for providing fund raising assistance and the issue to K S Capital Pty Ltd (or its nominees) of up to 350,000 Broker Options in accordance with the Amended and Restated Asset Sale Agreement (Resolutions 9 and 10).
- (j) As nominated by an existing Shareholder and pursuant to the Amended and Restated Asset Sale Agreement, the appointment of 4 Proposed Directors to the Board, being Messrs Brian Miller, Gino D'Anna, Russell Moran and Noel Bonnick (Resolutions 11 to 14).
- (k) The change of the Company's name to "K2fly Limited" with effect from Settlement (Resolution 15).

1.3 Directors' recommendation and voting intention

All of the Directors are of the opinion that the Acquisition is in the best interests of Shareholders and, accordingly, the Directors unanimously recommend that Shareholders vote in favour of the Essential Resolutions. The Directors' recommendations are based on the reasons outlined in Section 1.15.

Each of the Directors intends to vote all of their Shares in favour of each of the Resolutions in which they are entitled to vote.

1.4 Overview of the K2fly Assets

(a) **K2fly: Leading Technology for Asset Management**

Developed and refined specifically for asset intensive industries over a 12-year period, K2fly's technology delivers comprehensive infrastructure asset management through industry-specific software and services.

K2fly's technology allows asset management personnel to access a centralised system to manage and maintain all their asset data to enable more efficient and effective outcomes. K2fly's technology has a strong track record of empowering organisations to make better long-term decisions, through proprietary algorithms and degradation profiles which assist in forecasting future operational and maintenance needs.

Introducing K2fly's technology into industry-specific organisations allows asset management personnel across all levels of organisations to make better informed decisions, effectively and efficiently.

The scalable and modular nature of K2fly's technology means that target markets include the broader population of SMEs, multi-nationals and corporate conglomerates.

K2fly owns the following proprietary asset management and asset maintenance technologies for use in vertically-integrated asset intensive industries

ADAM Asset Data Analysis Management

DocMan Mobility Solutions: Task Management App

TagMan Mobility Solutions: Asset Verification App

HandoverNotes Mobility Solutions: Electronic Information Sharing App

PropertyInspector Mobility Solutions: Asset Inspection App

K2fly technologies have been used to deliver operational and maintenance efficiencies to blue chip clients across Australia and South-East Asia with clients including **BHP Billiton, Woodside, Leighton, Origin, Bega, Port Authority of New South Wales, Visy, Apache and Petronas.**

It should be noted that K2fly has not derived any historical revenue from sales of its asset management technology. The use of the technology by those previous clients has been invoiced through K2 Technology Pty Ltd under engineering and consulting support contracts and work packages. This has been on the basis of the technology being implicitly included in the day rate of the personnel responsible for the respective work package rather than an individually accounted for cost item.

K2fly is seeking to deploy its asset management and asset maintenance technology within vertical market segments and industries with the dominant position to grow market share, taking advantage of the growing need for asset management and asset maintenance technology outside of the natural resources industry.

These industries include Pharmaceuticals, Hospitality and Tourism, Healthcare, Defence, Telecommunications, Public and Private Utilities, Maintenance and Service Contract Industry, Aviation Industry, Energy Sector and Food Manufacturing.

(b) **K2fly: First European Partnering Agreement**

K2fly recently executed its first major international Partnering Agreement for the sale of its asset management and maintenance technology across Europe, including the United Kingdom. The Partnering Agreement provides K2fly with the ability to rapidly grow revenue from a deep base of European markets with large scale clients across the utilities, infrastructure, transport, aviation and defence industries, with minimal operational and capital cost. This Partnering Agreement together with all existing client contracts with K2fly will be assigned to the Company upon Settlement.

The major distribution partner (**Distributor**) is a FTSE-100 company and has worked in the infrastructure and energy industries since 1990, leading the adoption of Enterprise Asset Management software in asset intensive industries.

The Distributor has been servicing major organisations in the infrastructure and energy industries for over 25 years with clients including Thames Water, United Utilities, Western Power, National Grid, Centrica, London Underground Limited, Network Rail and The National Health Service.

Trusted partners of the Distributor include global leaders in the Enterprise Asset Management sector including an NYSE listed Fortune 500 company ranked in the top 25. The Distributor has in excess of 1,000 business development executives operating across Europe with direct relationships with some of the world's largest multinational organisations operating in asset intensive industries.

The Partnering Agreement also allows K2fly access to proprietary technology developed by the Distributor which can then be implemented across new and existing clients retained by K2fly.

(c) **K2fly: Targeting Additional Value-Add Partnering Agreements**

As part of the software distribution strategy being developed by K2fly, the company is also targeting the execution of additional value-add partnering agreements aimed at servicing different industry sectors and focused on mobility solutions.

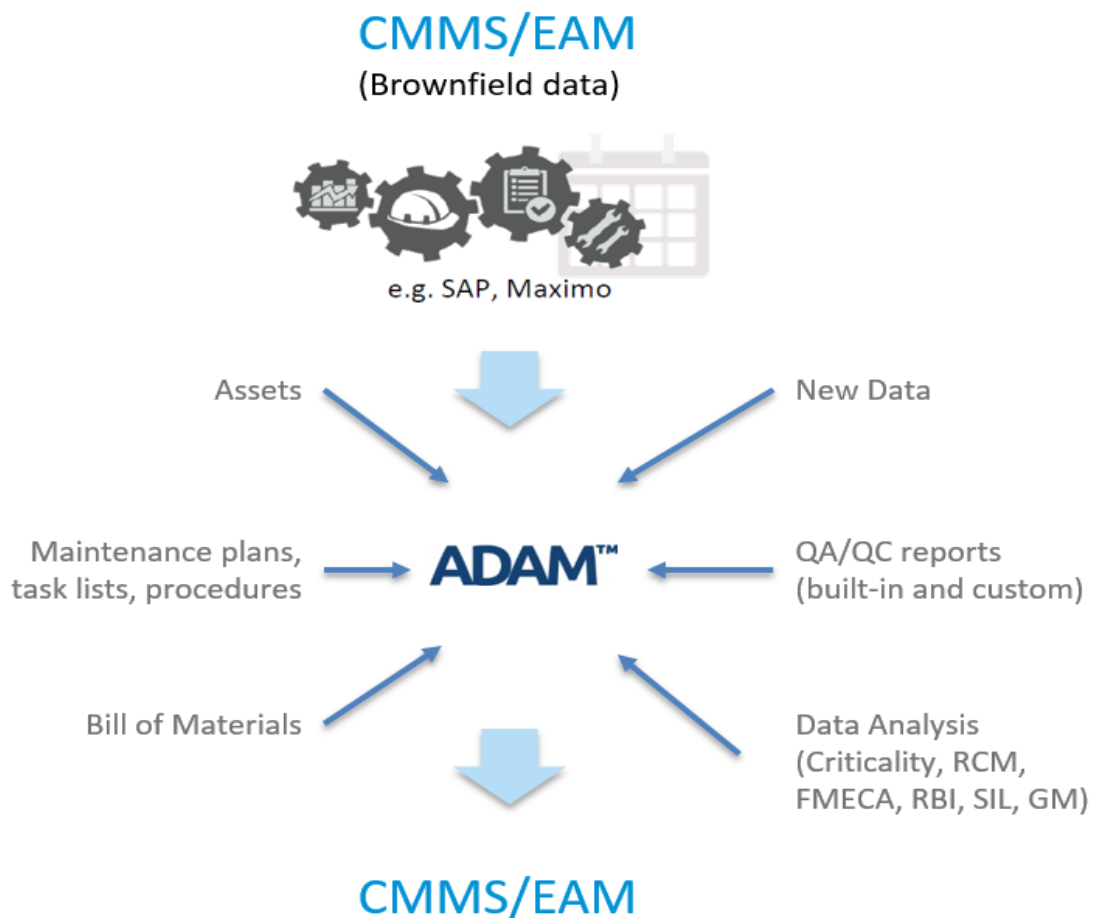
Targeted partners include a major mobility and app solutions developer and re-seller operating across Australia and the United States of America, as well as a risk management software developer for the asset management sector operating across Ireland and a mobility solutions and app software developer operating across the Asia-Pacific region, including Indonesia, Singapore and Vietnam.

Each of these targeted partners has access to a significant network of clients operating in asset intensive sectors, where the need for robust Enterprise Asset Management software has been recognised. The execution of these additional partnering agreements will provide K2fly with the critical mass required to build its brand profile across the globe.

A brief overview of the technology applications is provided below:

ADAM – Asset Data Analysis Management

ADAM, also known as Asset Data Analysis Management, is a single-source integrated technology for the development and optimisation of asset management information, including data capture, maintenance analysis and build, spares identification, which is configurable for upload to any asset management system. ADAM has been developed as a software agnostic platform, meaning that it can interface with any existing CMMS platform being used by the clients including SAP, Oracle, JD Edwards or Maximo. The technology incorporates a web-enabled client-server system that can be run autonomously allowing clients to capture, manipulate and prepare asset, spares and maintenance information from anywhere in the world.



TagMan – Mobility Solutions: Asset Verification App

This Asset Verification app allows users to capture and record data against a hierarchical asset structure, make notes linking multiple photos, scan and verify information, and log GPS co-ordinates. TagMan allows searching, data capture, asset reading and storing of multiple photos of equipment against the specific tag.

TagMan can be used in highly restrictive environments and is fully Bluetooth integrated. TagMan can also be configured as an interface with any CMMS platform and can be used to verify and add data, view schematics, mark-up and photograph assets. TagMan features resilient connectivity for uninterrupted availability – online, offline and occasionally connected.



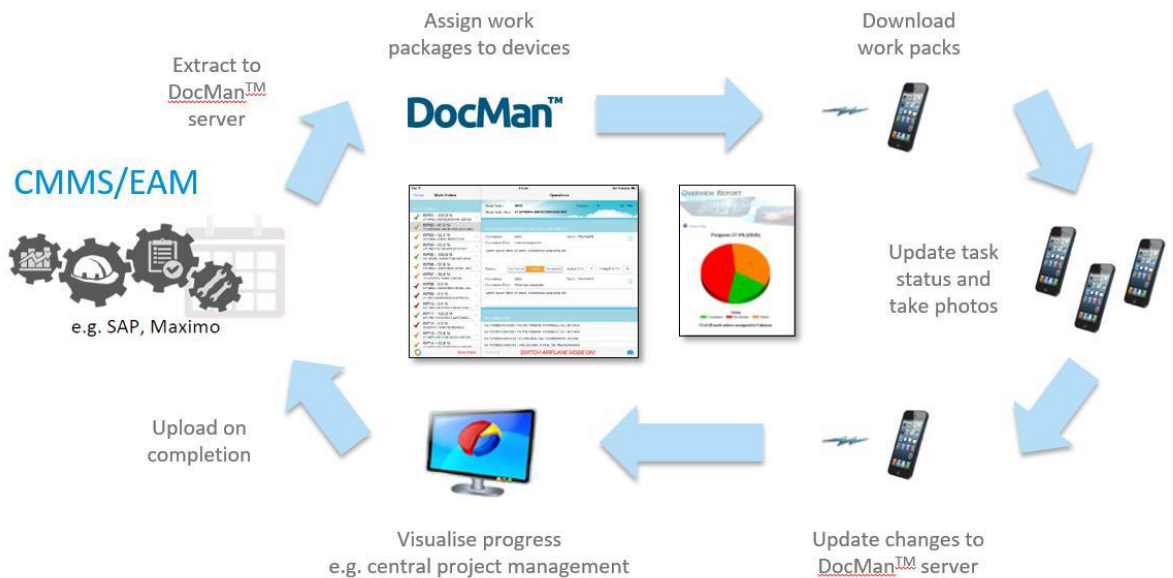
DocMan – Mobility Solutions: Task Management App

This Task Management app allows users to electronically receive assigned tasks, capture notes and link multiple photos, with progress remotely monitored via a cloud supported web interface. DocMan uses agile tablet technology to provide a safe and efficient solution for the management of documents and work-order based activities.

Using WiFi capability, work packs can be assigned and instantly downloaded, delivering significant time and logistical efficiencies. Progress against assigned activities, along with additional data and

photos, can quickly and effectively be relayed back to management or a centralised project function.

In areas where internet is not available, pre-loaded work orders can be processed efficiently, to be immediately transmitted upon return to a WiFi zone. New work orders can then also be received, increasing team productivity.



HandoverNotes – Mobility Solutions: Electronic Information Sharing App

The HandoverNotes app allows team members to capture electronic notes with photos during shifts and as incidents occur, as well as email specific records to other colleagues improving field communications. HandoverNotes aims to simplify the workplace handover process and promotes workplace communication and streamlines information sharing.

An intuitive interface allows users to easily record information as situations occur and then pass on notes along with supporting photographs electronically. This also facilitates the instantaneous communication with management and stakeholder reporting, streamlining the OH&S function and ensuring that incidents and actions in the workplace are captured adequately and dealt with expeditiously.

PropertyInspector – Mobility Solutions: Asset Inspection App

PropertyInspector is a mobile asset inspection solution, which simplifies routine inspection tasks and is highly marketable to any industry undertaking routine inspections (i.e. hire cars, health and safety audits, etc.).

The software is a resident mobile application with web portal, and can facilitate a user customisable interface to input assessment data and generate reports. PropertyInspector offers resilient connectivity for uninterrupted availability – online, offline and occasionally connected and offers a rapid and low risk deployment which is easily configurable to customer requirements.

(d) **The Enterprise Asset Management Market**

Enterprise Asset Management (**EAM**) is designed to facilitate the ease in management of assets for enterprises across various services, business units, departments, and geographical locations. Enterprise asset management solutions are designed to help organisations to manage assets and organise their maintenance schedule.

This empowers the organisation to improve capital asset management to increase reliability, enhance condition-based maintenance, support asset sustainability and maximise return on assets. These solutions have applications in a wide variety of asset-intensive industries, such as power industry, oil & gas, manufacturing, transportation, healthcare, metal & mining, and many others.

Enterprise asset management, these days, comprises lifecycle management, maintenance scheduling, asset tracking, and locating and risk management which has come a long way from paper-based maintenance planning in its earlier days. Its accessibility using personal mobile devices has offered organisations to implement last minute changes virtually from anywhere.

The compatibility with major platforms and the provision of multi-tasking from a single interface makes enterprise asset management a major necessity for asset-intensive organisations.

Enterprise asset management solutions are an important part of asset-intensive industries as the solutions facilitate optimum utilisation of resources, improve efficiency, and maximise the return of asset. These factors are expected to drive the growth of the global enterprise asset management market in the coming years.

The EAM market size is expected to grow from \$2.9 billion in 2015 to \$4.7 billion by 2020, at a Compound Annual Growth Rate (CAGR) of 10.3%. (Source: Research and Markets)

The global market opportunity is expected to be \$140 billion by the year 2020 growing at a CAGR of 15% with the APAC region predicted to be the fastest growing at a CAGR of 21%. (Source: Deloitte; National Association of Software and Services Companies (Nasscom))

The major factors driving this market are the administration of aging infrastructure, improved return on assets and the ability to track assets. The high deployment cost of EAM software is one of the restraints for Small and Medium Enterprises (**SMEs**) along with lack of awareness among organisations about the deployment and usage.

Hence, cloud-based deployment solutions are likely to prove to be more beneficial and can seize this opportunity by providing simpler solutions to organisations. Integration of EAM and big data analytics is another opportunity for software vendors. EAM solutions mainly focus on maintenance operations and EAM software applications support the entire enterprise operations onto a single database, enabling the integration of different applications.

Some of the benefits that EAM solutions offer to organisations include higher asset productivity, reduced maintenance costs, and increased visibility of the operations and asset performance. In industries that

operate in intrinsically hazardous environments such as oil and gas and metal and mining, organisations have to rely on effective asset management systems that will help augment the value of assets.

(e) **Business Model**

The immediate objectives of the Company following Settlement are to:

- ❖ advance the commercialisation of the existing enterprise asset management and enterprise mobility solutions;
- ❖ assess further acquisitions that complement K2fly's existing technology portfolio;
- ❖ develop other technology platforms that will be value accretive to K2fly;
- ❖ exploit additional partnering agreements that will give K2fly a market presence in the Asia-Pacific region as well as North America;
- ❖ develop the ADAMLITE platform as a pure SaaS SME offering.

The longer term objectives of the Company following Settlement are to further develop and commercialise its technology platforms with a view to deploying the software worldwide and across multiple industry sectors. To do so, the Company will seek to align itself with international distributors of complementary technologies, such as Accenture, IBM and Motorola.

Revenue Generation

ADAM

K2fly will earn revenue from the ADAM software through multiple distribution channels, including client subscriptions and licensing of the software, as well as through the configuration of the software to suit the client requirements. Additional support hours and technology implementation costs will also generate additional revenue for the Company.

TagMan

K2fly will earn revenue from the TagMan software through multiple distribution channels, including client subscriptions and licensing of the software, as well as through the configuration of the software to suit the client requirements, through selling additional support hours and from the Rental of optimised hardware packages for difficult environments.

DocMan

K2fly will earn revenue from the DocMan software through multiple distribution channels, including client subscriptions and licensing of the software, as well as through the configuration of the software to suit the client requirements, through selling additional support hours and from the rental of optimised hardware packages for difficult environments.

HandoverNotes

K2fly will earn revenue from the HandoverNotes software through multiple distribution channels, including client subscriptions and licensing of the software, as well as through the configuration of the software to suit the client requirements, through selling additional support hours and from the Rental of optimised hardware packages for difficult environments.

PropertyInspector

K2fly will earn revenue from the PropertyInspector software through multiple distribution channels, including client subscriptions and licensing of the software, as well as through the configuration of the software to suit the client requirements, through selling additional support hours and from the rental of optimised hardware packages for difficult environments.

Product Development

K2fly is currently working on the deployment and commercialization of an SME version of an Enterprise Asset Management platform to be known as ADAMLITE. This software will have all the form and functionality of the broader, more detailed ADAM software, but will be configured to the SME market, where due to the prohibitive cost of deploying EAM software, very little penetration has taken place, presenting a significant opportunity for K2fly.

This software is currently in the 'Beta' stage of development, but will be commercialized over the next 3 – 6 months. ADAMLITE will operate through a centrally hosted cloud supported platform which will provide a simple and easily configurable solution for SME's across Australia and other target markets. ADAMLITE will be a pure SaaS offering and will be licensed on a subscription basis.

Vertical Industry Integration

The directors of K2fly (who are the Proposed Directors of the Company) are seeking to deploy the Enterprise Asset Management software and the Enterprise Mobility Solutions into a number of different market segments positioned to grow market share and take advantage of the growing need for asset management and maintenance outside of the natural resources industry.

These industries include the following:

- Pharmaceuticals
- Hospitality and Tourism
- Healthcare
- Defence
- Telecommunications
- Public and Private Utilities
- Maintenance and Service Contract Industry

- Aviation Industry
- Energy Sector
- Food and Manufacturing

1.5 Terms of the Amended and Restated Asset Sale Agreement

As set out in Section 1.2, the Company has entered into the Amended and Restated Asset Sale Agreement with K2fly (which supersedes the Asset Sale Agreement) pursuant to which K2fly has agreed to sell all of its right, title and interest in the Assets.

Set out below is a summary of the key terms of the Amended and Restated Asset Sale Agreement.

(a) Conditions Precedent

Settlement of the sale of the Assets (**Settlement**) is conditional on the satisfaction (or waiver) of the following conditions precedent (**Conditions**):

- (i) the Company receiving all necessary Shareholder approvals and all other regulatory approvals required by the ASX Listing Rules and Corporations Act or any other law, including ASX approvals required for Settlement and conditional approval to reinstate the Company's quoted securities to trading on the ASX following Settlement;
- (ii) completion of a consolidation of the capital of the Company on a 1 for 9.4 basis (**Consolidation**);
- (iii) the Company preparing a prospectus, lodging the prospectus with ASIC and raising a minimum of \$3,000,000 under the prospectus or such greater amount as required for the Company to meet the assets test admission criteria set out in the ASX Listing Rules (**Capital Raising**); and
- (iv) to the extent required by the ASX, the Company or the ASX Listing Rules the recipients of the Consideration Shares, K2 Technology Vendor Shares, KMM Shares, Advisor Shares and Broker Options and their controllers entering into restriction agreements in the form of Appendix 9A of the ASX Listing Rules.

If the conditions set out above are not satisfied (or waived by the relevant party) on or before 1 December 2016, or such later date as the Company and K2fly may agree, the Asset Sale Agreement may be terminated at any time prior to Settlement by notice given by one party to the other party.

(b) Consideration

Subject to satisfaction of the Conditions, in consideration for the Acquisition, at Settlement the Company will issue:

- (i) 16,000,000 Shares (on a post-Consolidation basis) to K2fly (**Consideration Shares**); and

- (ii) 1,500,000 Shares (on a post-Consolidation basis) to K2 Technology Pty Ltd (**K2 Technology Vendor Shares**).

(c) **Fees**

The Company will pay the following fees in relation to the Acquisition:

- (i) at Settlement, the Company will pay Kalgoorlie Mine Management Pty Ltd (**KMM**);

- (A) 4,500,000 Shares (on a post-Consolidation basis) (**KMM Shares**); and

- (B) \$250,000 (plus GST),

in consideration of historical and future services provided by KMM to K2fly (including without limitation, for assisting in the structuring and completion of the sale of the Assets);

- (ii) subject to Settlement occurring, the Company will pay KMM a further fee of \$300,000 (plus GST) payable in equal instalments of \$12,500 (plus GST) per month over the 24 months following Settlement;

- (iii) subject to Settlement occurring, the Company will pay all outstanding loan amounts owing to KMM, estimated to be \$65,000;

- (iv) at Settlement, the Company will issue 500,000 Shares (on a post-Consolidation basis) to the corporate advisor of K2fly and 500,000 Shares (on a post-Consolidation basis) to the lead manager in consideration for lead manager and advisory services provided to K2fly. The Company will also issue a further 250,000 Shares (on a post-Consolidation basis) to unrelated parties of the Company for providing assistance in connection with the Capital Raising. (**Advisor Shares**); and

- (v) at Settlement, the Company will issue 350,000 Broker Options to K S Capital Pty Ltd and such other Broker Options to be issued as agreed between K2fly and the Company.

(d) **Disposal of current assets**

Power will rationalise its current mining asset by sale or other means within 12 months of Settlement.

(e) **Board Composition**

In accordance with the terms of the Asset Sale Agreement, and with effect from Settlement, Michael Scivolo, Robert Collins and Sol Majteles will resign as Directors and Brian Miller, Gino D'Anna, Russell Moran and Noel Bonnick (**Proposed Directors**) will be appointed to the Board of the Company. Effective from Settlement, Norman Grafton will also resign from his position as Company Secretary.

Summaries of the background and experience of each of the Proposed Directors is set out in Section 1.7 below.

1.6 Re-compliance with Chapters 1 and 2 of the Listing Rules

Given that the Company is proposing to make a change in its activities from a mineral exploration company to a Software-as-a-Service technology company, the Company is required to re-comply with Chapters 1 and 2 of the ASX Listing Rules prior to the Company completing the Acquisition.

For this purpose, the Company will be required to re-comply with the conditions to listing on ASX set out in Chapters 1 and 2 of the ASX Listing Rules in order to achieve Settlement and before it can be re-instated to trading on ASX following Settlement.

ASX Listing Rule 2.1 Condition 2 provides that it is a condition of quotation of the main class of a company's securities of an entity seeking admission to ASX that the issue price of the securities for which the company seeks quotation must be at least 20 cents in cash. In addition, ASX Listing Rule 1.1 Condition 11 provides that for an entity to be admitted to the official list, the exercise price for any options on issue must be at least 20 cents in cash.

1.7 Board and Management

In accordance with the terms of the Asset Sale Agreement, and with effect from Settlement, Michael Scivolo, Robert Collins and Sol Majteles will resign as Directors and Brian Miller, Gino D'Anna, Russell Moran and Noel Bonnick will be appointed to the Board of the Company. Effective from Settlement, Norman Grafton will also resign from his position as Company Secretary.

Summaries of the background and experience of each of the Proposed Directors is set out below.

Mr Brian Miller

Proposed Executive Chairman and Chief Executive Officer

Brian Miller is 30-year veteran of the IT sector, having worked in Australia, US, UK, Europe, Asia and the Middle East. Brian has held executive positions in public as well as private companies, and has sat on five Boards and two industry commissions. A founding member of the Institute of Asset Management (UK), he sat on the panel which developed the initial BS5750 standard for asset management within the UK energy sector, and worked closely with the Energy Regulator, OFGEM.

Brian has specialised in Strategy, and Business Development Board positions. He has worked with four organisations which have either publicly listed or achieved a trade sale during his time on the Board. These exit deals have ranged in value from A\$50M up to A\$250M, and the companies have had between 50 to 400 employees.

In the last decade, much of Brian's business involvement has been based around the exploitation of mobile technologies in the asset intensive sectors. He was a main board Director of AMT-Sybex which is a dominant player in this arena in the UK. Most clients have been blue chip, and many have been multi-national, including Electricity de France, Iberdrola (Spain), E.On (Ger), AES (USA) and Veolia (Fr). As a Strategy Director on two Boards, Brian worked with company executives to define, develop and refine influencing strategies which ultimately led to valuable exposure to decision makers and senior politicians and cabinet members in the UK, UAE, Singapore and Australia. Brian has worked hard to develop an evolving network of contacts within Australia.

Mr Gino D'Anna
Proposed Director

Gino has significant primary and secondary capital markets experience having been involved in a number of IPOs and secondary capital raisings. He has been involved in a number of corporate reconstructions and recapitalisations and has raised in excess of \$100 million for companies involved in natural resources, technology and industrial and manufacturing businesses.

Gino was a founder of K2fly NL along with fellow director Russell Moran and was previously Executive Director of ASX Listed Atrum Coal NL. Gino was previously Executive Director of ASX Listed Ferrum Crescent Limited (ASX: FCR) and ASX Listed SWW Energy Limited (ASX: SWW). Gino is currently the Executive Director of BC Anthracite NL and Executive Director of MetalsTech Limited.

Mr Russel Moran
Proposed Director

Russell has specific experience in mining transaction management, capital raisings, public reconstructions and recapitalisations, and strategic business development. He has provided a range of consulting services to private and ASX listed companies. Russell brings an extensive network of industry contacts with a heavy focus on deal origination and transaction opportunities.

Russell was a founder of K2fly NL along with fellow director Gino D'Anna and was previously Executive Director of ASX Listed Atrum Coal NL. Russell is currently the Executive Chairman of BC Anthracite NL and Executive Chairman of MetalsTech Limited.

Mr Noel Bonnick
Proposed Director

With a Mechanical Engineering background and over 25 years of industry experience specialising in maintenance support, condition monitoring, maintenance systems development and reliability management, Noel's ongoing role is to provide both leadership and corporate and strategic direction to the K2fly business.

Noel is the founder and executive chairman of K2 Technology Pty Ltd.

1.8 Change of name

As a result of the Acquisition, the Company proposes to change its name to "K2fly Limited". Approval for the change of name is the subject of Resolution 15.

1.9 Issue of Shares under Capital Raising

As set out in Section 1.5 above, one of the conditions precedent to Settlement of the Acquisition is the completion of the Capital Raising (the subject of Resolution 8).

ASX Listing Rule 2.1 condition 2 provides that where an entity seeks admission to ASX, the issue price of the securities of the entity must be at least 20 cents in cash.

1.10 Pro-forma capital structure

The pro-forma capital structure of the Company following completion of the matters contemplated by the Resolutions is set out below:

Shares	Number Minimum Subscription (\$3,000,000)	Number Maximum Subscription (5,000,000)
Current issued capital (pre-Consolidation)	47,187,501	47,187,501
Issued Capital on a post-Consolidation basis (Resolution 2)	5,019,947	5,019,947
Proposed issue of Consideration Shares (Resolution 3)	16,000,000	16,000,000
Proposed issue of Convertible Note Shares (Resolution 4)	937,500	937,500
Proposed issue of K2 Technology Vendor Shares (Resolution 5)	1,500,000	1,500,000
Proposed issue of KMM Shares (Resolution 6)	4,500,000	4,500,000
Proposed issue of Advisor Shares (Resolution 7)	1,250,000	1,250,000
Proposed issue of Shares pursuant to Capital Raising (Resolution 8)	15,000,000	25,000,000
TOTAL¹	44,207,447	54,207,447

Options	Number
Options currently on issue	Nil
Broker Options (exercisable at \$0.25 on and expiring 4 years from the date of issue) to be issued pursuant to Resolutions 9 and 10 ³	2,000,000
TOTAL²	2,000,000

Notes:

1. Assumes no further securities are issued prior to completion of the matters the subject of the Resolutions, other than as set out in the table.
2. The terms of the Broker Options are set out in Schedule 2.

1.11 Pro-forma balance sheet

An unaudited pro-forma balance sheet of the Company following completion of the Acquisition is set out in Schedule 3.

The historical and pro-forma information is presented in an abbreviated form, insofar as it does not include all of the disclosure required by the Australian Accounting Standards applicable to annual financial statements.

1.12 Use of funds

Following completion of the Acquisition, the Company expects to use its cash funds as follows:

Funds available	Minimum Subscription (\$3,000,000)	Percentage of Funds (%)	Maximum Subscription (\$5,000,000)	Percentage of Funds (%)
Existing cash reserves of the Company	\$15,000	0.5%	\$15,000	0.3%
Funds raised from the Capital Raising	\$3,000,000	99.5%	\$5,000,000	99.7%
TOTAL	\$3,015,000	100.00%	\$5,015,000	100.00%
Development of ADAMLITE	\$180,000	5.97%	\$225,000	4.49%
Development of additional partnering agreements	\$100,000	3.32%	\$150,000	2.99%
Employment of business development personnel and technical personnel	\$250,000	8.30%	\$350,000	6.98%
Cloud supported product development	\$100,000	3.32%	\$200,000	3.99%
Research and development and evaluation of additional technologies for acquisition	\$200,000	6.63%	\$400,000	7.98%
IT infrastructure and product support	\$100,000	3.32%	\$150,000	2.99%
Development of additional mobility asset management solutions	\$215,000	7.13%	\$350,000	6.98%
Investments in the upgrades to ADAM	\$125,000	4.15%	\$250,000	4.99%
Expenses associated with the Acquisition and Capital Raising ¹	\$870,027	28.86%	\$996,661	19.87%
Working capital ²	\$874,973	29.02%	\$1,943,339	38.75%
TOTAL	\$3,015,000	100.00%	\$5,015,000	100.00%

Notes

1. Refer to the table below for the itemised costs associated with the Acquisition:

Estimated Costs of Acquisition	Minimum Subscription (\$3,000,000)	Maximum Subscription (\$5,000,000)
Other Fees		
ASIC	\$2,320	\$2,320
Printing	\$6,000	\$6,000
Legal Fees	\$60,000	\$60,000
ASX Listing	\$59,207	\$65,841
Accounting Fees	\$35,000	\$35,000
Independent Expert Fees	\$15,000	\$15,000
Roadshow and Promotion	\$5,000	\$5,000
Lead Management Fee	\$30,000	\$50,000
Brokerage	\$150,000	\$250,000
Corporate Advisory Fee – Retainer	\$15,000	\$15,000
Repayment of Outstanding KMM Loan	\$65,000	\$65,000
Payment to KMM for Services Provided	\$250,000	\$250,000
Corporate Advisory Cash Success Fee	\$100,000	\$100,000
Corporate Advisory Retainer (Less Rebate)	\$12,500	\$12,500
Lead Manager Corporate Success Fee	\$60,000	\$60,000
Miscellaneous	\$5,000	\$5,000
TOTAL	\$870,027	\$996,661

2. Working capital includes the general costs associated with the management and operation of the business including administration expenses, salaries, directors' fees, rent and other associated costs.

Where more than the Minimum Subscription but less than the Maximum Subscription is raised the additional funds, after the increase in costs of the Capital Raising, will be allocated on a pro-rata basis to the other categories listed in the use of funds table.

1.13 Key Contracts

(a) Lead Manager Agreement

On 15 February 2016 K2fly NL entered into a Lead Manager Agreement with K S Capital Pty Limited (**K S Capital**). Pursuant to the agreement, K S Capital will act as Lead Manager to the Capital Raising and provide the Company with assistance in undertaking the Capital Raising. This Lead Manager Agreement was entered into on the basis of Shares being offered under the Prospectus at an issue price of 4 cents.

Due to changes in ASX Listing Rule policy meaning that the Company can no longer apply to raise capital at less than 20 cents as part of its re-

compliance with Chapters 1 and 2 of the Listing Rules, on 3 June 2016, K2fly NL entered into a revised Lead Manager Agreement with K S Capital on the basis of Shares being offered under the Prospectus at an issue price of 20 cents.

A transaction fee is payable to K S Capital by the Company, being 5.0% brokerage of the total subscriptions together with a 1% lead management fee of the total subscriptions. Upon the successful listing of the Company on the ASX, K S Capital and / or its nominee will also be issued with up to 350,000 Broker Options with an exercise price of 25 cents per Option and a term to expiry of 4 years. K S Capital will also be issued with up to 500,000 Lead Manager Shares.

K2fly NL has also agreed to pay K S Capital the following:

- (i) upon execution of the Lead Manager Agreement, an upfront engagement fee of \$10,000 of which 50% will be rebated against the Corporate Fee;
- (ii) from execution of the Lead Manager Agreement, a monthly retainer of \$7,500 payable in arrears on the last day of each month. This fee is capped at \$15,000 of which 50% will be rebated against the Corporate Fee; and
- (iii) a corporate fee of \$60,000 which is payable upon the successful completion of the listing of K2fly NL via the Reverse Takeover with Power Resources Limited (**Corporate Fee**).

This Lead Manager Agreement otherwise contains terms and conditions which are considered standard in an agreement of this type.

(b) **Corporate Advisory Mandate**

On 10 November 2015, K2fly NL entered into a corporate mandate with LinQ Corporate Pty Ltd (**LINQ**) to act as corporate advisor to K2fly.

K2fly NL has agreed to pay LINQ the following:

- (i) from execution of the Asset Sale Agreement, a monthly corporate advisory fee of \$5,000 (plus GST) payable in advance on the first day of each month. (**Corporate Advisory Fee**);
- (ii) subject to the Conditions being satisfied or waived, a success fee of \$200,000 (plus GST) is to be paid by the Company at Settlement. The Company can elect to pay up to 50% of the Acquisition success fees in Shares (**Corporate Advisory Cash Success Fee**);
- (iii) a transaction fee is payable to LINQ by the Company, being 6.0% of the funds raised under the Capital Raising; and
- (iv) all reasonable out of-pocket-expenses, including travel and accommodation, with such costs to be approved by the Company in advance.

The Corporate Advisory Mandate otherwise contains terms and conditions which are considered standard in an agreement of this type.

(c) **Convertible Note Deeds**

K2fly, the Company and various sophisticated and professional investors (**Noteholders**) have entered into convertible note deeds pursuant to which the Noteholders have subscribed for notes in K2fly raising a total of \$150,000. At Settlement, it is intended that the Notes will convert into Shares at a deemed issue price of 16 cents each.

The deed also contains separate mechanisms for the Notes to be converted into shares in the capital of K2fly in the event that Settlement does not occur by certain specified dates.

1.14 Indicative timetable

An indicative timetable for Settlement and associated transactions is set out below:

Event	Date
Announcement of Acquisition Company's Shares are suspended from Official Quotation on ASX	16 May 2016
Announcement of Acquisition pursuant to amended capital structure	17 June 2016
Notice of Meeting sent to Shareholders	20 July 2016
Lodgement of Prospectus	26 July 2016
General Meeting held to approve the Acquisition	22 August 2016
Prospectus offer closes	31 August 2016
Settlement of the Acquisition	5 September 2016
Despatch of holding statements	7 September 2016
Commencement of trading of Shares on ASX (subject to the Company re-complying with Chapters 1 and 2 of the ASX Listing Rules and subject to ASX agreeing to reinstate the Company's Shares to quotation)	14 September 2016

Please note this timetable is indicative only and the Directors reserve the right to amend the timetable as required.

1.15 Advantages of the proposals in the Essential Resolutions

All of the Directors are of the opinion that the Acquisition is in the best interests of Shareholders and, accordingly, the Directors unanimously recommend that Shareholders vote in favour of the Essential Resolutions.

The Directors are of the view that the following non-exhaustive list of advantages may be relevant to a Shareholder's decision on how to vote on each Essential Resolution:

- (a) the Acquisition represents an investment opportunity for the Company to change its business focus to that of a Software-as-a-Service technology company, which has developed and implemented class leading asset

management technology to blue-chip clients across Europe, Asia Pacific Region including South-East Asia and the United States;

- (b) the Acquisition will provide the Company with the opportunity to increase the value of the Company;
 - (i) the proposed Board of Directors will provide a new set of skills to guide the growth of the Company in the activities relevant to the new business; and
 - (ii) the Company may be able to raise funds at a higher price by way of share equity as a result of the Acquisition in the future.

1.16 Disadvantages of the proposals in the Essential Resolutions

The Directors are of the view that the following non-exhaustive list of disadvantages may be relevant to a Shareholder's decision on how to vote on each Essential Resolution:

- (a) the Company will be changing the nature and scale of its activities to primarily be a Software-as-a-Service technology company, which may not be consistent with the objectives of all Shareholders;
- (b) the Acquisition and the Capital Raising will result in the issue of Securities to K2fly (or its nominees) and new investors, which will have a dilutionary effect on the holdings of Shareholders; and
- (c) there are additional risk factors associated with the change in nature of the Company's activities resulting from the Acquisition. Some of the key risks are summarised in Section 1.17 below.

1.17 Risk factors

Shareholders should be aware that if the Acquisition is approved and completed, the Company will be changing the nature and scale of its activities and will be subject to additional or increased risks arising from the acquisition of the Assets and parties contracted or associated with K2fly's business. The risks and uncertainties described below are not intended to be exhaustive. There may be additional risks and uncertainties that the Company is unaware of or that the Company currently considers to be immaterial, which may affect the Company. Based on the information available, a non-exhaustive list of risk factors for the Company associated with the Company's proposal to acquire the Assets is set out below.

(a) Risks relating to the Change in Nature and Scale of Activities

(i) Re-Quotation of Shares on ASX

The Acquisition constitutes a significant change in the nature and scale of the Company's activities and the Company needs to re-comply with Chapters 1 and 2 of the ASX Listing Rules as if it were seeking admission to the official list of ASX.

There is a risk that the Company may not be able to meet the requirements of the ASX for re-quotation of its Shares on the ASX. Should this occur, the Shares will not be able to be traded on the ASX until such time as those requirements can be met, if at all. Shareholders may be prevented from trading their Shares should

the Company be suspended until such time as it does re-comply with the ASX Listing Rules.

(ii) **Dilution Risk**

On completion of the Acquisition and all issues of Shares and Options contemplated by this Notice (assuming the Maximum Subscription under the Capital Raising and no exercise of Options) existing Shareholders will be significantly diluted.

If subsequently the Broker Option are exercised the interests of the existing Shareholders will be further diluted.

There is also a risk that the interests of Shareholders will be further diluted as a result of future capital raisings required in order to fund the development of the Assets.

(iii) **Liquidity Risk**

On Settlement, the Company proposes to issue the Consideration Shares, the K2 Technology Shares, the KMM Shares and the Advisor Shares.

The Directors understand that ASX will treat the Consideration Shares, the K2 Technology Shares, the KMM Shares and the Advisor Shares as restricted securities in accordance with Chapter 9 of the ASX Listing Rules.

This could be considered an increased liquidity risk as a large portion of issued capital may not be able to be traded freely for a period of time.

(iv) **Contractual Risk**

Pursuant to the Asset Sale Agreement, Settlement is subject to the fulfilment of certain conditions precedent, as identified in Section 1.5.

The ability of the Company to achieve its stated objectives will depend on the performance by the parties of their obligations under the Asset Sale Agreement. If any party defaults in the performance of their obligations, it may be necessary for the Company to approach a court to seek a legal remedy, which can be costly.

(b) **Risks relating to the Assets**

(i) **Data Loss / Theft**

K2fly stores data on both internal and third party service providers. Penetration of the system or exploitation of some unidentified vulnerability in its network could lead to loss, theft or corruption of the Company's data. Although K2fly has strategies and protections in place to try and minimise security breaches and to protect data, these strategies might not be successful. In that event, it could negatively impact upon the Company's revenues and profitability.

The Company and K2fly are comfortable that this risk is manageable and that the security precautions implemented to ensure the safety of the data is comparable to other companies operating in the software sector where data is being managed on behalf of clients.

Unfortunately, data corruption, loss and theft is something that is not unique to the business of software companies. K2fly maintains duplicate copies of data at various locations to ensure that data can always be recovered with little downtime to the clients.

This is something that is defined only to the full form of ADAM as ADAMLITE will be a pure SaaS model.

(ii) **Lack of API Integration**

API integrations automate data transfer and remove the need for file export and import activities. While API integrations are not as important for the current version of ADAM the development of ADAMLITE may require the development of API integrations for usability.

The integration of Application Programming Interfaces (or API's) within asset intensive industries is not seen as a vital factor in the adoption of asset management and asset maintenance software. The primary reason for this is due to the nature of the businesses that K2fly deals with and the manner in which the data has been captured historically. ADAMLITE will be targeting small to medium enterprises which have either historically captured the data in stagnant excel databases or in some cases in hand written notes, the adoption of the ADAMLITE software will be governed by the efficiency and productivity gains. The useability of ADAMLITE and the integration of the software with CSV captured data will not depend on the application and integration of API's.

What will be important, is allowing the asset management software to integrate with accounting software packages, however that will be on an adhoc basis only, and where that requirement is highlighted, the software integration tools will be implemented accordingly.

(iii) **Operating System Changes**

K2fly uses third party operating systems with the providers of these systems regularly updating their systems. It is possible when these updates occur it could cause some of the Assets to not operate as efficiently as before. This will require Company to change the code on its system which may take some time to remedy.

K2fly makes use of third party operating systems as it allows the software to deliver more powerful solutions and capture significantly more data than excel and do so without being cumbersome on the clients' server or data storage medium.

In limited circumstances, a change to the third party operating

system has meant that certain codes and designated fields have had to be updated in line with the third party operating system changes. In the past when this has happened, the changes have been simple to re-code and update and clients would be told about these changes with the changes taking place remotely so that clients are not interrupted and clients do not see the changes that are made. Because ADAM works over a URL, changes can be made instantaneously with no impact to the client and no downtime for the client.

This will also be the case for ADAMLITE which will operate through a cloud based platform on the K2fly website, so any changes will be made instantaneously with seamless integration.

(c) **General risks**

(i) **Risk of High Volume of Share Sales**

If Settlement occurs, the Company will have issued a significant number of new securities to various parties. Parties that receive Shares as a result of the Acquisition or the Capital Raising may not intend to continue to hold those Shares and may wish to sell them on ASX (subject to any applicable escrow period). There is a risk that an increase in the amount of people wanting to sell Shares may adversely impact on the market price of the Company's Shares.

It should be noted however that there will be mandatory escrow provisions invoked on the Consideration Shares, the K2 Technology Shares, the KMM Shares and the Advisor Shares and Broker Options.

There can be no assurance that there will be, or continue to be, an active market for Shares or that the price of Shares will increase. As a result, Shareholders may, upon selling their Shares, receive a market price for their securities that is less than the price of Shares offered pursuant to the Capital Raising.

(ii) **Trading Price of Shares**

The Company's operating results, economic and financial prospects and other factors will affect the trading price of the Shares. In addition, the price of Shares is subject to varied and often unpredictable influences on the market for equities, including, but not limited to general economic conditions including, inflation rates and interest rates, variations in the general market for listed stocks in general, changes to government policy, legislation or regulation, industrial disputes, general operational and business risks and hedging or arbitrage trading activity that may develop involving the Shares.

In particular, the share prices for many companies have been and may in the future be highly volatile, which in many cases may reflect a diverse range of non-company specific influences such as global hostilities and tensions relating to certain unstable regions of the world, acts of terrorism and the general state of the global economy. No assurances can be made that the

Company's market performance will not be adversely affected by any such market fluctuations or factors.

(iii) **Additional Requirements for Capital**

The capital requirements of the Company depend on numerous factors. Depending on the ability of the Company to generate income from its operations, the Company may require further financing in addition to amounts raised under the Capital Raising. Any additional equity financing will dilute shareholdings, and debt financing, if available, may involve restrictions on financing and operating activities. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations.

(iv) **Litigation Risks**

The Company is exposed to possible litigation risks including contractual disputes, occupational health and safety claims and employee claims. Further, the Company may be involved in disputes with other parties in the future which may result in litigation. Any such claim or dispute if proven, may impact adversely on the Company's operations, financial performance and financial position. The Company is not currently engaged in any litigation.

(v) **Economic Risks**

General economic conditions, movements in interest and inflation rates may have an adverse effect on the Company's activities, as well as on its ability to fund those activities.

Further, share market conditions may affect the value of the Company's securities regardless of the Company's operating performance. Share market conditions are affected by many factors such as:

- (A) general economic outlook;
- (B) interest rates and inflation rates;
- (C) currency fluctuations;
- (D) changes in investor sentiment toward particular market sectors;
- (E) the demand for, and supply of, capital; and
- (F) terrorism or other hostilities.

(vi) **Force Majeure**

The Company, now or in the future may be adversely affected by risks outside the control of the Company including labour unrest, civil disorder, war, subversive activities or sabotage, extreme weather conditions, fires, floods, explosions or other catastrophes, epidemics or quarantine restrictions.

(vii) **Acquisitions**

As part of its business strategy, the Company may make acquisitions of, or significant investments in, companies, assets or projects complementary to the Company's existing operations. Any such future transactions are accompanied by the risks commonly encountered in making acquisitions of companies, assets and projects, such as integrating cultures and systems of operation, relocation of operations, short term strain on working capital requirements, achieving the short term operational goals and retaining key staff and customer and supplier relationships.

(d) **Investment Speculative**

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above may, in the future, materially affect the financial performance of the Company and the value of the Company's securities.

1.18 Intentions if the Acquisition does not occur

If the Conditions to the Amended and Restated Asset Sale Agreement are not satisfied or waived, including if all of the Essential Resolutions are not passed, the Acquisition will not proceed.

The Company will continue to seek to focus on mineral exploration and look for potential business acquisitions to take the Company forward.

1.19 Directors' interests in the Acquisition

None of the Company's existing Directors have any interest in the proposed Acquisition, other than as disclosed in this Notice.

1.20 Conditionality of Resolutions

If an Essential Resolution is not approved, the Company will not proceed with the Acquisition. The Company would then immediately request that ASX remove the suspension order and allow the Company to resume trading on the ASX in its current form.

2. RESOLUTION 1 – CHANGE TO NATURE AND SCALE OF ACTIVITIES

2.1 General

Resolution 1 seeks approval from Shareholders for a change in the nature and scale of the activities of the Company to change the focus of the Company's activities into a Software-as-a-Service technology company, which has developed and implemented class leading asset management technology to blue-chip clients across Australia and South-East Asia.

As outlined in Section 1.2 of this Explanatory Statement, the Company has entered into the Amended and Restated Asset Sale Agreement which sets out the terms on which the Company agrees to acquire K2fly's right, title and interest in the Assets in exchange for the Consideration Shares and K2 Technology Vendor Shares.

A summary of the terms and conditions of the Amended and Restated Asset Sale

Agreement is set out in Section 1.5 and a detailed description of the Assets is outlined in Section 1.4.

Resolution 1 is subject to the passing of all other Essential Resolutions.

2.2 ASX Listing Rule 11.1

ASX Listing Rule 11.1 provides that where an entity proposes to make a significant change, either directly or indirectly, to the nature or scale of its activities, it must provide full details to ASX as soon as practicable (and before making the change) and comply with the following:

- (a) provide to ASX information regarding the change and its effect on future potential earnings, and any information that ASX asks for;
- (b) if ASX requires, obtain the approval of holders of its shares and comply with any requirements of ASX in relation to the Notice; and
- (c) if ASX requires, meet the requirements of Chapters 1 and 2 of the ASX Listing Rules as if the entity were applying for admission to the official list of ASX.

Given the change in the nature and scale of the Company's activities upon completion of the Acquisition, the Company is required to obtain Shareholder approval.

Accordingly, the Company is seeking Shareholder approval pursuant to Resolution 1 for the Company to change the nature and scale of its activities under ASX Listing Rule 11.1.2.

The proposed change in the nature and scale of the Company's activities will require the Company to (in accordance with ASX Listing Rule 11.1.3) re-comply with the admission requirements set out in Chapters 1 and 2 of the ASX Listing Rules (including any ASX requirement to treat the Securities as restricted securities). Accordingly, the Shares have been subjected to a trading halt and thereby ceased trading on ASX's Official List on 16 May 2016, the date the Company announced the Acquisition. If the Essential Resolutions are approved at the Meeting, it is expected that the Shares will remain suspended from quotation until the Company has acquired the Assets pursuant to the Asset Sale Agreement and re-complied with Chapters 1 and 2 of the Listing Rules, including by satisfaction of ASX's conditions precedent to reinstatement.

If any Essential Resolution is not approved at the Meeting, the Acquisition will not proceed and the Company will apply to ASX to have its Securities reinstated to quotation on ASX's Official List after the Company announces the results of the Meeting in accordance with the Listing Rules and Corporations Act.

3. RESOLUTION 2 – CONSOLIDATION OF CAPITAL

3.1 Background

The Company proposes to undertake the Consolidation to consolidate the numbers of Shares and Options on issue on a 1 for 9.4 basis.

The purpose of the Consolidation is to implement a more appropriate capital structure for the Company going forward and to seek to comply with relevant ASX Listing Rules as part of the Acquisition, when the Company seeks to obtain re-quotation of its Shares on ASX, should Shareholder approval be obtained for the Essential Resolutions.

The Directors intend to implement the Consolidation prior to completion of the Acquisition and prior to the proposed issues of Securities pursuant to the Resolutions, but the Consolidation will only occur if Shareholders approve all Essential Resolutions.

3.2 Legal requirements

Section 254H of the Corporations Act provides that a company may, by resolution passed in a general meeting, convert all or any of its shares into a larger or smaller number.

3.3 Fractional entitlements

Not all security holders will hold that number of Shares which can be evenly divided by 9.4. Where a fractional entitlement occurs, the Company will round that fraction up to the nearest whole security.

3.4 Taxation

It is not considered that any taxation implications will exist for security holders arising from the Consolidation. However, security holders are advised to seek their own tax advice on the effect of the Consolidation and the Company, the Directors and their advisers do not accept any responsibility for the individual taxation implications arising from the Consolidation or the other Resolutions.

3.5 Holding statements

From the date of the Consolidation, all holding statements for previously quoted Securities will cease to have any effect, except as evidence of entitlement to a certain number of Securities on a post-Consolidation basis.

After the Consolidation becomes effective, the Company will arrange for new holding statements for Securities proposed to be quoted to be issued to holders of those Securities.

It is the responsibility of each security holder to check the number of Securities held prior to disposal.

3.6 Effect on capital structure

The estimated effect which the Consolidation will have on the capital structure of the Company is set out in the table in Section 1.10.

3.7 Indicative timetable

If Resolution 2 and each Essential Resolution are passed, the Consolidation of capital is proposed to take effect pursuant to the timetable below:

Action	Date
Company announces Consolidation and sends out Notice of Meeting.	19 July 2016
Company tells ASX that Shareholders have approved the Consolidation.	22 August 2016
Last day for pre-Consolidation trading.	23 August 2016
Post-Consolidation trading starts on a deferred settlement basis.	24 August 2016

Action	Date
Last day for Company to register transfers on a pre-Consolidation basis.	25 August 2016
First day for Company to send notice to each holder of the change in their details of holdings.	26 August 2016
First day for the Company to register Securities on a post-Consolidation basis and first day for issue of holding statements.	
Change of details of holdings date. Deferred settlement market ends.	31 August 2016
Last day for Securities to be entered into holders' security holdings.	
Last day for the Company to send notice to each holder of the change in their details of holdings.	

- Due to the requirement that the Company's securities must be suspended from trading on the day of the announcement of the Acquisition until the ASX approves the Company's re-compliance with the admission requirements of Chapters 1 and 2 of the ASX Listing Rules, many of the events set out above (for example, deferred settlement trading) will not be applicable.

4. RESOLUTION 3 – ISSUE OF CONSIDERATION SHARES TO K2FLY NL

4.1 General

A summary of the background to the proposed issue of the Consideration Shares is contained in Section 1.2 above.

Resolution 3 seeks Shareholder approval for the purpose of item 7 of section 611 of the Corporations Act to allow the Company to issue up to 16,000,000 Consideration Shares to K2fly, which will, at completion of the Acquisition, result in K2fly's and their associates' voting power in the Company increasing from 0% up to a maximum of 36.19% (refer to Section 1.10 for details of the Company's proposed capital structure upon completion of the Acquisition).

Pursuant to ASX Listing Rule 7.2 (Exception 16), Listing Rule 7.1 does not apply to an issue of securities approved for the purpose of Item 7 of Section 611 of the Corporations Act. Accordingly, if Shareholders approve the issue of Shares pursuant to Resolution 3, the Company will retain the flexibility to issue equity securities in the future up to the 15% annual placement capacity set out in ASX Listing Rule 7.1 and the additional 10% annual capacity set out in ASX Listing Rule 7.1A without the requirement to obtain prior Shareholder approval.

4.2 Item 7 of Section 611 of the Corporations Act

(a) Section 606 of the Corporations Act – Statutory Prohibition

Pursuant to Section 606(1) of the Corporations Act, a person must not acquire a relevant interest in issued voting shares in a listed company if the person acquiring the interest does so through a transaction in relation to securities entered into by or on behalf of the person and because of the transaction, that person's or someone else's voting power in the company increases:

- from 20% or below to more than 20%; or
- from a starting point that is above 20% and below 90%,

(Prohibition).

(b) **Voting Power**

The voting power of a person in a body corporate is determined in accordance with Section 610 of the Corporations Act. The calculation of a person's voting power in a company involves determining the voting shares in the company in which the person and the person's associates have a relevant interest.

(c) **K2fly's shareholding in the Company**

K2fly does not currently hold any Securities in the Company.

Following Settlement, K2fly's and their associates' holdings of Shares the subject of Resolution 3 and resulting percentage of the Shares in the Company (assuming the Capital Raising Shares, Considerations Shares, K2 Technology Vendor Shares, Convertible Note Shares, KMM Shares and Adviser Shares are issued) will be as follows:

Vendor	Number of Shares held after Settlement	Total Shares on issue after Settlement and Minimum Subscription	% held of total Shares on issue after Settlement
K2fly	16,000,000	44,207,447	36.19%

Vendor	Number of Shares held after Settlement	Total Shares on issue after Settlement and Maximum Subscription	% held of total Shares on issue after Settlement
K2fly	16,000,000	54,207,447	29.52%

(d) **Associates**

For the purposes of determining voting power under the Corporations Act, a person (**second person**) is an "associate" of the other person (**first person**) if:

- (i) (pursuant to Section 12(2) of the Corporations Act) the first person is a body corporate and the second person is:
 - (A) a body corporate the first person controls;
 - (B) a body corporate that controls the first person; or
 - (C) a body corporate that is controlled by an entity that controls the person;
- (ii) the second person has entered or proposes to enter into a relevant agreement with the first person for the purpose of controlling or influencing the composition of the company's board or the conduct of the company's affairs; or
- (iii) the second person is a person with whom the first person is acting or proposes to act, in concert in relation to the company's affairs.

Associates are, therefore, determined as a matter of fact. For example where a person controls or influences the board or the conduct of a company's business affairs, or acts in concert with a person in relation to the entity's business affairs.

(e) **Relevant Interests**

Section 608(1) of the Corporations Act provides that a person has a relevant interest in securities if they:

- (i) are the holder of the securities;
- (ii) have the power to exercise, or control the exercise of, a right to vote attached to the securities; or
- (iii) have power to dispose of, or control the exercise of a power to dispose of, the securities.

It does not matter how remote the relevant interest is or how it arises. If two or more people can jointly exercise one of these powers, each of them is taken to have that power.

In addition, Section 608(3) of the Corporations Act provides that a person has a relevant interest in securities that any of the following has:

- (i) a body corporate in which the person's voting power is above 20%;
- (ii) a body corporate that the person controls.

(f) **Control**

The Corporations Act defines "control" very broadly under section 50AA of the Corporations Act control to mean that an entity has the capacity to determine the outcome of decisions about the financial and operating policies of the Company.

4.3 Reason Section 611 Approval is Required

Item 7 of Section 611 of the Corporations Act provides an exception to the Prohibition, whereby a person may acquire a relevant interest in a company's voting shares with shareholder approval.

Following the issue of the Consideration Shares, K2fly and its associates will have a relevant interest in 16,000,000 Shares in the Company, representing a 36.19% voting power in the Company. This assumes that \$3,000,000 is raised under the Capital Raising at an issue price of \$0.20 per Share and all Shares proposed to be issued under the Amended and Restated Asset Sale Agreement have been issued.

Accordingly, Resolution 3 seeks Shareholder approval for the purpose of section 611 item 7 of the Corporations Act and all other purposes to enable the Company to issue the Consideration Shares.

4.4 Specific Information required by Section 611 Item 7 of the Corporations Act and ASIC Regulatory Guide 74

The following information is required to be provided to Shareholders under the Corporations Act and ASIC Regulatory Guide 74 in respect of obtaining approval for item 7 of section 611 of the Corporations Act. Shareholders are also referred to the Independent Expert's Report prepared by Stantons International annexed to this Explanatory Statement as Annexure A, which contains a summary of the Acquisition and the effect of the Acquisition on the Company.

(a) Identity of the Acquirer and its Associates

It is proposed that K2fly will be issued the Consideration Shares in accordance with the terms set out in the Asset Sale Agreement (as summarised in Section 1.5).

For the purposes of the Corporations Act, there are no persons who are associates of K2fly.

Under the terms of the Asset Sale Agreement, the Consideration Shares to which K2fly is entitled will be transferred to K2fly following expiry of ASX imposed escrow. At this time, K2fly will acquire a relevant interest in the Consideration Shares.

(b) Relevant interests and voting power

As at the date of this Notice, K2fly do not hold a relevant interest in any Shares and therefore have no voting power in the Company. Shareholders' approval is sought pursuant to Resolution 3 for their potential maximum increase in voting power and relevant interests as disclosed in Section 4.2(c) above.

From the table set out in Section 4.2(c) it can be seen that the maximum total Shareholding that K2fly will hold after Settlement is 16,000,000 Shares, and the maximum percentage that K2fly will hold, and therefore the voting power of K2fly is 36.19%.

This represents a maximum increase in voting power of 36.19% (being the difference between 0% and 36.19%).

(c) Assumptions

Note that the following assumptions have been made in calculating the above:

- (i) the Company has 47,187,501 Shares on issue as at the date of this Notice (on a pre-Consolidation basis);
- (ii) the Company does not issue any additional Shares other than pursuant to the Resolutions set out in this Notice; and
- (iii) prior to Settlement, K2fly do not acquire any additional Shares.

(d) Reasons for the proposed issue of Shares

The Consideration Shares are proposed to be issued to K2fly in accordance with the terms of the Asset Sale Agreement in consideration

for the acquisition of the Assets. Each Share will have a deemed issued price of \$0.20.

(e) **Date of proposed issue of Shares**

The Consideration Shares will be issued on the date upon which Settlement occurs. An indicative timetable for the Acquisition is set out in Section 1.14.

(f) **Material terms of proposed issue of securities**

The terms upon which the Consideration Shares are to be issued are set out in Section 1.5.

(g) **K2fly's Intentions**

The Company understands that K2fly, as a significant shareholder,

- (i) has no intention of making any significant changes to the Company's business other than as set out in this Notice of Meeting;
- (ii) has no intention to inject further capital into the Company;
- (iii) has no present intention of making changes regarding the future employment of the Company's present employees other than as set out in this Notice of Meeting;
- (iv) does not intend to redeploy any of the Company's fixed assets; and
- (v) does not intend to transfer any property between the Company and K2fly.
- (vi) do not intend to significantly change the Company's financial or dividend distribution policies.

These intentions are based on information concerning the Company, its business and the business environment which is known to K2fly at the date of this Notice.

These present intentions may change as new information becomes available, as circumstances change or in the light of all material information, facts and circumstances necessary to assess the operational, commercial, taxation and financial implications of those decisions at the relevant time.

(h) **Interests and Recommendations of Directors**

None of the current Directors has a material personal interest in the outcome of Resolution 3.

All of the Directors are of the opinion that the Acquisition is in the best interests of Shareholders and, accordingly, the Directors unanimously recommend that Shareholders vote in favour of Resolution 3. The Director's recommendations are based on the reasons outlined in Section 1.15.

The Directors are not aware of any other information other than as set out in this Notice of Meeting that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass Resolution 3.

(i) **Capital Structure**

An indicative capital structure in respect of the Acquisition is set out in Section 1.10.

4.5 Advantages and Disadvantages of the issue of Securities

A non-exhaustive list of the advantages and disadvantages of the issue of Securities to K2fly and undertaking of the Acquisition is set out in Sections 1.15 and 1.16.

4.6 Independent Expert's Report

The Independent Expert's Report prepared by Stantons International (a copy of which is enclosed with this Explanatory Statement) assesses whether the transactions contemplated by Resolution 3 are fair and reasonable to the non-associated Shareholders of the Company. The Independent Expert's Report concludes that the transactions contemplated by Resolution 3 are **fair and reasonable** to the non-associated Shareholders of the Company.

Shareholders are urged to carefully read the Independent Expert's Report to understand the scope of the report, the methodology of the valuation and the sources of information and assumptions made.

5. RESOLUTION 4 – ISSUE OF SHARES ISSUE OF SHARES TO CONVERTIBLE NOTE HOLDERS

5.1 General

On 16 June 2016, K2fly issued 7 convertible notes to sophisticated and professional investors to raise a total of \$150,000 (**Convertible Notes**). The Convertible Notes will convert into Shares at Settlement, subject to the Company obtaining Shareholder approval for the conversion of the Convertible Notes.

A summary of the terms of the Convertible Note Deeds is set out in Section 1.13(c).

Resolution 4 seeks Shareholder approval pursuant to ASX Listing Rule 7.1 for the Convertible Notes to be convertible into Shares.

5.2 ASX Listing Rule 7.1

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

If Shareholders approve Resolution 4, the Convertible Notes will be convertible into Shares, in accordance with their terms, without using the Company's 15% annual placement capacity, in accordance with the exception in ASX Listing Rule 7.2(4).

5.3 Technical information required pursuant to ASX Listing Rule 7.1

Pursuant to an in accordance with ASX Listing Rule 7.3, the following information is provided in relation to Resolution 4:

- (a) a total of 7 Convertible Notes were issued, which are convertible into Shares at an issue price of \$0.16 per Share (in accordance with the terms of the Convertible Notes). The Convertible Notes may convert into a maximum of 937,500 Shares on full conversion of the Convertible Notes;
- (b) the Convertible Notes were issued on 16 June 2016. It is intended that the issue of Shares on conversion of the Convertible Notes will occur at Settlement;
- (c) the Shares issued on conversion of the Convertible Notes will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;
- (d) the Convertible Notes were issued to sophisticated and professional investors pursuant to section 708 of the Corporations Act. None of these subscribers are related parties of the Company. The Shares issued on conversion of the Convertible Notes will also be issued to these parties; and
- (e) the funds raised from the issue of the Convertible Notes will be applied to the general working capital of K2fly NL. No funds will be raised upon conversion of the Convertible Notes in Shares in the Company.

5.4 Board Recommendation

The Board unanimously recommends that Shareholders vote in favour of Resolution 4.

6. RESOLUTIONS 5 TO 7 – ISSUE OF SHARES UNDER THE AMENDED AND RESTATED ASSET SALE AGREEMENT

6.1 General

Resolutions 5 to 7 seek Shareholder approval for the issue of the following Shares, pursuant to the Amended and Restated Asset Sale Agreement, in relation to the Acquisition:

- (a) 1,500,000 K2 Technology Vendor Shares to K2 Technology in part consideration for the sale of the Assets (Resolution 5);
- (b) 4,500,000 KMM Shares to KMM in consideration for historical and future services provided by KMM to K2fly (including without limitation, for assisting in the structure and completion of the Acquisition) (Resolution 6); and
- (c) 1,250,000 Advisor Shares to the corporate advisor, the lead manager and unrelated parties in consideration for lead manager and corporate advisory services provided with respect to the Acquisition (Resolution 7).

A summary of ASX Listing Rule 7.1 is set out in Section 5.2 above.

The effect of Resolutions 5 to 7 will be to allow the Company to issue the K2 Technology Vendor Shares, KMM Shares and Advisor Shares pursuant to the Asset

Sale Agreement during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity. The K2 Technology Vendor Shares, KMM Shares and Advisor Shares will be issued no later than Settlement.

6.2 Technical information required by ASX Listing Rule 7.1

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

- (a) the maximum number of Shares to be issued under Resolutions 5 to 7 is 7,250,000 Shares (on a post-Consolidation basis) consisting:
 - (i) 1,500,000 K2 Technology Vendor Shares, pursuant to Resolution 5;
 - (ii) 4,500,000 KMM Shares, pursuant to Resolution 6; and
 - (iii) 1,250,000 Advisor Shares, pursuant to Resolution 7.
- (b) the Shares to be issued under Resolutions 5 to 7 will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules). The K2 Technology Vendor Shares, KMM Shares and Advisor Shares will be issued no later than Settlement;
- (c) the Shares to be issued under Resolutions 5 to 7 will be issued for nil cash consideration in consideration for:
 - (i) with respect to the K2 Technology Vendor Shares the subject of Resolution 5, the sale of the Assets;
 - (ii) with respect to the KMM Shares the subject of Resolution 6, historical and future services provided by KMM to K2fly (including without limitation, for assisting in the structure and completion of the Acquisition); and
 - (iii) with respect to the Advisor Shares the subject of Resolution 7, lead manager and corporate advisory services provided with respect to the Acquisition;
- (d) the Shares to be issued under Resolutions 5 to 7 will be issued to K2 Technology (Resolution 5), KMM (Resolution 6) and the lead manager and the corporate advisor (Resolution 7) who are not related parties of the Company;
- (e) the Shares to be issued under Resolutions 5 to 7 will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares; and
- (f) no funds will be raised from the issue of Shares pursuant to Resolutions 5 to 7 as the Shares are being issued for nil cash consideration as described in paragraph (c) above.

7. RESOLUTION 8 – CAPITAL RAISING

7.1 General

As detailed in Section 1.9, Resolution 8 seeks Shareholder approval for the issue of up to 125,000,000 Shares (on a post-Consolidation basis) pursuant to the Capital Raising to raise a maximum of \$5,000,000 under the Capital Raising. Approval is sought for the issue of these Shares pursuant to Resolution 8.

The Company has engaged the services of K S Capital Pty Ltd (ACN 124 761 557) (**K S Capital**), a licensed securities dealer (AFSL 316880), to manage the Capital Raising. The Company will pay K S Capital a lead management fee and brokerage fee of 6.0% (plus applicable GST) of the gross amount raised under the Capital Raising and grant to K S Capital (or its nominees) the Broker Options the subject of Resolution 10.

K2fly NL has also agreed to pay K S Capital the following:

- (i) upon execution of the Lead Manager Agreement, an upfront engagement fee of \$10,000 of which 50% will be rebated against the Corporate Fee;
- (ii) from execution of the Lead Manager Agreement, a monthly retainer of \$7,500 payable in arrears on the last day of each month. This fee is capped at \$15,000 of which 50% will be rebated against the Corporate Fee; and
- (iii) a corporate fee of \$60,000 which is payable upon the successful completion of the listing of K2fly NL via the Reverse Takeover with Power Resources Limited (**Corporate Fee**).

For the purposes of the ASX Listing Rules, none of the subscribers for the Shares to be issued under the Capital Raising will be related parties of the Company.

It is noted the Shares the subject of the Capital Raising will only be issued if:

- (b) the Minimum Subscription is raised;
- (c) Shareholders passing all of the Essential Resolutions;
- (d) the Company has received conditional approval for re-quotations of the Company's securities on ASX on terms acceptable to the Company; and
- (e) the issue occurs contemporaneously with Settlement.

Further details of the Capital Raising will be set out in the Prospectus.

A summary of ASX Listing Rule 7.1 is set out in Section 5.2 above.

The effect of Resolution 8 will be to allow the Company to issue Shares pursuant to the Capital Raising during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity under ASX Listing Rule 7.1.

7.2 Technical information required by ASX Listing Rule 7.1

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

- (a) the maximum number of Shares to be issued under Resolution 8 is 25,000,000 Shares (on a post-Consolidation basis);
- (b) the Shares will be issued no later than 3 months after the date of the General Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that issue of the Shares will occur on the same date;
- (c) the issue price of the Shares will be \$0.20 per Share;
- (d) the Shares will be issued to applicants under the Prospectus. No related party of the Company will participate in the Capital Raising. The Directors consider that Shareholder approval pursuant to ASX Listing Rule 10.11 is not required in respect of the Proposed Directors' participation in the Capital Raising because each Proposed Director is only a related party of the Company by reason of the Acquisition, which is the reason for the issue of the Shares under the Capital Raising and the application to each of them of section 228(6) of the Corporations Act;
- (e) the Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares on issue;
- (f) the Company intends to use the funds raised from the Shares issued under the Capital Raising as set out in Section 1.12.

8. RESOLUTION 9 – ISSUE OF BROKER OPTIONS

8.1 General

Resolution 9 seeks Shareholder approval for the issue of up to 1,650,000 Options, with an exercise price of \$0.25 per Option and expiring 4 years from the date of issue (**Broker Options**) to advisers, consultants and brokers to the Acquisition in consideration for advisory, broking, consulting and capital raising services offered to the Company in connection with the Acquisition.

A summary of ASX Listing Rule 7.1 is set out in Section 5.2 above.

The effect of Resolution 9 will be to allow the Company to issue the Broker Options during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

8.2 Technical information required by ASX Listing Rule 7.3

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to the issue of the Broker Options:

- (a) the maximum number of Broker Options to be issued is 1,650,000 (on a post-Consolidation basis);
- (b) the Broker Options will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver

or modification of the ASX Listing Rules) and it is intended that issue of the Broker Options will occur on the same date;

- (c) the Broker Options will be issued for nil cash consideration in consideration for advisory, consulting, broking and capital raising services offered to the Company in connection with the Acquisition;
- (d) the Broker Options will be issued to parties who have acted as advisors, brokers and consultants in relation to the Acquisition (none of which will be or are related parties of the Company);
- (e) the Broker Options are exercisable at \$0.25 on or before the date which is 4 years from the date of issue and will be issued on the terms and conditions set out in Schedule 2; and
- (f) no funds will be raised from the issue of the Broker Options as they are being issued for nil cash consideration, as described in paragraph (c) above.

9. RESOLUTION 10 – ISSUE OF BROKER OPTIONS TO K S CAPITAL PTY LTD

9.1 General

Resolution 10 seeks Shareholder approval for the issue of up to 350,000 Broker Options to K S Capital Pty Ltd in consideration for lead manager services provided in relation to the Capital Raising.

A summary of ASX Listing Rule 7.1 is set out in Section 5.2 above.

The effect of Resolution 10 will be to allow the Company to issue the Broker Options during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

9.2 Technical information required by ASX Listing Rule 7.3

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to the issue of the Broker Options:

- (a) the maximum number of Broker Options to be issued is 350,000 (on a post-Consolidation basis);
- (b) the Broker Options will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that issue of the Broker Options will occur on the same date;
- (c) the Broker Options will be issued for nil cash consideration in consideration for lead manager services provided by K S Capital Pty Ltd in relation to the Capital Raising;
- (d) the Broker Options will be issued to K S Capital Pty Ltd (or its nominees) (none of which will be or are related parties of the Company);
- (e) the Broker Options are exercisable at \$0.25 on or before the date which is 4 years from the date of issue and will be issued on the terms and conditions set out in Schedule 2; and

- (f) no funds will be raised from the issue of the Broker Options as they are being issued for nil cash consideration, as described in paragraph (c) above.

10. RESOLUTIONS 11 TO 14 – ELECTION OF DIRECTORS

10.1 General

In accordance with clause 14.4 of the Constitution, the Company may elect a person as a Director by resolution passed at a general meeting.

In accordance with the Asset Sale Agreement, the Company has agreed to appoint Messrs Brian Miller (Resolution 11), Gino D'Anna (Resolution 12), Russell Moran (Resolution 13) and Noel Bonnick (Resolution 14) as directors of the Company. The appointment of the Proposed Directors will take effect on and from Settlement of the Acquisition.

For the Proposed Directors to be eligible for election, the Proposed Directors, or a Shareholder intending to propose their nomination, must leave at the Company's registered office at least 30 Business Days before the Meeting, a written notice from a Shareholder signifying their intention to nominate the Proposed Directors.

A letter of nomination from a Shareholder nominating each of the Proposed Directors as directors of the Company on and from Settlement is set out in Schedule 4. Pursuant to Resolutions 11 to 14, Messrs Miller, D'Anna, Moran and Bonnick seek election from Shareholders to be appointed upon Settlement.

10.2 Qualifications

The qualifications and experience of each of the proposed directors is set out in Section 1.7.

10.3 Independence

The Board considers that given the size of the Company, there is no need for independent directors to be present. As the size of the Company increases and operations grow, the Company will re-visit its need for independent directors.

10.4 Board Recommendation

The Board supports the election of each of Messrs Miller, D'Anna, Moran and Bonnick and recommends that Shareholders vote in favour of Resolutions 11 to 14.

Resolutions 11 to 14 are each subject to the passing of all other Essential Resolutions.

11. RESOLUTION 15 – CHANGE OF COMPANY NAME

Section 157(1)(a) of the Corporations Act provides that a company may change its name if the company passes a special resolution adopting a new name.

Resolution 15 seeks the approval of Shareholders for the Company to change its name to "K2fly Limited". The Board proposes this change of name on the basis that it more accurately reflects the proposed operations of the Company upon Settlement.

If Resolution 15 is passed the change of name will take effect after ASIC alters the details of the Company's registration.

The proposed name has been reserved by the Company and if Resolution 15 is passed, the Company will lodge a copy of the special resolution with ASIC on Settlement in order to effect the change.

GLOSSARY

\$ means Australian dollars.

Acquisition has the meaning given in Section 1.2.

Advisor Shares has the meaning given in Section 1.5.

Amended and Restated Asset Sale Agreement has the meaning given in Section 1.2.

ASIC means the Australian Securities & Investments Commission.

Assets has the meaning given in Section 1.2.

Asset Sale Agreement has the meaning given in Section 1.2.

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

ASX Listing Rules means the Listing Rules of ASX.

Board means the current board of directors of the Company.

Broker Options means an option to be issued with the terms and condition set out in Schedule 2.

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

Capital Raising has the meaning given in Section 1.5.

Chair means the chair of the Meeting.

Company means Power Resources Limited (ACN 125 345 502).

Conditions has the meaning given in Section 1.5.

Consideration Shares has the meaning given in Section 1.5.

Consolidation has the meaning given in Section 1.5.

Constitution means the Company's constitution.

Convertible Notes has the meaning given in Section 5.1.

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

Directors means the current directors of the Company.

Essential Resolutions means the inter-conditional resolutions in this Notice, being Resolutions 1 to 14 (inclusive).

Explanatory Statement means the explanatory statement accompanying the Notice.

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

Independent Expert means Stantons International.

K2fly means K2fly NL (ACN 163 818 059).

K2 Technology means K2 Technology Pty Ltd (ACN 095 147 112).

K2 Technology Vendor Shares has the meaning given in Section 1.5.

KMM means Kalgoorlie Mine Management Pty Ltd (ACN 009 235 625).

KMM Shares has the meaning given in Section 1.5.

K S Capital means K S Capital Pty Ltd (ACN 124 761 557).

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

Option means an option to acquire a Share.

Optionholder means a holder of an Option.

Prospectus means the prospectus to be issued by the Company in connection with the Capital Raising.

Proposed Directors means each of Brian Miller, Gino D'Anna, Russell Moran and Noel Bonnick.

Proxy Form means the proxy form accompanying the Notice.

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

Securities means Shares, Options and any other securities issued by the Company.

Settlement means settlement of the Acquisition.

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

Shareholder means a registered holder of a Share.

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

SCHEDULE 1 – ASSETS

1. ADAM.
2. ASSET TRACKING SYSTEM.
3. TAGMAN.
4. DOCMAN.
5. HANDOVER NOTES.
6. Property Inspector.
7. All software applications and technology platforms currently in development.
8. All development software licences, agreements, partnerships (eg SAP, Microsoft) and subscriptions (eg SAP memberships) required to operate and maintain the Assets.
9. All source code.
10. All the know-how, techniques, marketing, processes relating to software development.
11. All existing contracts related to software support and systems maintenance.
12. Software support staff contracts.
13. All technology and software development leads generated by K2 Technology within the three (3) years after Settlement.

SCHEDULE 2 – TERMS AND CONDITIONS OF BROKER OPTIONS

(a) **Entitlement**

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

(b) **Exercise Price**

Subject to paragraph (i), the amount payable upon exercise of each Option will be \$0.25 (**Exercise Price**).

(c) **Expiry Date**

Each Option will expire at 5:00 pm (WST) on the date which is four (4) years from the date of grant of the Options (**Expiry Date**). An Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.

(d) **Exercise Period**

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

(e) **Notice of Exercise**

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

(f) **Exercise Date**

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

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

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

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

If a notice delivered under (g)(ii) for any reason is not effective to ensure that an offer for sale of the Shares does not require disclosure to investors, the Company

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

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

(h) **Quotation of Shares issued on exercise**

If admitted to the official list of ASX at the time, application will be made by the Company to ASX for quotation of the Shares issued upon the exercise of the Options.

(i) **Reconstruction of capital**

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

(j) **Participation in new issues**

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

(k) **Change in exercise price**

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

(l) **Unquoted**

The Company will not apply for quotation of the Options on ASX.

(m) **Transferability**

The Options are transferable subject to any restriction or escrow arrangements imposed by ASX or under applicable Australian securities laws.

SCHEDULE 3 – PROFORMA BALANCE SHEET

	Unaudited Pro-forma 31 March 2016 Power (including the K2fly Assets \$
Current Assets	
Cash assets	2,165,062
Trade and other receivables/prepayments	357
Other financial assets	3,014
Total Current Assets	<u>2,168,433</u>
Non Current Assets	
Intangibles	3,650,000
Capitalised exploration and evaluation costs (Mineral Assets)	42,253
Total Non Current Assets	<u>3,692,253</u>
Total Assets	<u>5,860,686</u>
Current Liabilities	
Trade and other payables	-
Convertible notes liability	-
Total Current Liabilities	<u>-</u>
Non-Current Liabilities	
Financial liabilities - Borrowings	-
Total non-current Liabilities	<u>-</u>
Total Liabilities	<u>-</u>
Net Assets (Liabilities)	<u>5,860,686</u>
Equity	
Issued Capital	12,130,995
Reserves	134,560
Accumulated Losses	(6,404,869)
Total Equity	<u><u>5,860,686</u></u>

SCHEDULE 4 – NOMINATION OF DIRECTORS

1 July 2016

Board of Directors
Power Resources Limited
Level 1, 8 Parliament Place
West Perth WA 6005

Dear Sirs

NOTICE OF NOMINATION OF DIRECTORS – POWER RESOURCES LIMITED

Kalgoorlie Mine Management Pty Ltd being a member of Power Resources Limited (ACN 125 345 502) (**Company**), propose, pursuant to clause 14.4 of the Company's constitution, that the following persons be nominated for election as directors on and from the date that the Company completes the proposed acquisition of the asset management and asset maintenance technology assets owned by K2fly NL:

- Mr Brian Miller;
- Mr Gino D'Anna;
- Mr Russell Moran; and
- Mr Noel Bonnick.

Yours faithfully,

Kalgoorlie Mine Management Pty Ltd

ANNEXURE A – INDEPENDENT EXPERT’S REPORT

PROXY FORM

**POWER RESOURCES LIMITED
(TO BE RENAMED "K2FLY LIMITED")
ACN 125 345 502**

GENERAL MEETING

I/We

of:

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

Name:

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

or failing the person so named or, if no person is named, the Chair, or the Chair's nominee, to vote in accordance with the following directions, or, if no directions have been given, and subject to the relevant laws as the proxy sees fit, at the Meeting to be held at 11 am WST, on 22 August 2016 at Steinepreis Paganin of Level 4, The Read Building, 16 Milligan Street, Perth WA 6000, and at any adjournment thereof.

CHAIR'S VOTING INTENTION IN RELATION TO UNDIRECTED PROXIES

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

Voting on business of the Meeting		FOR	AGAINST	ABSTAIN
Resolution 1	Change to Nature and Scale of Activities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	Consolidation of Capital	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	Issue of Consideration Shares to K2fly NL	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4	Issue of Shares to Convertible Note Holders	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5	Issue of Shares to K2 Technology Pty Ltd	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6	Issue of Shares to Kalgoorlie Mine Management Pty Ltd	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 7	Issue of Shares to Corporate Advisor and Lead Manager	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 8	Capital Raising	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 9	Issue of Broker Options	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 10	Issue of Broker Options to K S Capital Pty Ltd	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 11	Election of Director – Brian Miller	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 12	Election of Director – Gino D'Anna	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 13	Election of Director – Russel Moran	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 14	Election of Director – Noel Bonnick	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 15	Change of Company Name	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

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

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

Signature of Shareholder(s):

Individual or Shareholder 1

Sole Director/Company Secretary

Shareholder 2

Director

Shareholder 3

Director/Company Secretary

Date: _____

Contact name: _____

Contact ph (daytime): _____

E-mail address: _____

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

Instructions for completing Proxy Form

1. **(Appointing a proxy):** A Shareholder entitled to attend and cast a vote at the Meeting is entitled to appoint a proxy to attend and vote on their behalf at the Meeting. If a Shareholder is entitled to cast 2 or more votes at the Meeting, the Shareholder may appoint a second proxy to attend and vote on their behalf at the Meeting. However, where both proxies attend the Meeting, voting may only be exercised on a poll. The appointment of a second proxy must be done on a separate copy of the Proxy Form. A Shareholder who appoints 2 proxies may specify the proportion or number of votes each proxy is appointed to exercise. If a Shareholder appoints 2 proxies and the appointments do not specify the proportion or number of the Shareholder's votes each proxy is appointed to exercise, each proxy may exercise one-half of the votes. Any fractions of votes resulting from the application of these principles will be disregarded. A duly appointed proxy need not be a Shareholder.
2. **(Direction to vote):** A Shareholder may direct a proxy how to vote by marking one of the boxes opposite each item of business. The direction may specify the proportion or number of votes that the proxy may exercise by writing the percentage or number of Shares next to the box marked for the relevant item of business. Where a box is not marked the proxy may vote as they choose subject to the relevant laws. Where more than one box is marked on an item the vote will be invalid on that item.
3. **(Signing instructions):**
 - **(Individual):** Where the holding is in one name, the Shareholder must sign.
 - **(Joint holding):** Where the holding is in more than one name, all of the Shareholders should sign.
 - **(Power of attorney):** If you have not already provided the power of attorney with the registry, please attach a certified photocopy of the power of attorney to this Proxy Form when you return it.
 - **(Companies):** Where the company has a sole director who is also the sole company secretary, that person must sign. Where the company (pursuant to Section 204A of the Corporations Act) does not have a company secretary, a sole director can also sign alone. Otherwise, a director jointly with either another director or a company secretary must sign. Please sign in the appropriate place to indicate the office held. In addition, if a representative of a company is appointed pursuant to Section 250D of the Corporations Act to attend the Meeting, the documentation evidencing such appointment should be produced prior to admission to the Meeting. A form of a certificate evidencing the appointment may be obtained from the Company.
4. **(Attending the Meeting):** Completion of a Proxy Form will not prevent individual Shareholders from attending the Meeting in person if they wish. Where a Shareholder completes and lodges a valid Proxy Form and attends the Meeting in person, then the proxy's authority to speak and vote for that Shareholder is suspended while the Shareholder is present at the Meeting.
5. **(Return of Proxy Form):** To vote by proxy, please complete and sign the enclosed Proxy Form and return by:
 - (a) post to Power Resources Limited, PO Box 1618, West Perth, WA 6005; or
 - (b) facsimile to the Company on facsimile number +61 8 9481 7835; or
 - (c) email to the Company at power@powerresources.com.au,so that it is received not less than 48 hours prior to commencement of the Meeting.

Proxy Forms received later than this time will be invalid.

6 July 2016

The Directors
Power Resources Limited
First Floor
8 Parliament Place
WEST PERTH WA 6005

The Independent Expert has concluded that the transactions related to the issues of a total of 16,000,000 post consolidated Consideration Shares in Power (as consideration for the Acquisition of the K2fly Assets) to K2fly, the subject of Resolution 3 as outlined in the Notice of General Meeting are fair and reasonable to the shareholders of the Company (not associated with K2fly and its associates) as at the date of this report.

Dear Sirs

Re: POWER RESOURCES LTD (ABN 69125 345 502) (“POWER” OR “THE COMPANY”) ON THE PROPOSAL TO ISSUE A TOTAL OF 16,000,000 POST CONSOLIDATED ORDINARY SHARES AS CONSIDERATION TO ACQUIRE THE K2FLY TECHNOLOGY ASSETS (“K2FLY ASSETS”) FROM K2FLY NL (“K2FLY”) - SHAREHOLDERS’ MEETING PURSUANT TO SECTION 611 (ITEM 7) OF THE CORPORATIONS ACT 2001 (“TCA”)

1. Introduction

1.1 We have been requested by the Directors of Power to prepare an Independent Expert’s Report to determine the fairness and reasonableness as noted in Resolution 3 (the issue of 16,000,000 post consolidated ordinary shares (refer below) to K2fly and as referred to in the Notice of Meeting of Shareholders (“Notice”) and the Explanatory Statement (“ES”) attached to the Notice to be forwarded to shareholders in July 2016 for a shareholders meeting planned for August 2016.

1.2 On 16 May 2016, the Company announced that it had entered into a conditional agreement (“Asset Sale Agreement”) to acquire 100% of the K2flyK2fly Assets from an unlisted public company K2fly. The Assets Sale Agreement was superseded by an Amended and Restated Asset Sale Agreement (“ARASA”) on 3 June 2016. K2fly is the owner of the technology and business systems relating to the delivery of robust solutions across enterprise asset management and enterprise mobility solutions. The K2fly Assets include the following enterprise asset management (“EAM”) solutions and enterprise mobility solutions (“EMS”):

EAM Solutions

- **ADAM (Asset Data Analysis Management)**
ADAM was developed in 2004 and is a single source integrated technology for the development and optimisation of asset management information, including data capture, maintenance analysis and build, spares identification, which is configurable for upload to any asset management system.

EMS

- **Tagman**
The Tagman Asset Verification app allows engineers in the field to capture and record data against a hierarchical asset structure, makes notes linking multiple photo's, scan and verify barcode information, as well as log GPS co-ordinates.
- **Docman**
The Docman Task Management app allows engineers in the field electronically receive assigned tasks, captures notes and link multiple photos, with progress remotely monitored via a web service.
- **Handover Notes**
The Handover app allows team members to capture electronic notes with photos during shifts and as incidents occur, as well as email specific records to other colleagues improving field communication.
- **PropertyInspector**
PropertyInspector is a mobile building/asset inspection solution, which simplifies routine inspection tasks. PropertyInspector is marketable to any industry undertaking routine inspections (i.e. hire cars, health and safety audits etc)

K2flyK2fly is also developing new apps and solutions, one of which will be known as ADAMLITE.

In addition, pursuant to the agreement, K2flyK2fly and K2T entered into a Partnership Agreement whereby each are able to cross promote products and services into the pooled client base, and each party can earn commissions on joint tenders in addition to ordinary revenue. K2fly under the Partnership Agreement allows K2fly direct access to licence-ready blue chip clients for the roll out of its technology offerings. K2T can provide support services when clients are looking for additional operational support beyond technology licence sales. The Partnership Agreement between K2flyK2fly and K2T incentivises K2T with a 20% commission on technology sales to its existing client base and on new tenders that it invites K2flyK2fly to join and conversely, K2flyK2fly is eligible to receive a 5% commission on asset management contracts that it originates for K2 Technology.

Further details on K2fly and the K2fly Assets are outlined elsewhere in this report and the ES attached to the Notice.

The proposal to acquire 100% of the K2flyK2fly Assets is known as the Acquisition. The Acquisition is subject to the following conditions precedent:

- Completion of a consolidation of capital on a 1 for 9.4 basis;
- Successful completion of a capital raising of not less than \$3,000,000 at an issue price of 20 cents (the "Capital Raising") (refer below) under a prospectus or such greater amount as required to meet the assets test admission criteria set out in Australian Securities Exchange ("ASX") Listing Rules;
- Receipt of required approvals, including that of ASX and Power shareholders; and
- To the extent required by the ASX, Power or the Listing Rules, the recipients of the Consideration Shares, K2 Technology Vendor Shares, Upfront Share Consideration, Advisory and Lead Manager Shares and Broker Options and their controllers (refer details below under paragraph 1.3) entering into Restriction Agreements.

- 1.3 The agreed consideration to acquire the K2flyK2fly Assets from K2fly is the issue by Power of 16,000,000 shares (“Consideration Shares”) at a deemed issue price of 20 cents each.

In addition, the following post consolidated securities will be issued at completion:

- 1,500,000 shares (K2 Technology Shares) to K2 Technology Pty Ltd (“K2T”) or its nominee;
- 4,500,000 shares (Upfront Share Consideration) to Kalgoorlie Mine Management Pty Ltd (“KMM”) in consideration for past and future services to be provided to K2fly;
- 350,000 share options to KS Capital Pty Ltd and up to 1,650,000 share options to be issued as agreed between K2fly and Power (collectively Broker Options) (up to 2,000,000 Broker Options may be issued); and
- 1,250,000 shares (Advisory and Lead Manager Shares) in accordance with K2fly’s instructions.

Furthermore, an upfront cash payment of \$250,000 will be made to KMM and Power will enter into a commercial consultancy agreement for services to be provided by KMM to K2fly for \$12,500 per month for a period of two years (payment of \$300,000 over 2 years).

- 1.4 Pursuant to the Sale of ARASA, the directors of K2fly have agreed with Power as to the near future make-up of the Power Board. At completion of the Acquisition, Messrs Brian Miller, Russell Moran, Gino D’Anna and Noel Bonnick will become directors of Power and Messrs Michael Scivolo, Robert J Collins and Hersh S Matjeles, existing directors of Power, will resign. Brian Miller will become the Executive Chairman and Chief Executive Officer.

In addition, certain key management personal (“KMP’s”) of K2fly will continue as KMP’s following Completion of the Acquisition.

- 1.5 It is possible that K2fly upon receiving the 16,000,000 Consideration Shares may (subject to K2fly shareholders’ approval), distribute the 16,000,000 Consideration Shares to its shareholders as an in-specie return of capital and thus if that occurred, the K2fly shareholders would become shareholders in Power. Subject to K2fly shareholder approval, the in-specie distribution would occur approximately 3 months after the Acquisition is completed.

- 1.6 The Capital Raising referred to in paragraph 1.2 above is to be a minimum of \$3,000,000 (15,000,000 post consolidated Capital Raising Shares) and a maximum of \$5,000,000 (25,000,000 post consolidated Capital Raising Shares). The proposed issue price for the Capital Raising Shares is to be 20 cents each.

- 1.7 Collectively on completion of the Acquisition and assuming the issue of 15,000,000 Capital Raising Shares to raise a gross \$3,000,000 (the minimum Capital Raising) K2fly could have a relevant interest in approximately 36.19% of the expanded issued capital of Power before any in-specie return of capital noted in paragraph 1.5 above. However, if the maximum Capital Raising was undertaken to raise a gross \$5,000,000, the percentage interests of K2fly before the in-specie return of capital would decrease to approximately 29.52%.

Pursuant to the Sale of Asset Agreement, the directors of K2fly have agreed with Power as to the near future make-up of the Power Board.

1.8 There are 15 resolutions being put to the shareholders.

- Resolution 1 refers to the change in nature and scale of activities;
- Resolution 2 refers to the planned 1 for 9.4 consolidation of capital;
- Resolution 3 relates to the proposal to issue 16,000,000 Consideration Shares to K2fly;
- Resolution 4 relates to the proposal to issue 937,500 shares to convertible note holders (at a deemed 16 cents per share);
- Resolution 5 relates to the proposal to issue of 1,500,000 K2 Technology Shares to K2T;
- Resolution 6 relates to the proposal to issue of 4,500,000 Upfront Consideration Shares to KMM;
- Resolution 7 relates to the proposal to issue of 1,250,000 Advisory Shares;
- Resolution 8 relates to the proposal to issue of up to 25,000,000 Capital Raising Shares (to raise up to \$5,000,000);
- Resolution 9 relates to the proposal to issue of 1,650,000 Broker Options;
- Resolution 10 relates to the proposal to issue of 350,000 Broker Options to KS Capital;
- Resolution 11 relates to the proposal to the appointment of Brian Miller as a director of the Company;
- Resolution 12 relates to the proposal to the appointment of Gino D'Anna as a director of the Company;
- Resolution 13 relates to the proposal to the appointment of Russell Moran as a director of the Company;
- Resolution 14 relates to the proposal to the appointment of Noel Bonnick as a director of the Company;
- Resolution 15 relates to the proposal to change the name of the Company to K2fly Limited.

We are not reporting on the merits or otherwise of Resolutions 1 to 2 and 4 to 15 but do note that all are part of the recapitalisation of the Company and as part of the Acquisition (of the K2fly Assets)

1.9 Apart from this introduction, this report considers the following:

- Summary of opinion
- Implications of the proposal
- Corporate history and nature of business of Power and K2fly
- Future direction of Power
- Basis of valuation of Power shares
- Value of consideration
- Basis of valuation of the K2fly Assets
- Fairness of the Acquisition
- Conclusion as to fairness
- Reasonableness of the Acquisition
- Conclusion as to reasonableness
- Shareholders decision
- Sources of information
- Appendices A and B and our Financial Services Guide

- 1.10 Under Section 606 of TCA, a person must not acquire a relevant interest in issued voting shares in a company if because of the transaction, that persons or someone else's voting power in the company increases:
- (a) from 20% or below to more than 20%; or
 - (b) from a starting point that is above 20% and below 90%.

Under Section 611 (Item 7) of TCA, Section 606 does not apply in relation to any acquisition of shares in a company by resolution passed at a general meeting at which no votes were cast in favour of the resolution by the acquirer or the disposer or respective associates. An independent expert is required to report on the fairness and reasonableness of the transaction pursuant to a Section 611 (Item 7) meeting.

- 1.11 As noted above, K2fly will acquire an initial shareholding interest of approximately 36.19% assuming the issue price of the Capital Raising Shares is 20 cents each and \$3,000,000 is raised. The percentage may decrease to approximately 29.52% if the Capital Raising is the maximum of \$5,000,000.

Therefore, an independent expert's report pursuant to Section 611 (Item 7) of TCA is required to report on the fairness and reasonableness of the transaction pursuant to Resolution 3 (issue a total of 16,000,000 Consideration Shares).

- 1.12 An independent expert's report should accompany the Notice stating whether the proposals to issue a total of 16,000,000 Consideration Shares to K2fly as noted above is fair and/or reasonable to the shareholders of Power not associated with K2fly. To assist shareholders in making a decision the directors of Power have requested that Stantons International Securities Pty Ltd prepare an Independent Expert's Report.

This report addresses the issues of whether the proposal to issue a total of 16,000,000 Consideration Shares to K2fly as the consideration to acquire all of the K2fly Assets is fair and reasonable to the shareholders of Power not associated with K2fly.

- 1.13 In determining the fairness and reasonableness of the acquisition of the K2fly Assets, we have had regard for the definitions set out by the Australian Securities and Investments Commission ("ASIC") in its Regulatory Guide 111, "Content of Expert Reports". Regulatory Guide 111 states that an opinion as to whether an offer is fair and/or reasonable shall entail a comparison between the offer price and the value that may be attributed to the securities under offer (fairness) and an examination to determine whether there is justification for the offer price on objective grounds after reference to that value (reasonableness).

The concept of "fairness" is taken to be the value of the offer price, or the consideration, being equal to or greater than the value of the securities in the above mentioned offer. Furthermore, this comparison should be made assuming 100% ownership of the "target" and irrespective of whether the consideration is scrip or cash. An offer is "reasonable" if it is fair.

An offer may also be reasonable, if despite not being fair, there are sufficient grounds for security holders to accept the offer in the absence of any higher bid before the close of the offer. Although in this case the proposed Acquisition of the K2fly Assets is not a takeover offer, we have considered the general principals noted above to determine our opinions on fairness and reasonableness.

1.14 **In our opinion, the proposal as outlined in paragraph 1.3 and Resolution 3 may, on balance, taking into account the factors referred to in 11 below and elsewhere in this report, be considered to be fair and reasonable to the shareholders of Power (not associated with K2fly) as at the date of this report.**

1.15 The opinions expressed above must be read in conjunction with the more detailed analysis and comments made in this report.

2. **Implications of the Proposals**

2.1 As at 6 July 2016, there are 47,187,501 ordinary fully paid pre-consolidated shares on issue in Power. The top 20 shareholders list as at 19 May 2016 discloses the following:

Shareholder	No. of fully paid shares	% of issued fully paid shares
Kalgoorlie Mine Management Pty Ltd	7,000,000	14.834
Rovigno Pty Ltd	5,000,000	10.596
Pershing Australia Nominees Pty Ltd	4,700,000	9.960
Prospero Capital Pty Ltd	4,497,258	9.531
Imperial Nominees Pty Ltd	2,687,500	5.695
	<u>23,884,758</u>	<u>50.616</u>

2.2 The top 20 shareholders as per the top 20 shareholders list at 19 May 2016 owned approximately 79.537% of the ordinary issued capital of the Company.

2.3 The movement in the issued capital of the Company on the basis of a minimum Capital Raising of \$3,000,000 and a maximum Capital Raising of \$5,000,000 at 20 cents per share may be:

	Minimum Number	Maximum Number
Shares on issue at 6 July 2016	<u>47,187,501</u>	<u>47,187,501</u>
1 for 9.4 consolidation of capital		
Ordinary shares on issue before the Capital Raising and Acquisition (estimated)	5,019,947	5,019,947
Capital Raising Shares	15,000,000	25,000,000
Consideration Shares	16,000,000	16,000,000
Convertible Note shareholders	937,500	937,500
K2 Technology Vendor Shares	1,500,000	1,500,000
Upfront Share Consideration Shares	4,500,000	4,500,000
Advisory and Lead Manager Shares	<u>1,250,000</u>	<u>1,250,000</u>
Ordinary shares on Issue post Acquisition but before the exercise of Broker Options	<u>44,207,447</u>	<u>54,207,447</u>

As noted above there may be up to 2,000,000 Broker Options on issue (post consolidated), exercisable at 25 cents each, on or before 4 years from date of issue (expected to be issued in late August 2016).

2.4 Pursuant to the ARASA, the directors of K2fly have agreed with Power as to the near future make-up of the Power Board. At completion of the Acquisition, Messrs Brian Miller, Russell Moran, Gino D'Anna and Noel Bonnick will become directors of Power and Michael Scivolo, Robert J Collins and Hersh S Matjeles, existing directors of Power, will resign. Brian Miller will become the Executive Chairman and Chief Executive Officer.

In addition, certain key management personal (“KMP’s”) of K2fly will continue as KMP’s following Completion of the Acquisition.

2.5 The K2fly Assets will become assets of Power.

3. Corporate History and Nature of Businesses

Power

3.1 Principal Activities and Significant Assets

Power is a junior exploration company listed on the ASX (since 23 November 2007). Currently the Company has only one interest (90%) in a mineral tenement being the Linden (Good Hope) Gold Project in the eastern goldfields of Western Australia. Minimal exploration work has been conducted on this project over the past 12 months and it is expected that the tenements on completion of the Acquisition will be forfeited (or sold to a third party for a minimal amount).

The Company has minimal cash and is in a net deficiency situation as at 31 December 2015 (deficiency \$44,344) before adjusting for losses post 31 December 2015.

K2fly Business and background of K2fly and K2 Technology Pty Ltd

3.2 K2 Technology Pty Ltd (K2T) a Perth based oil and gas engineering and consulting company entered into an agreement with K2fly in May 2015 (then called Durus Copper NL) in relation to the acquisition by K2fly of the technology assets owned by K2T for total consideration of \$1,000,000. The Consideration payable to K2T was/is made up of:

- \$400,000 cash within two weeks of execution of the agreement and this was paid;
- \$300,000 in cash that was paid in April 2016;
- The issue of \$300,000 of shares in a public listed company via a reverse takeover (“RTO”) and the shares to be issued the same price as the RTO.

In addition, pursuant to the agreement, K2fly and K2T entered into a Partnership Agreement whereby each are able to cross promote products and services into the pooled client base, and each party can earn commissions on joint tenders in addition to ordinary revenue. K2fly under the Partnership Agreement allows K2fly direct access to licence-ready blue chip clients for the roll out of its technology offerings. K2T can provide support services when clients are looking for additional operational support beyond technology licence sales. The Partnership Agreement between K2fly and K2T incentivises K2T with a 20% commission on technology sales to its existing client base and on new tenders that it invites K2fly to join and conversely, K2fly is eligible to receive a 5% commission on asset management contracts that it originates for K2 Technology.

Power will replace K2fly under the Partnership Agreement.

On 3 May 2016, K2fly NL (“K2fly” or the “Company”) successfully executed its first significant partnering agreement for the sale of its asset management and maintenance software across Europe, including the United Kingdom. The partnering agreement provides K2fly with the ability to leverage its software portfolio utilising the key distribution partner to facilitate the sales of the K2fly asset management and maintenance software to major clients across Europe. The Key Distribution Partner (“Distributor”) is a FTSE-100 company and has worked in the infrastructure and energy industries since 1990, leading the adoption of Enterprise Asset Management software in asset intensive industries.

The Distributor has worked in close partnership with major organisations in the infrastructure and energy industries for over 20 years with clients including Thames Water, United Utilities, Western Power, National Grid, Centrica, London Underground Limited, Network Rail and The National Health Service.

As part of the software distribution strategy being developed by K2fly, the Company is also targeting the execution of additional partnering agreements aimed at servicing different industry sectors and focused on mobility solutions. Targeted partners include a major mobility and app solutions developer and re-seller operating across Australia and the United States of America, as well as a risk management software developer for the asset management sector operating across Ireland and a mobility solutions and app software developer operating across the Asia-Pacific region, including Indonesia, Singapore and Vietnam. Each of these targeted partners have access to a significant network of clients operating in asset intensive sectors, where the need for robust Enterprise Asset Management software has been recognised. The execution of these additional partnering agreements will provide K2fly with the critical mass required in order to build its brand profile within the asset management and asset maintenance sector across the globe.

Power will replace K2fly under the Distribution Partnering Agreement.

K2fly has service contacts (either directly or through service companies) with Gino D'Anna, Russell Moran, Candice Stevenson (current accountant for K2fly), Brian Miller, Noel Bonnick, Andrew Davies (software architect for K2fly) and Marjan Rafati (software developer for K2fly). These contracts will be assigned, so Power takes over the obligations and the employees/contractors provide services to Power.

K2fly was formerly called Durus Copper NL ("Durus") and was formed in November 2013 to acquire copper mineral projects in South America. Durus in 2015 ceased the mineral exploration activities (its overseas subsidiary was sold) and in May 2015 acquired the rights to the K2fly Assets as noted above. K2fly has undertaken a number of small capital raisings and in April 2016 completed a placement of 26,250,000 shares at 2 cents each to raise a gross \$525,000 (was originally to raise \$450,000 at 2 cents each). \$300,000 of the funds raised was used to fund the \$300,000 cash liability to K2T as noted above. As at 30 June 2016, K2fly has 75,650,000 fully paid shares on issue, along with 26,000,000 partly paid shares (paid to 0.01 cents with uncalled capital of 19.99 cents).

In June 2016, K2fly issued seven Convertible Notes ("Notes") and raised \$150,000. These Notes are to be converted to a total of 937,500 shares in Power at 16 cents per post consolidated share (a 20% discount to the Capital Raising issue price of 20 cents per share).

For details on the EAM Solutions and the EMS of K2fly (in effect the K2fly Assets), refer paragraph 1.2 above and the ES attached to the Notice and announcements made by Power since 16 May 2016 and to date. All shareholders should read the ES to gain a fuller picture of the K2fly business model before voting on Resolution 3 (and all other Resolutions).

- 3.3 A summary audited 31 December 2015 balance sheet (statement of financial position) of K2fly is disclosed in section 5 of this report. However, it is noted that K2fly as a company is not being acquired and only the K2fly Assets are being acquired (along with the rights and obligations under the Partnership Agreement).

4. **Future Directions of Power**

4.1 We have been advised by the directors and management of Power that:

- There are no proposals currently contemplated either whereby Power will acquire any further assets from K2fly (however Power will issue Consideration Shares to K2fly as outlined above in relation to the Acquisition) or where Power will transfer any of its property or assets to K2fly;
- The composition of the Board will change in the short term as noted above;
- The Company is to shortly raise a minimum of \$3,000,000 and a maximum of \$5,000,000 (before capital raising costs) via a Capital Raising with such funds being primarily used to develop and progress the K2fly Assets and Businesses and for general working capital;
- No dividend policy has been set; and
- The Company will endeavour to sell or joint venture out the existing exploration assets relating to Linden (Good Hope).

5. **Basis of Valuation of Power Shares**

5.1 Shares

5.1.1 In considering the proposal to acquire the K2fly Assets, we have sought to determine if the consideration payable by Power to K2fly is fair and reasonable to the existing non-associated shareholders of Power.

5.1.2 The offer would be fair to the existing non-associated shareholders if the value of the K2fly Assets to be acquired by Power is greater than the implicit value of the Consideration Shares (ordinary shares) being offered as consideration. Accordingly, we have sought to determine a theoretical value that could reasonably be placed on Power shares for the purposes of this report.

5.1.3 The valuation methodologies we have considered in determining a theoretical value of a Power ordinary share are:

- Capitalised maintainable earnings/discounted cash flow;
- Takeover bid - the price at which an alternative acquirer might be willing to offer;
- Adjusted net asset backing and windup value; and
- The market price of Power shares.

5.2 Capitalised maintainable earnings and discounted cash flows.

5.2.1 Due to Power's current operations, a lack of a reliable long term profit history arising from business undertakings and the lack of a reliable future cash flow from current business activities, we have considered these methods of valuation not to be relevant for the purpose of this report. Power made a loss of \$6,464 for the nine months ended 31 March 2016 and as at that date has accumulated losses of \$4,840,849 (before adjustments as noted below).

5.3 Takeover Bid

5.3.1 It is possible that a potential bidder for Power could purchase all or part of the existing shares, however no certainty can be attached to this occurrence. To our knowledge, there are no current bids in the market place and the directors of Power have formed the view that there are unlikely to be any takeover bids made for Power in the immediate future. However, if the agreements to acquire the K2fly Assets are completed, K2fly may initially control approximately between 36.19% and 29.52% of the expanded ordinary issued capital

of Power assuming the maximum and minimum number of Capital Raising Shares are issued at 20 cents each.

5.4 Adjusted Net Asset Backing

5.4.1 We set out below an unaudited balance sheet (statement of financial position) of Power (Balance Sheet “A”) as at 31 March 2016, adjusted for the incurring estimated administration, due diligence, exploration and other costs of an estimated \$30,000 for the period 1 April 2016 to 31 August 2016.

In addition, we disclose a pro-forma consolidated Balance Sheet “B” assuming the following:

- The 1 for 9.4 consolidation of capital;
- The completion of the Capital Raising assumed to be the minimum gross amount of \$3,000,000, incurring capital raising costs and associated due diligence costs of approximately \$483,000;
- The acquisition of all of the K2fly Assets by way of an issue of 16,000,000 Consideration Shares at a deemed issue price of 20 cents per share for a total share ordinary share consideration of \$3,200,000;
- The issue of 1,500,000 K2 Consideration Shares with a deemed value of \$300,000;
- The issue of 937,500 shares to the K2fly convertible note holders with a deemed value of \$150,000;
- The issue of 4,500,000 Upfront Share Consideration for an agreed value of \$900,000;
- The issue of 1,250,000 Advisory and Lead Manager Shares with an agreed value of \$250,000;
- The payment of Power creditors (\$55,143) and financiers (\$65,000) as at 31 March 2016 (as adjusted) totalling \$120,143;
- The issue up to 2,000,000 Broker Options with an assessed fair value of approximately \$134,560 and
- The payment of an Upfront Cash Payment to KMM of \$250,000.

Notwithstanding that we are not acquiring all of the shares in K2fly, we disclose a summary audited statement of financial position of K2fly as at 31 December 2015 after adjusting for:

- The incurring of losses between 1 January 2016 and 31 August 2016 estimated at \$250,000 based on preliminary budgets prepared by K2fly management (added to liabilities); and
- The issue of seven Notes to raise a gross \$150,000 (these are to convert to a total of 937,500 ordinary shares in Power (at 16 cents each) as noted in Resolution 4 in the Notice).

	Unaudited Adjusted 31 March 2016 Power \$ “A”	Unaudited Pro-forma 31 March 2016 Power (including the K2Fly Assets \$ “B”	Audited Adjusted K2fly 31 December 2015 \$
Current Assets			
Cash assets	18,205	2,165,062	224,815
Trade and other receivables/prepayments	357	357	10,734
Other financial assets	3,014	3,014	-
Total Current Assets	21,576	2,168,433	235,549
Non Current Assets			
Intangibles	-	3,650,000	866,667
Capitalised exploration and evaluation costs (Mineral Assets)	42,253	42,253	-
Total Non Current Assets	42,253	3,692,253	866,667
Total Assets	63,829	5,860,686	1,102,216
Current Liabilities			
Trade and other payables	55,143	-	923,875
Convertible notes liability	-	-	150,000
Total Current Liabilities	55,143	-	1,073,785
Non-Current Liabilities			
Financial liabilities - Borrowings	65,000	-	-
Total non-current Liabilities	65,000	-	-
Total Liabilities	120,143	-	1,073,785
Net Assets (Liabilities)	(56,314)	5,860,686	28,431
Equity			
Issued Capital	4,813,995	12,130,995	1,245,680
Reserves	-	134,560	-
Accumulated Losses	(4,870,309)	(6,404,869)	(1,217,339)
Total Equity (Deficiency)	(56,314)	5,860,686	28,341

The adjusted net asset (book value) backing per fully paid (pre-Acquisition and the Capital Raising) ordinary Power share as at 31 March 2016 based on the unaudited adjusted balance sheet (Balance Sheet “A”) and 47,187,501 ordinary non- consolidated shares on issue (or 5,019,947 post consolidated shares) is \$NIL as it is in a negative liability position.

Based on the unaudited pro-forma consolidated net asset book values assuming a minimum Capital Raising of \$3,000,000, resulting in 44,207,447 post consolidated ordinary shares on issue), this equates to a value per fully paid ordinary share post the Acquisition of approximately 13.25 cents per ordinary share (ignoring the value, if any, of non-booked tax benefits).

Based on the unaudited pro-forma consolidated net asset book values and assuming a maximum Capital Raising of \$5,000,000 at 20 cents per share and capital raising costs of around \$610,000, resulting in 54,207,447 post consolidated ordinary shares on issue), this equates to a value per fully paid ordinary share post the Acquisition of approximately 14.26 cents per ordinary share (ignoring the value, if any, of non-booked tax benefits).

5.4.2 We have accepted the Power amounts as disclosed for all current assets, plant and current liabilities. We have been advised by the management of Power that they believe the carrying value of all current assets, other financial assets and liabilities at 31 December 2015 (as adjusted as noted above) are fair and not materially misstated.

5.4.3 In determining the net tangible asset value on a going concern basis it is necessary to adjust the book values of the Mineral Assets to reflect the technical (market) fair value of those Mineral Assets. We, in conjunction with Power instructed Al Maynard & Associates (“Maynard”) to undertake a valuation of the Mineral Assets of Power. In May 2016 Maynard prepared a Valuation Report in relation to the Mineral Assets. We have used and relied on the Maynard Valuation and have satisfied ourselves that:

- Maynard is a suitably qualified consulting firm and has relevant experience in assessing the merits of base metal projects and preparing base metal asset valuations (also the principal authors of the report, Al Maynard and Brian Varndell are suitably qualified and experienced);
- Maynard is independent from Power and K2fly; and
- Maynard to the best of our knowledge has employed sound and recognised methodologies in the preparation of the Maynard Valuation Report on Power’s Mineral Assets.

5.4.4 Maynard ascribed a range of market values for the Mineral Assets as follows:

	Low \$	Preferred \$	High \$
Linden (Good Hope) Project (90% interest)	<u>23,000</u>	<u>34,000</u>	<u>45,000</u>

5.4.5 Using the fair values of the Mineral Assets as ascribed in the Maynard Valuation Report and based on the assumptions/values provided to us of the other assets and liabilities of Power as at 31 December 2015 as per Balance Sheet A above, the net fair value of the Power Group is expected to lie in the range as follows:

	Paragraph	Low \$	Preferred \$	High \$
Mineral Assets	5.4.4	23,000	34,000	45,000
Current assets and other assets		21,576	21,576	22,576
Total liabilities		<u>(120,143)</u>	<u>(120,143)</u>	<u>(120,143)</u>
Total Net Assets (Liabilities) at fair values		<u>(75,567)</u>	<u>(64,567)</u>	<u>(52,567)</u>
Number of shares on issue (post consolidated)		5,019,947	5,019,947	5,019,947
Net asset per share (cents)		nil	nil	nil

5.4.6 Based on the preferred values, the adjusted net book values at 31 March 2016 equates to a value per share (on a post consolidated basis) of approximately nil cents (ignoring the value, if any, of non-booked tax benefits). See comments below on ASX share prices.

5.4.7 We note that the market has been informed of all of the current projects, and joint ventures entered into between Power and other parties. We also note it is not the present intention of the Directors of Power to liquidate the Company and therefore any theoretical value based upon wind up value or even net book value (as adjusted), is just that, theoretical. The shareholders, existing and future, must acquire shares in Power based on the market perceptions of what the market considers a Power share to be worth. It is noted that as Power is to divest itself of all its Mineral Assets, the potential value of a Power share would be the issue price that the Capital Raising is to be undertaken (to finance the Acquisition and to provide new working capital), being possibly 20 cents per post consolidated share.

5.4.8 The market has either generally valued the vast majority of small cap companies at significant discounts or premiums to appraised technical values and this has been the case for a number of years although we also note that there is an orderly market for Power shares and the market is kept fully informed of the activities of the Company. However, it is noted that from Power’s point of view, the value ascribed to the 16,000,000 Consideration Shares to be issued to K2fly would be accounted for at the market value of a Power share at date of issue.

The actual share price at the date of acquisition of the K2fly Assets cannot be determined at this point of time. For accounting purposes under Australian Equivalents to International Financial Reporting Standards (“A-IFRS”), the consideration for the issue of Consideration Shares to acquire the K2fly Assets will be booked at the fair value of the K2fly Assets or at the share price of a Power share at the date of Acquisition and not any perceived technical value.

5.5 Market Price of Power Fully Paid Ordinary Shares

5.5.1 Share prices in Power as recorded on the ASX since 1 January 2016 up to and including 26 April 2016 (last sale before the announcement of the proposed Acquisition on 16 May 2016) have been as follows:

2016	High Cents	Low Cents	Closing Price Cents	Volume 000’s
January	n/a	n/a	n/a	nil
February	1.1	1.1	1.1	96
March	1.1	1.1	1.1	400
April	1.1	1.1	1.1	30
May (to 13th)	n/a	n/a	n/a	nil

As can be seen from the trading volume on ASX, there was very little trading of the Power shares before the announcement of the proposed Acquisition. The Acquisition proposal was announced to the market on 16 May 2016. There were many trading days over the nine months to 13 May 2016 where there were no trades of Power shares on ASX.

As can be seen above, the price at which shares traded varied considerably and it is difficult to arrive at a fair value for a Power share, particularly in light of the extremely low trading volumes. Due to the modest volumes (no Deep Market exists), varying share price and the Company’s relatively low cash position and lack of business assets that may be affecting the share price, we have considered that the listed share price methodology is not the most appropriate methodology to use in this instance.

It is noted that values of shell companies vary considerably but for small cap companies may vary between \$250,000 and \$500,000. However, it is noted that the Company cannot sell itself and parties are only prepared to place funds in a company shell on the back of a firm proposal (as is the case with Power). The amount payable is dependent on a number of factors including shareholder spread, ASX compliance matters and extent of debt amongst

many factors. In our view a Company such as Power may have a shell value not exceeding \$300,000 but realistically this would be based on the premise that the Company has no or very minimal debt. Power has net liabilities and will need to comply with ASX Listing Rules (Chapters 1 and 2) in order to have its shares requested. This can be a difficult exercise and no guarantee that it can occur. It is noted that based on the last share sale price of 1.1 cents in late April 2016 (before the announcement of the Acquisition), the market capitalisation of the Company approximated \$519,000 and this arguably may approximate the “shell” value (say around \$500,000). It is noted that KMM who provides management to Power is to receive cash and shares with a deemed value totalling \$500,000- this backs up the potential shell value of around \$500,000. This would equate to approximately 1.0596 cents for each share in Power currently on issue (47,187,501 pre-consolidated shares) or approximately 9.960 cents on a post consolidation basis.

6. **Preferred valuation method of valuing a Power Share**

6.1 In assessing the fair value of Power and a Power ordinary share pre the Acquisition, we have selected the net assets on a going concern methodology as the preferred methodology as:

- Power does not generate revenues or profits and per the audited accounts has incurred significant losses in the financial years ended 30 June 2015 and 2014. Therefore, the capitalisation of future maintainable earnings and discounted future cash flows are not appropriate; and
- Although the shares of Power are listed, as there is extremely low trading volumes on ASX and the share prices in recent times may be affected by the lack of cash resources and in particular the lack of a sustainable business activity it is arguably inappropriate to use market share prices to value the Company and the shares in the Company for the purposes of this report. We note share prices as a secondary methodology and have considered share prices in assessing reasonableness of the proposal with K2fly.

6.2 As stated at paragraph 5.4.5 we have assessed the value of a Power ordinary share prior to the proposed Acquisition on a net asset basis on a going concern basis as follows:

Preferred

Net asset per share (cents)	<u>nil cents</u>
------------------------------------	-------------------------

We note that, the technical net asset value may not necessarily reflect fair values in the current economic circumstances of the Company. The value of a Power share pre Acquisition is dependent on the final sale price achieved (and timing of sale proceeds) relating to the Mineral Assets (as noted above). As noted above, there is the potential value per pre-consolidated share on a “shell” basis of around 1.059 cents (or 9.960 cents on a post consolidated basis).

6.3 As noted above the estimated preferred net asset price per share approximates nil cents which is less than the last ASX share price of approximately 1.1 cents on 26 April 2016 (the last trading share price date before of the announcement of the Acquisition on 16 May 2016).

6.4 The future value of a Power share will depend upon, inter alia:

- * the future commercialisation of the K2fly Assets being obtained via the Acquisition;
- * the successful sale or commercialisation of the Mineral Assets;
- * the state of Australian and overseas stock markets;
- * the strength and performance of the Board and management and/or who makes up the Board and management;
- * Foreign exchange rates;

- * general economic conditions;
- * the liquidity of shares in Power; and
- * possible ventures, licences and acquisitions entered into by Power.

7. Premium for Control

- 7.1 Premium for control for the purposes of this report, has been defined as the difference between the price per share, which a buyer would be prepared to pay to obtain or improve a controlling interest in the Company and the price per share which the same person would be required to pay per share, which does not carry with it control or the ability to improve control of the Company.
- 7.2 Under the Corporations Act 2001 (“TCA”), control may be deemed to occur when a shareholder or group of associated shareholders control more than 20% of the issued capital. In this case, K2fly (before the in-specie distribution of the 16,000,000 Consideration Shares) will obtain a shareholding interest of greater than 20% and K2fly’s initial shareholding interest will be well over 20%.
- 7.3 It is generally accepted that premium for control may vary from nil to 40% or more depending on many different factors including the nature of the business, the financial position of a company, and shareholding percentages. It is our view that a control premium of 20% is reasonable.
- 7.4 Our preferred methodology is to value Power and a Power share on a technical net asset basis which assumes a 100% interest in the Company. Therefore, no adjustment is considered necessary to the technical asset value determined under paragraph 5.4.5 as this already represents the fair value of the Company or a share in the Company on a pre Proposed Transactions (Acquisition) control basis.
- 7.5 We set out below the comparison of the book value of a Power share compared to the potential issue price for the ordinary Consideration Shares based on ASX share prices in January 2016 and to 13 May 2016.

	Para.	Low (cents)	Mid (cents)	High (cents)
Estimated fair value of a Power ordinary share	6.2	nil	nil	nil
Issue price of the ordinary Consideration Shares as adjusted for the 1 for 9.4 consolidation of capital		20.0	20.0	20.0
Excess/(shortfall) between Issue Price and fair value		20.0	20.0	20.0

On a pre-Acquisition control basis, the book value (not market value based on ASX share trades) of a Power share approximates NIL cents per share. As noted above, there is the potential value per pre-consolidated share on a “shell” basis of around 1.059 cents (or 9.954 cents on a post consolidated basis).

The deemed value of the Consideration based on the “fair” value of a post consolidated Power share (using a “shell” basis) may be made up of:

16,000,000 Consideration Shares	\$1,593,600 (at 9.960 cents)
Total Deemed Ordinary Share Consideration	<u>\$1,593,600</u>

The actual booked consideration may be the Capital Raising issue price of 20.0 cents (post consolidated) per share for a consideration of \$3,200,000.

- 7.6 We note that K2fly do not have Board control of Power before the Proposed Transaction pursuant to Resolution 3. From completion of the Acquisition, nominees of K2fly will have 4 members out of a 4-person Board.

8. **Value of Consideration**

- 8.1 Based on the pre-announcement assessed shell value of an ordinary share in Power, the ordinary share consideration would be:

16,000,000 Consideration Shares	<u>\$1,593,600</u>
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Assumed share issue price based on assessed <u>shell value</u> (paragraph 6.2) (post consolidated)	<u>9.960 cents</u>
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We have excluded the indirect costs and legal and other fees.

As noted above, the Company is in a negative liability position and on such a basis the pre-Acquisition shares are worth nil cents.

- 8.2 Based on the last sale price on 26 April 2016 of 1.1 cents and after allowing for the 1 for 9.4 consolidation of capital, the deemed accounting consideration (for the ordinary Consideration Shares only) may approximate \$1,654,400. Using the 20 cents Capital Raising issue price, the deemed Consideration attributable to the 16,000,000 Consideration Shares would be \$3,200,000.

9. **Fairness of the proposals with K2fly**

- 9.1 In arriving at our conclusion on fairness, we considered whether the transaction is “fair” by comparing:

- (a) the fair market value of a Power share pre-transaction on a control basis; versus
- (b) the fair market value of a Power share post-transaction on a minority basis, taking into account the additional cash raised via the Capital Raising and the associated dilution resulting from the issue of new ordinary shares under the proposed Acquisition (refer below).

- 9.2 The shell value of a Power share **pre the Proposed Acquisition on a control basis** as noted in paragraph 6.2 is 9.960 (assuming the 1 for 9.4 consolidation) cents (but using net liability position only, the shares have nil value).

- 9.3 We set out below the range of estimated technical net asset values of Power based on Pro-forma Balance Sheet A as detailed in paragraph 5.4.1 and after adjusting for the following transactions:

- Completion of the 1 for 9.4 consolidation of capital;
- The completion of the Capital Raising assumed to be the minimum gross amount of \$3,000,000 (issue of 25,000,000 shares) and incurring capital raising costs and other costs of \$483,000;
- The acquisition of the K2fly Assets by way of an issue of 16,000,000 Consideration Shares. As noted below, we have ascribed a current fair value for the K2fly Assets of \$1,250,000. The ultimate fair value of the K2fly Assets may be materially higher if preliminary projections made by K2fly management are achieved (refer section 10 of this report);

- The issue of 937,500 shares to the convertible note holders in K2fly;
- The issue of 4,500,000 Upfront Share Consideration Shares, 1,500,000 K2 Technology Shares and 1,250,000 Advisory and Lead Manager Shares; and
- Accounting for Up Front Cash Payment of \$300,000 and the management fee to be paid to KMM over two years totalling \$250,000.

	Preferred \$
Net liabilities at fair values pre Acquisition and other transactions (refer paragraph 5.4.5)	(64,567)
Net Cash raised from the Capital Raising	2,517,000
Value of the K2fly Assets (Refer to paragraph 10.8)	1,250,000
Payment of Upfront Cash to KMM	(250,000)
Deferred management fees	<u>(300,000)</u>
Total post Acquisition Value	<u>3,152,433</u>
Number of ordinary post consolidated shares on issue	44,207,447
Net asset value per share (not book value) (cents)	7.131
Minority interest discount	16.67%
Minority value per share (cents)	5.942

If the number of Capital Raising Shares issued was 25,000,000 (at 20 cents each) to raise a net \$4,390,000 after Capital Raising costs of say \$610,000 (instead of a net \$483,000), the net Minority Value per share (54,207,447 shares) would approximate 7.725 cents.

Both of the above calculations take into account the Capital Raisings as part and parcel of the Acquisition. Shareholders must approve the Capital Raising and Acquisition before the Capital Raising can proceed. In the absence of the Acquisition approval, the Acquisition will not proceed and Power will end up as virtually a small cash box with possible ownership of the Linden (Good Hope) Project (that is planned to be disposed of as noted above).

- 9.4 In order to reflect the minority interest value we have applied a minority interest discount to the technical net asset value. The minority interest discount has been calculated as the inverse of the premium for control of 20% as discussed in paragraph 7.3.
- 9.5 Using the book liability position, the estimated fair value of a Power share pre the Proposed Acquisition on a control basis (nil cents) is less than the estimated fair value of a Power share post the proposals on a minority basis (5.942 cents or 7.725 cents on the basis of the Capital Raising at 20 cents) (on an undiluted basis that excludes the exercise of up to 2,000,000 Broker Options) and on the preferred methodology basis, the issue of 16,000,000 Consideration Shares to acquire the K2fly Assets would be fair.

If we used the “shell” value attributable of \$500,000 as noted above, the estimated fair value of a Power share post the proposals on a minority basis (7.006 cents or 8.593 cents on the basis of the Capital Raising at 20 cents) (on an undiluted basis that excludes the exercise of up to 2,000,000 Broker Options), the issue of 16,000,000 Consideration Shares to acquire the K2fly Assets would be fair.

- 9.6 If we took into account the 2,000,000 Broker Options exercisable at 25 cents each but ignored losses or profits subsequent to the Acquisition, the Company would receive cash funds of \$500,000 and the value of a share from a minority point of view would approximate 6.586 cents (based on a gross \$3,000,000 Capital Raising) and would approximate 8.494 cents (based on a gross Capital Raising of \$5,000,000).

10. **Basis of Valuation of the K2fly Assets**

- 10.1 The usual approach to the valuation of an asset is to seek to determine what an informed, willing but not anxious buyer would pay to an informed, willing but not anxious seller in an open market.
- 10.2 Completion of the Acquisition is conditional on all necessary due diligence being successfully completed on K2fly, the K2fly Assets and its business. We advise that we have not undertaken any further steps to ascertain ownership of the K2fly Assets.
- 10.3 The usual approach to the valuation of an asset is to seek to determine what an informed, willing but not anxious buyer would pay to an informed, willing but not anxious seller in an open market. To estimate the fair market value of the K2fly Assets, we have considered valuation methodologies recommended by ASIC Regulatory Guideline 111 regarding valuation reports of independent experts and common market practice. These are discussed below.

10.4 Market based methods

Market based methods estimate a company's fair market value by considering the market price of transactions in its shares or market value of comparable companies. Market based methods include:

- Capitalisation of maintainable earnings; discounted cash flows and multiples of EBITDA or EBIT;
- Analysis of a company's recent share trading history; and
- Industry specific methods.

The capitalisation of maintainable earnings methods estimates fair market value based on the company's future maintainable earnings and an appropriate earnings multiple. An appropriate earnings multiple is derived from market transactions involving comparable companies. The capitalisation of maintainable earnings is appropriate where the company's earnings are relatively stable. The most recent share trading history provides evidence on the fair market value of the shares in a company where they are publicly traded in an informed and liquid market. Industry-specific methods estimate market value using rules of thumb for a particular industry. Generally, rules of thumb provide less persuasive evidence on market value of a company, since they may not account for company-specific factors.

10.5 Discounted cash flow method

The discounted cash flow method estimates market value by discounting a company's future cash flows to their present value. This method is appropriate where a projection or forecast of future cash flows can be made with a reasonable degree of confidence. The discounted cash flow method is commonly used to value early stage companies or projects with a finite life.

10.6 Asset-based methods

Asset-based methods estimate the market value of a company's shares based on the realisable value of its identifiable net assets. Asset-based methods include:

- Orderly realisation of assets method;
- Liquidation of assets method; and
- Net asset on a going concern basis.

The orderly realisation of assets method estimates fair market value by determining the amount that would be distributed to shareholders, after payment of all liabilities, including realisation costs and taxation charges that arise, assuming the company is wound up in an orderly manner. The liquidation method is similar to the orderly realisation of assets method except the liquidation method assumes the assets are sold in a shorter timeframe. Since winding up or liquidation of the company may not be contemplated, these methods in their strictest form may not necessarily be appropriate. The net assets on a going concern basis, estimates the market values of the net assets of the company but does not take account of realisation costs.

These approaches ignore the possibility that the company's value could exceed the realisable value of its assets. Asset-based methods are appropriate when companies are not profitable or a significant proportion of a company's assets are liquid.

10.7 Selection of Valuation Methodologies

In this section we consider the valuation of the K2fly Assets. We have considered the valuation of K2fly Assets in assessing whether or not the proposal outlined in Resolution 3 is fair and reasonable for Power's non-associated shareholders. In forming our opinion on the value of the K2fly Assets we have, inter-alia:

- Considered the stage of development of the K2fly Assets and the prospective financial information available;
- Considered the appropriateness of the valuation methodologies available; and
- Considered the ability of K2fly to continue as a going concern without funding.

All of the valuation methodologies considered above have significant limitations or restrictions in their application to the K2fly Assets.

Capitalisation of maintainable earnings is not appropriate because K2fly is not presently profitable. Recent share trading is not applicable as K2fly it is a private company and the shares in K2fly are not being acquired.

However, we note that K2fly (then called Durus Copper NL) acquired the K2fly Assets from K2T as noted above in May 2015 for a deemed consideration of \$1,000,000 and this was undertaken on an arms-length basis. Furthermore, K2fly in March 2015 issued 26,250,000 shares at 2 cents each to raise a gross \$525,000 (the "Placement") (and \$300,000 was used to pay K2T the \$300,000 cash owing as noted above). As there were 49,400,000 fully paid shares on issue in K2fly prior to the Placement, the implied market value is \$1,513,000 and less the \$300,000 of share liability owing implies a net fair value of \$1,213,000. Arguably all of this relates to the K2fly Assets as there are no other business activities in K2fly.

The discounted cash flow method has not been applied because no reliable prospective financial information is available (refer below).

- 10.8 K2fly has prepared projections for the period 1 July 2015 to 30 June 2019 however the projected figures (turnover and costs) are predicated on K2fly raising sufficient funds to expand the business. K2fly does generate revenue but does not generate sufficient revenues to meet all costs and thus to 31 December 2015 losses have been incurred. Subject to financing, K2fly was projecting to be cash flow positive in 2016/17.

The directors of K2fly believe preliminary projections will be achieved and based on such projections (not disclosed) and allowing for discounting at 30%, the Consideration payable by Power may be fair. However, we have not relied on the preliminary projections and cannot reliably assess the assumptions behind them.

It is our view that the current fair value of the K2fly Assets is in the range of the \$1,000,000 paid for them by K2fly as noted above and approximately \$1,513,000. It is our view that the mid-range of \$1,246,500 (say rounded to \$1,250,000) is a current assessed fair value of the K2Fly Assets.

11. Conclusion as to Fairness

- 11.1 The proposal pursuant to Resolution 3 is believed fair to Power's non-associated shareholders if the value of the consideration offered is equal to or less than the value of the K2fly Assets being acquired and if the fair market value of a Power share pre-transaction on a control basis is equal to or less than the fair market value of a Power share post-transaction on a minority basis, taking into account the additional cash raised via the Capital Raising and the associated dilution resulting from the issue of new ordinary shares under the proposed Acquisition.
- 11.2 Owing to the nature of the business of K2fly, valuations depend on the value placed on the technology interests of the company. The valuation of technology interests and valuing future profitability and cash flows is extremely subjective because it involves assumptions regarding future events that are not capable of independent substantiation.
- 11.3. In arriving at our view that on the value of the K2fly Assets, we have, inter-alia, referred to the following factors:
- The relative newness of the business and insufficient revenues to meet all costs;
 - The ability to produce positive cash flow and profits over a period of time is still uncertain;
 - K2fly needs to obtain sufficient working capital to meet its planned objectives;
 - The lack of longer term cash flow models that can be reliably substantiated;
 - The risks associated with commercialisation of the business model; and
 - What K2fly (then called Durus Copper) paid for the K2fly Assets on an arms-length basis.
- 11.4 The preferred fair value of a share in Power post Acquisition on a minority basis (assuming negative net liabilities prior to the Acquisition) has been assessed at 5.942 cents (post consolidated) compared with a value of a share pre Acquisition of approximately nil cents (post consolidated).

Thus, we conclude that the proposal pursuant to Resolution 3 is fair.

It is noted that the fair value of a share in Power post Acquisition on a minority basis (assuming a "shell" value of \$500,000) has been assessed at 7.006 cents (post consolidated) compared with a value of a share pre Acquisition of approximately 9.960 cents. However, this is not our preferred valuation of a Power share pre Acquisition. It is noted that the Company cannot sell itself and parties are only prepared to place funds in a company shell on the back of a firm proposal (as is the case with Power). The amount payable is

dependent on a number of factors including shareholder spread, ASX compliance matters and extent of debt amongst many factors. In our view a Company such as Power may have a shell value not exceeding \$300,000 but realistically this would be based on the premise that the Company has no or very minimal debt. Power has net liabilities and will need to comply with ASX Listing Rules (Chapters 1 and 2) in order to have its shares requested.

12. **Reasonableness of the Acquisition**

12.1 We set out below some of the advantages and disadvantages and other factors pertaining to the proposed Acquisition that we considered in arriving at our conclusion on the reasonableness of the Acquisition and in particular the proposals pursuant to Resolution 3.

Advantages

12.2 The Company, in effect moves from a near cash box company with only one mineral asset (to be sold or relinquished) to a technology driven company in the enterprise asset management sector with some opportunities to move into the earning of profits and positive cash flows if the K2flyAssets can be successfully commercialised.

12.3 The Company may be better placed to raise further funds by way of share equity as a result of acquiring the K2fly Assets. It is noted that a minimum gross \$3,000,000 (and up to a gross \$5,000,000) is being raised on the back of the proposed Acquisition and if the K2fly Business continue to expand, Power may be able to raise further funds for expansion of the K2fly Business (as a result of acquiring and commercialising the K2fly Assets).

12.4 There is an incentive to Power and K2fly to successfully exploit the K2fly Assets as K2fly and ultimately the major fully paid shareholders of K2fly will or may have collectively significant shareholding interests in Power.

12.5 Power currently has one mineral prospect of note, being the Linden (Good Hope) Project in Western Australia. Should this project prove not to be commercially viable, diversification into the EAM and EMS sector by acquiring the K2fly Assets may reduce the risk. Currently capital raisings for small junior exploration companies are extremely difficult and by diversifying into other businesses, increases the scope for new capital raisings.

12.6 Existing shareholders may be given the opportunity to sell their shares in excess of the share prices existing prior to the Acquisition announcement. However, those shareholders who consider the risk of entering into a new business to be too high may wish to sell their shareholdings in Power.

12.7 The proposed Acquisitions provides the Company with a clear strategic direction as compared with the existing position of shareholders owning shares in a near dormant company with minimal cash and no clear vision. The Company requires a business (via the Acquisition) that will provide it with the opportunity to sustain a viable business and allow the Company to be a going concern in the longer term.

12.8 The net book liabilities of Power prior to the Capital Raising and Acquisition are estimated at \$(56,854) whilst post the Acquisition, the net book assets of Power is estimated to be an initial \$5,860,686 (assumes a Capital Raising of a gross \$3,000,000). The value attributable to the existing shareholders approximates \$665,000 (assumes a gross \$3,000,000 Capital Raising) compared with a current shareholding book interest of approximately \$nil.

Disadvantages

- 12.9 Currently, K2fly's shareholding in Power is nil% and if Resolutions 1 to 14 are passed between 36.19% and 29.52% (assuming the minimum and maximum Capital Raising is undertaken at 20 cents). The existing shareholders will be diluted from owning a current 100% shareholding interest in Power and its underlying assets to a smaller shareholding of approximately 11.35% to 9.26% post the Acquisition and Capital Raising. The new investors from the Capital Raising will own approximately between approximately 34.93% and 46.12% of the expanded issued capital of Power on the basis that the Capital Raising is undertaken at 20 cents each (excluding exercise of up to 2,000,000 Broker Options).
- 12.10 The K2fly assets may not turn out to be commercially viable and thus losses may be incurred and the investment cost may need to be impaired if the K2fly Assets do not earn future sufficient profits and positive cash flows.

Other Factors

- 12.11 It is noted that for accounting purposes in the books of Power, the ordinary Consideration Shares will be booked at the market value of the ordinary shares in Power at the date the ordinary Consideration Shares are issued to K2fly. Power will account for the value of the ordinary Consideration Shares at the market value of the ordinary shares in Power that may be considered to be the deemed issue price of the Consideration Shares of 20 cents that is equal to the proposed Capital Raising Shares issue price.
- 12.12 The number of fully paid ordinary shares on issue rises as noted in paragraph 2.3 of this report. This represents a substantial increase in the ordinary shares of the Company based on the number of shares on issue at the time of the announcement of the Acquisition on 16 May 2016.
- 12.13 The proposed new board members as noted above bring technology, marketing, investment and business experience. Further detail on the proposed new directors has been included in the ES. Furthermore, certain key management personal experienced with the K2fly Assets will be with the expanded Power Group.
- 12.14 The Company may raise \$1,000,000 if all of the 2,000,000 Broker Options exercisable at 25 cents each are exercised. It is unlikely that the Broker Options would be exercised unless the shares in Power share (then will be called K2fly Limited) consistently traded on the ASX above 25 cents.
- 12.15 It is the view of the existing Board of Power that the investment in the K2fly Assets is in the best interests of all shareholders.
- 12.16 K2fly proposes to undertake an in-specie distribution of the 16,000,000 Consideration Shares and thus K2fly itself will ultimately not be a shareholder in Power. However, the current directors of K2fly are significant shareholders in K2fly and will thus end up with a large number of Power shares (but none individually over 20%). It is noted that Board control of Power will be with the K2fly existing directors.

13. Conclusion as to Reasonableness

- 13.1 **After taking into account the factors referred to in 12 above and elsewhere in this report we are of the opinion that the advantages to the existing shareholders outweigh the disadvantages and thus the proposed Acquisition as noted in paragraphs 1.3 and Resolution 3 in the Notice may be considered, on balance, to be reasonable to the existing non-associated shareholders of Power at the date of his report.**

14. Shareholder Decision

- 14.1 Stantons International Securities Pty Ltd has been engaged to prepare an independent expert's report setting out whether in its opinion the issue of 16,000,000 Consideration Shares as consideration to acquire the K2fly Assets is fair and reasonable and state reasons for that opinion. Stantons International Securities Pty Ltd has not been engaged to provide a recommendation to shareholders in relation to the proposals under Resolution 3 (and all other Resolutions) but we have been requested to determine whether the proposal pursuant to Resolution 3 is fair and/or reasonable to those shareholders not associated with the Vendors. The responsibility for such a voting recommendation lies with the directors of Power.
- 14.2 In any event, the decision whether to accept or reject Resolution 3 (and all other Resolutions) is a matter for individual shareholders based on each shareholder's views as to value, their expectations about future market conditions and their particular circumstances, including risk profile, liquidity preference, investment strategy, portfolio structure and tax position. If in any doubt as to the action they should take in relation to the proposals under Resolution 3 (and all other Resolutions), shareholders should consult their own professional adviser.
- 14.3 Similarly, it is a matter for individual shareholders as to whether to buy, hold or sell shares in Power. This is an investment decision upon which Stantons International Securities Pty Ltd does not offer an opinion and is independent on whether to accept the proposals under Resolution 3 (and all other Resolutions). Shareholders should consult their own professional adviser in this regard.

15. Sources of Information

- 15.1 In making our assessment as to whether the proposed Acquisition as noted in paragraphs 1.2 to 1.3 is fair and reasonable, we have reviewed relevant published available information and other unpublished information of the Company, K2fly and the K2fly Assets that is relevant to the current circumstances. In addition, we have held discussions with the management of Power and K2fly about the present and future operations of the Company. Statements and opinions contained in this report are given in good faith but in the preparation of this report, we have relied in part on information provided by the directors and management of Power.
- 15.2 Information we have received includes, but is not limited to:
- a) Drafts of the Notice of Power and ES of June/July 2016;
 - b) Discussions with management of Power and K2fly;
 - c) Details of historical market trading of PWW ordinary fully paid shares recorded by ASX for the period 1 April 2015 to 16 May 2016;
 - d) Shareholding details of Power as supplied by the Company's share registry as at 19 May 2016;
 - e) Annual Reports of Power for the year ended 30 June 2015. the audit reviewed financial statements of Power for the six months ended 31 December 2015 and the unaudited financial statements of the Power Group for the nine months ended 31 March 2016;
 - f) Announcements made by Power to the ASX from 1 January 2015 to 5 July 2016;
 - g) The audited financial statements of K2fly for the years ended 31 December 2013, 2014 and 2015;
 - h) Cash flow forecasts of Power for the period 1 July 2015 to 30 June 2016;
 - i) Projections of K2fly for the period 1 July 2015 to 30 June 2019;
 - j) The Asset Sale Agreement of May 2016 for the proposed Acquisition and the subsequent ARSA of 3 June 2016;

- k) The Information (Excluded Offer) Memorandum of March 2016 issued by K2fly; and
- l) The Note Deeds relating to Convertible Notes issued by K2fly.

15.3 Our report includes Appendices A and B our Financial Services Guide attached to this report.

Yours faithfully

STANTONS INTERNATIONAL SECURITIES PTY LTD
(Trading as Stantons International Securities)

A handwritten signature in black ink, appearing to read 'J P Van Dieren', followed by a long horizontal flourish.

J P Van Dieren - FCA
Director

AUTHOR INDEPENDENCE AND INDEMNITY

This annexure forms part of and should be read in conjunction with the report of Stantons International Securities Pty Ltd dated 6 July 2016, relating to the issue of 16,000,000 Consideration Shares to be issued to K2fly as outlined in Section 1 of the report and Resolution 3 in the Notice of Meeting to Shareholders and the Explanatory Statement proposed to be distributed to the Power shareholders in June 2016.

At the date of this report, Stantons International Securities Pty Ltd does not have any interest in the outcome of the proposals. There are no relationships with Power and K2fly other than acting as an independent expert for the purposes of this report. Before accepting the engagement Stantons International Securities Pty Ltd considered all independence issues and concluded that there were no independence issues in accepting the assignment to prepare the Independent Experts Report. There are no existing relationships between Stantons International Securities Pty Ltd and the parties participating in the transaction detailed in this report which would affect our ability to provide an independent opinion. The fee to be received for the preparation of this report is based on the time spent at normal professional rates plus out of pocket expenses and is estimated at \$20,000. The fee is payable regardless of the outcome. With the exception of the fee, neither Stantons International Securities Pty Ltd nor John P Van Dieren and Martin Michalik have received, nor will, or may they receive, any pecuniary or other benefits, whether directly or indirectly, for or in connection with the making of this report.

Stantons International Securities Pty Ltd (and Stantons International Audit and Consulting Pty Ltd) do not hold any securities in Power and K2fly. There are no pecuniary or other interests of Stantons International Securities Pty Ltd that could be reasonably argued as affecting its ability to give an unbiased and independent opinion in relation to the proposal. Stantons International Securities Pty Ltd, Mr J Van Dieren and Mr Martin Michalik have consented to the inclusion of this report in the form and context in which it is included as an annexure to the Notice.

QUALIFICATIONS

We advise Stantons International Securities Pty Ltd is the holder of an Australian Financial Services Licence (no 448697) under the Corporations Act 2001 relating to advice and reporting on mergers, takeovers and acquisitions that involve securities. The directors of Stantons International Audit and Consulting Pty Ltd are the directors of Stantons International Securities Pty Ltd. Stantons International Securities Pty Ltd has extensive experience in providing advice pertaining to mergers, acquisitions and strategic for both listed and unlisted companies and businesses.

Mr John P Van Dieren, FCA, and Mr Martin Michalik, ACA, the persons responsible for the preparation of this report, have extensive experience in the preparation of valuations for companies and in advising corporations on takeovers generally and in particular on the valuation and financial aspects thereof, including the fairness and reasonableness of the consideration offered.

The professionals employed in the research, analysis and evaluation leading to the formulation of opinions contained in this report, have qualifications and experience appropriate to the task they have performed.

DECLARATION

This report has been prepared at the request of the Directors of Power in order to assist them and the Power shareholders to assess the merits of the proposal as outlined in Resolution 3 to the Explanatory Statement to which this report relates. This report has been prepared for the benefit of Power's shareholders and does not provide a general expression of Stantons International Securities Pty Ltd's opinion as to the longer term value of Power, K2fly and the K2fly Assets. Stantons International Securities Pty Ltd does not imply, and it should not be construed, that it has carried out any form of audit or audit review on the accounting or other records of Power but Stantons International Audit and Consulting Pty Ltd (the holding company of Stantons International Securities Pty Ltd) has conducted an audit of K2fly for the three years ended 31 December 2013, 2014 and 2015. Neither the whole nor any part of this report, nor any reference thereto may be included in or with or attached to any document, circular, resolution, letter or statement, without the prior written consent of Stantons International Securities Pty Ltd to the form and context in which it appears.

DUE CARE AND DILIGENCE

This report has been prepared by Stantons International Securities Pty Ltd with due care and diligence. The report is to assist shareholders in determining the fairness and reasonableness of the proposals set out in Resolution 3 to the Notice and each individual shareholder may make up their own opinion as to whether to vote for or against Resolution 3.

DECLARATION AND INDEMNITY

Recognising that Stantons International Securities Pty Ltd may rely on information provided by Power and its officers (save whether it would not be reasonable to rely on the information having regard to Stantons International Securities Pty Ltd experience and qualifications), Power has agreed:

- (a) To make no claim by it or its officers against Stantons International Securities Pty Ltd (and Stantons International Audit and Consulting Pty Ltd) to recover any loss or damage which Power may suffer as a result of reasonable reliance by Stantons International Securities Pty Ltd on the information provided by Power; and
- (b) To indemnify Stantons International Securities Pty Ltd (and Stantons International Audit and Consulting Pty Ltd) against any claim arising (wholly or in part) from Power or any of its officers providing Stantons International Securities Pty Ltd any false or misleading information or in the failure of Power or its officers in providing material information, except where the claim has arisen as a result of wilful misconduct or negligence by Stantons International Securities Pty Ltd

A draft of this report was presented to Power directors for a review of factual information contained in the report. Comments received relating to factual matters were taken into account, however the valuation methodologies and conclusions did not alter.

**FINANCIAL SERVICES GUIDE
FOR STANTONS INTERNATIONAL SECURITIES PTY LTD
(Trading as Stantons International Securities)
Dated 6 July 2016**

1. Stantons International Securities Pty Ltd ABN 42 128 908 289 and Financial Services Licence 448697 (“SIS” or “we” or “us” or “ours” as appropriate) has been engaged to issue general financial product advice in the form of a report to be provided to you.

2. **Financial Services Guide**

In the above circumstances we are required to issue to you, as a retail client a Financial Services Guide (“FSG”). This FSG is designed to help retail clients make a decision as to their use of the general financial product advice and to ensure that we comply with our obligations as financial services licensees.

This FSG includes information about:

- who we are and how we can be contacted;
- the services we are authorised to provide under our Australian Financial Services Licence, Licence No: 448697;
- remuneration that we and/or our staff and any associated receive in connection with the general financial product advice;
- any relevant associations or relationships we have; and
- our complaints handling procedures and how you may access them.

3. **Financial services we are licensed to provide**

We hold an Australian Financial Services Licence which authorises us to provide financial product advice in relation to:

- Securities (such as shares, options and notes)

We provide financial product advice by virtue of an engagement to issue a report in connection with a financial product of another person. Our report will include a description of the circumstances of our engagement and identify the person who has engaged us. You will not have engaged us directly but will be provided with a copy of the report as a retail client because of your connection to the matters in respect of which we have been engaged to report.

Any report we provide is provided on our own behalf as a financial services licensee authorised to provide the financial product advice contained in the report.

4. **General Financial Product Advice**

In our report we provide general financial product advice, not personal financial product advice, because it has been prepared without taking into account your personal objectives, financial situation or needs. You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain a product disclosure statement relating to the product and consider that statement before making any decision about whether to acquire the product.

5. **Benefits that we may receive**

We charge fees for providing reports. These fees will be agreed with, and paid by, the person who engages us to provide the report. Fees will be agreed on either a fixed fee or time cost basis.

Except for the fees referred to above, neither SIS, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report.

6. **Remuneration or other benefits received by our employees**

SIS has no employees and Stantons International Audit and Consulting Pty Ltd charges a fee to SIS. All Stantons International Audit and Consulting Pty Ltd employees receive a salary. Stantons International Audit and Consulting Pty Ltd employees are eligible for bonuses based on overall productivity but not directly in connection with any engagement for the provision of a report.

7. **Referrals**

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

8. **Associations and relationships**

SIS is ultimately a wholly subsidiary of Stantons International Audit and Consulting Pty Ltd a professional advisory and accounting practice. Stantons International Audit and Consulting Pty Ltd trades as Stantons International that provides audit, corporate services, internal audit, probity, management consulting, accounting and IT audits.

From time to time, SIS and Stantons International Audit and Consulting Pty Ltd and/or their related entities may provide professional services, including audit, accounting and financial advisory services, to financial product issuers in the ordinary course of its business.

9. **Complaints resolution**

9.1 Internal complaints resolution process

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing, addressed to:

The Complaints Officer
Stantons International Securities Pty Ltd
Level 2
1 Walker Avenue
WEST PERTH WA 6005

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaints within 15 days and investigate the issues raised. As soon as practical, and not more than 45 days after receiving the written complaint, we will advise the complainant in writing of our determination.

9.2 Referral to External Dispute Resolution Scheme

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Financial Ombudsman Service Limited (“FOSL”). FOSL is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Further details about FOSL are available at the FOSL website www.fos.org.au or by contacting them directly via the details set out below.

Financial Ombudsman Service Limited
PO Box 3
MELBOURNE VIC 8007

Toll Free: 1300 78 08 08
Facsimile: (03) 9613 6399

10. Contact details

You may contact us using the details set out above.

Telephone 08 9481 3188
Fax 08 9321 1204
Email jvdieren@stantons.com.au

APPENDIX B

VALUATION REPORT ON THE MINERAL ASSETS OF POWER BY AL MAYNARD & ASSOCIATES

AL MAYNARD & ASSOCIATES Pty Ltd
Consulting Geologists

www.geological.com.au

ABN 75 120 492 435

9/280 Hay Street,
SUBIACO, WA, 6008
Australia

Tel: (+618) 9388 1000
Fax: (+618) 9388 1768

Mob: 04 0304 9449
al@geological.com.au

Australian & International Exploration & Evaluation of Mineral Properties

INDEPENDENT TECHNICAL VALUATION
OF THE
LINDEN GOLD PROJECT
WESTERN AUSTRALIA

PREPARED FOR
POWER RESOURCES LTD

Author: Brian J. Varndell, BSc(Spec.Hons.), FAusIMM.
Peer Review: Allen J Maynard BAppSc(Geol), MAIG, MAusIMM
Company: Al Maynard & Associates Pty Ltd
Date: 28th June, 2016

EXECUTIVE SUMMARY

This Independent Technical Valuation Report (“ITV”) of the Power Resources Limited (“Power”) Linden (Good Hope) mining project in Western Australia, has been prepared by Al Maynard & Associates (“AM&A”) at the request of Mr Norman Grafton (Company Secretary) of Power for inclusion in the Independent Expert’s Report (“IER”) being provided by Stantons International Securities Pty Ltd (“Stantons”). The tenement concerned covers approximately 3.0 km² within the Linden mining district some 120 km SE of the town of Leonora in the Eastern Goldfields region of Western Australia (Figure 1).

This report provides an independent technical valuation of the licence as at 28th June, 2016. The AM&A report has been prepared in accordance with the guidelines of the Valuation of Mineral Assets and Mineral Securities for Independent Expert’s Reports (the “Valmin Code”) (2005) as adopted by the Australian Institute of Geoscientists (“AIG”) and the Australasian Institute of Mining and Metallurgy (“AusIMM”).

Power is a company on the Official List of Australian Securities Exchange Limited (“ASX - PWW”). Its principal business is involved in mineral exploration. Power owns the licence situated in the Linden mining district SE of Leonora in the Eastern Goldfields region of Western Australia that is prospective for gold.

The Linden Project formerly known as the (Good Hope Project) comprises the single tenement Prospecting Licence P39/5062 granted on 5 August 2010. It is located in the Linden Mining District some 120 km SE of the town of Leonora in the Eastern Goldfields region of Western Australia.

Given the relevance of the assumptions and factors underlying the development and conceptual prospectivity for resources of the project, AM&A has concluded that it is reasonable to rely on this data for the purposes of this report and the derivation of a current valuation accordingly based on that information. AM&A has relied on the technical data supplied by Power and accepted that data in reaching our conclusions, unless AM&A expressly states otherwise.

The summary of the valuation conclusions is presented in Table 3. This current valuation has used a form of the MEE Method applied to expenditures that are relevant to the present day tenement holding and the Yardstick method applied to potential insitu gold mineralisation. The average of the MEE and the Yardstick methods was selected as the most appropriate method for valuation estimate purposes.

This Report concludes that the cash value of 90% of the Power Project in Western Australia at 28th June, 2016, is ascribed at \$34,000 from within the range of \$23,000 to \$45,000.

Valuation of Power's Linden Prospect – Western Australia

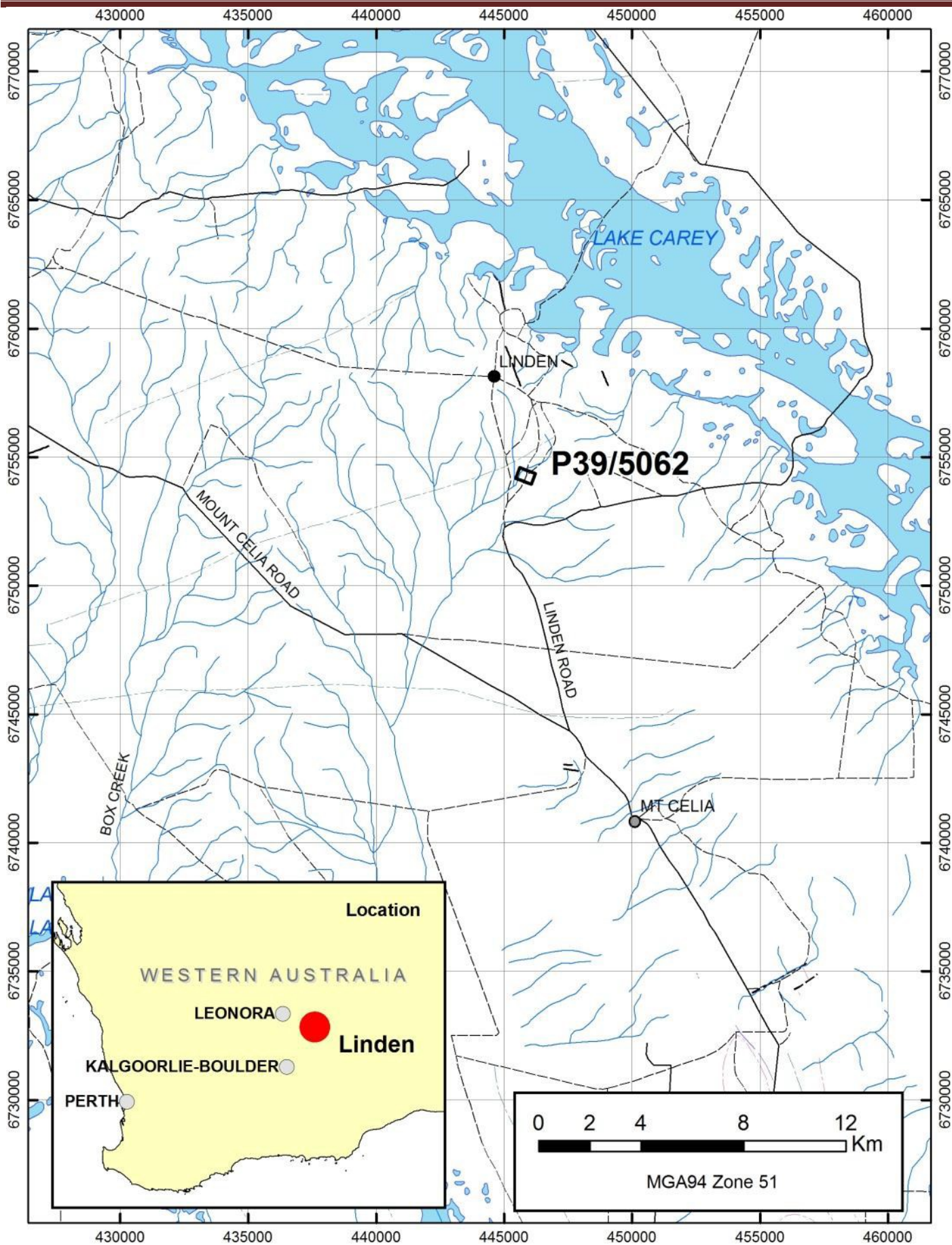


Figure 1: Power Resources Limited Project Location Plan.

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The Directors,
Stantons International Securities Pty Ltd
Level 2, 1 Walker Avenue
West Perth, WA 6005.
Australia

28th June, 2016

Dear Sirs,

VALUATION OF THE LINDEN GOLD PROSPECT IN WESTERN AUSTRALIA

1.0 Introduction

This Independent Technical Valuation Report (“ITV”) of the Power Resources Limited (“Power”) Linden (Good Hope) mining project in Western Australia, has been prepared by Al Maynard & Associates (“AM&A”) at the request of Mr Norman Grafton (Company Secretary) of Power for inclusion in an Independent Expert’s Report (“IER”) being prepared by Stantons International Securities Pty Ltd (“Stantons”). The tenement concerned covers approximately 3.0 km² within the Linden mining district some 120 km SE of the town of Leonora in the Eastern Goldfields region of Western Australia (Figure 1).

This report provides an independent technical valuation of the tenement as at 28th June, 2016. The AM&A report has been prepared in accordance with the guidelines of the Valuation of Mineral Assets and Mineral Securities for Independent Expert’s Reports (the “Valmin Code”) (2005) as adopted by the Australian Institute of Geoscientists (“AIG”) and the Australasian Institute of Mining and Metallurgy (“AusIMM”).

Power is a company listed on the Official List of Australian Securities Exchange Limited (“ASX-PWW”). Its principal business is involved in mineral exploration. Power owns a 90% interest in the licence, situated 120 km SE of Leonora in Western Australia that is considered prospective for gold based upon previous exploration results. The tenement concerned P39/5062 covers approximately 3.0 km².

This report provides an independent technical valuation of the Linden (Good Hope) Prospect in Western Australia, as at 28th June, 2016. The report has been prepared in accordance with the guidelines of the Valuation of Mineral Assets and Mineral Securities for Independent Expert’s Reports (the “Valmin Code”) (2005) as adopted by the Australian Institute of Geoscientists (“AIG”) and the Australasian Institute of Mining and Metallurgy (“AusIMM”) and specifically:-

- ASIC Regulatory Guideline 42 - Independence of Experts’ Reports (“RG 42”);
- ASIC Regulatory Guideline Note 43 - Valuation Reports and Profit Forecasts (“RG 43”);
- ASIC Regulatory Guideline 111 – Content of expert’s Reports (“RG 111”)
- ASIC Regulatory Guideline 112 – Independence of Experts (“RG 112”); and
- AusIMM’s Code and Guidelines for Assessment and Valuation of Mineral Assets and Mineral Securities for Independent Expert Reports (“the ValMin Code”).

1.1 Scope and Limitations

This Report is valid as of 28th June, 2016 which is the date of the latest review of the data and technical information and there have been no material changes to this data or valuation since that date. The valuation can be expected to change over time having regard to political, economic, market and legal factors. The valuation can also vary due to the success or otherwise of any mineral exploration that is conducted either on the mineral assets concerned or by other explorers on prospects in the near environs. The valuation could also possibly be affected by the consideration of other exploration data from adjacent licences with production history affecting the mineral assets which have not been made available to the writers.

In order to form an opinion as to the value of any mineral asset, it is necessary to make assumptions as to certain future events, which might include economic and political factors and the likelihood of exploration success. The writers have taken all reasonable care in formulating these assumptions to ensure that they are appropriate to the case. These assumptions are based on the writers' technical training and 40 years' experience in the exploration and mining industry. Whilst the opinions expressed represent the writers' professional opinion at the time of this Report, these opinions are not however, forecasts as it is never possible to predict accurately the many variable factors that need to be considered in forming an opinion as to the value of any mineral asset.

The information presented in this Report is based on technical reports provided by Power supplemented by our own inquiries as to the reasonableness of the supplied data. At the request of AM&A, copies of relevant technical reports and agreements were readily made available. There is also information available in the public domain and relevant references are listed in Section 6.0. No site visit was undertaken since the writers are familiar with the terrane from visits to other close neighbouring environs and sufficient technical information is provided to enable an informed opinion to be derived.

Power will be invoiced and expected to pay a fee, estimated to be between \$5,000 and \$9,000 for the preparation of this Report. This fee comprises a normal, commercial daily rate plus expenses. Payment is not contingent on the results of this report. Except for these fees, neither the writer nor any family members nor Associates have any interest, nor the rights to any interest in Power nor any interest in the mineral assets reported upon. Power has confirmed in writing that all technical data known to it was made available to the writer. The working papers and models for this valuation are being kept in our files and would be available for further references. We would be available to support our valuation if required. The title of this report shall not pass to the Company until all professional fees have been paid in full.

The valuation presented in this Report is restricted to a statement of the fair value of the mineral asset package. The Valmin Code defines fair value as "The estimated amount of money, or the cash equivalent of some other consideration, for which, in the opinion of the Expert reached in accordance with the provisions of the Valmin Code, the mineral asset or security shall change hands on the Valuation date between a willing buyer and a willing seller in an arms' length transaction, wherein each party had acted knowledgeably, prudently and without compulsion".

It should be noted that in all cases, the fair valuation of the mineral assets presented is analogous with the concept of "valuation in use" commonly applied to other commercial valuations. This concept holds that the assets have a particular value only in the context of the usual business of the company as a going concern. This value will invariably be significantly higher than the disposal value, where there is not a willing seller. Disposal values for mineral assets may be a small fraction of going concern values.

In accordance with the Valmin Code, we have prepared the "Range of Values" as shown in Table 3, section 5.3. Regarding the Project it is considered that sufficient geotechnical data has been provided from the reports covering the previous exploration of the relevant area to enable an understanding of the geology. This provides adequate information to enable an informed opinion as to the current value of the mineral assets. A recent site visit was not undertaken since the authors are familiar with the terrane type from visits to other similar nearby environs over previous years for other clients.

1.2 Statement of Competence

This Report has been prepared by Allen J. Maynard and Brian J. Varndell. Maynard is the Principal of AM&A, a qualified geologist, a Member of the Australasian Institute of Mining & Metallurgy ("AusIMM") (# 104986) and a Member of the Australian Institute of Geoscientists ("AIG" #2062). He has had over 35 years of continuous experience in mineral exploration and evaluation and more than 30 years' experience in mineral asset valuation. Brian J. Varndell BSc (SpecHonsGeol), FAusIMM

(#111022), is a geologist with over 40 years in the industry and 35 years in mineral asset valuation. The writers each hold the appropriate qualifications, experience and independence to qualify as an independent “Expert” and “Competent Person” under the definitions of the Valmin Code.

2.0 Valuation of the Mineral Assets – Methods and Guides

With due regard to the guidelines for assessment and valuation of mineral assets and mineral securities as adopted by the AusIMM Mineral Valuation Committee on 17th February, 1995 – the Valmin Code (updated 1999 & 2005). AM&A has derived the estimates listed below using the Yardstick method for the current technical value of the mineral assets as applied to the JORC Code (2004) compliant resources estimates declared for the tenement.

The ASIC publications “Regulatory Guides 111 & 112” have also been referred to and duly considered in relation to the valuation procedure. The subjective nature of the valuation task is kept as objective as possible by the application of the guideline criteria of a “fair value”. This is a value that an informed, willing, but not anxious, arms’ length purchaser will pay for a mineral (or other similar) asset in a transaction devoid of “forced sale” circumstances.

2.1 General Valuation Methods

The Valmin Code identifies various methods of valuing mineral assets, including:-

- Discounted cash flow,
- Joint Venture and farm-in terms for arms’ length transactions,
- Precedents from similar comparable asset sales/valuations,
- Multiples of exploration expenditure,
- Ratings systems related to perceived prospectivity,
- Real estate value and rule of thumb or yardstick approach.

2.2 Discounted Cash Flow/Net Present Value

This method provides an indication of the value of a mineral asset with identified reserves. It utilises an economic model based upon known resources, capital and operating costs, commodity prices and a discount for risk estimated to be inherent in the project.

Net present value (‘NPV’) is determined from discounted cash flow (‘DCF’) analysis where reasonable mining and processing parameters can be applied to an identified ore reserve. It is a process that allows perceived capital costs, operating costs, royalties, taxes and project financing requirements to be analysed in conjunction with a discount rate to reflect the perceived technical and financial risks and the depleting value of the mineral asset over time. The NPV method relies on reasonable estimates of capital requirements, mining and processing costs.

2.3 Joint Venture Terms

The terms of a proposed joint venture agreement may be used to provide a market value based upon the amount an incoming partner is prepared to spend to earn an interest in part or all of the mineral asset. This pre-supposes some form of subjectivity on the part of the incoming party when grass roots mineral assets are involved.

2.4 Similar or Comparable Transactions

When commercial transactions concerning mineral assets in similar circumstances have recently occurred, the market value precedent may be applied in part or in full to the mineral asset under consideration.

2.5 Multiple of Exploration Expenditure

The multiple of exploration expenditure method (‘MEE’) is used whereby a subjective factor (also called the prospectivity enhancement multiplier or ‘PEM’) is based on previous expenditure on a mineral asset with or without future committed exploration expenditure and is used to establish a base value from which the effectiveness of exploration can be assessed. Where exploration has produced documented positive results a MEE multiplier can be selected that take into account the

valuer's judgment of the prospectivity of the mineral asset and the value of the database. PEMs can typically range between 'zero' to 3.0 and occasionally up to 5.0 where very favourable exploration results have been achieved, applied to previous exploration expenditure to derive a dollar value. Typical PEM Factors are shown in Table 1.

PEM Range	Criteria
0.1 – 0.5	Exploration (past and present) has downgraded the tenement prospectivity, no mineralisation identified
0.5 – 1.0	Exploration potential has been maintained (rather than enhanced) by past and present activity from regional mapping
1.0 – 1.3	Exploration has maintained, or slightly enhanced (but not downgraded) the prospectivity
1.3 – 1.5	Exploration has considerably increased the prospectivity (geological mapping, geochemical or geophysical)
1.5 – 2.0	Scout Drilling has identified interesting intersections of mineralisation
2.0 – 2.5	Detailed Drilling has defined targets with potential economic interest.
2.5 – 3.0	A resource has been defined at Inferred Resource Status, no feasibility study has been completed
3.0 – 4.0	Indicated Resources have been identified that are likely to form the basis of a prefeasibility study
4.0 – 5.0	Indicated and Measured Resources

Table 1: Typical PEM Factors.

2.6 Ratings System of Prospectivity (Kilburn)

The most readily accepted method of this type is the modified Kilburn Geological Engineering/Geoscience Method and is a rating method based on the basic acquisition cost ('BAC') of the mineral asset that applies incremental, fractional or integer ratings to a BAC cost with respect to various prospectivity factors to derive a value. Under the Kilburn method the valuer is required to systematically assess four key technical factors which enhance, downgrade or have no impact on the value of the mineral asset. The factors are then applied serially to the BAC of each mineral asset in order to derive a value for the mineral asset. The factors used are; off-property attributes on-property attributes, anomalies and geology. A fifth factor that may be applied is the current state of the market.

2.7 Empirical Methods (Yardstick – Real Estate)

The market value determinations may be made according to the independent expert's knowledge of the particular mineral asset. This can include a discount applied to values arrived at by considering conceptual target models for the area. The market value may also be rated in terms of a dollar value per unit area or dollar value per unit of resource in the ground. This includes the range of values that can be estimated for an exploration mineral asset based on current market prices for equivalent assets, existing or previous joint venture and sale agreements, the geological potential of the mineral assets, regarding possible potential resources, and the probability of present value being derived from individual recognised areas of mineralisation.

This method is termed a "Yardstick" or a "Real Estate" approach. Both methods are inherently subjective according to technical considerations and the informed opinion of the valuer.

2.8 General Comments

The aims of the various methods are to provide an independent opinion of a "fair value" for the mineral asset under consideration and to provide as much detail as possible of the manner in which the value is reached. It is necessarily subjective according to the degree of risk perceived by the mineral asset valuer in addition to all other commercial considerations. Efforts to construct a transparent valuation using sophisticated financial models are still hindered by the nature of the original assumptions where no known resource exists and are not applicable to mineral assets without an identified resource or reserve.

The values derived for this Report have been concluded after taking into account the general geological environment for the mineral assets under consideration with respect to the exploration potential of each tenement.

2.9 Environmental implications

Information to date is that there are no identified existing material environmental liabilities on the mineral assets. Accordingly, no adjustment was made during this Report for environmental implications.

2.10 Indigenous Title Claims

No native style claims over the project area have been indicated to AM&A.

2.11 Commodities-Metal prices

Where appropriate, current metal prices are used sourced from the usual metal market publications or commodity price reviews (e.g. "Kitco.com" or "Alibaba").

2.12 Resource/Reserve Summary

There are no JORC Code (2012) compliant resource estimates declared for the Project.

2.13 Previous Valuations

No previous valuations of the tenement package are known to the authors.

2.14 Encumbrances/Royalty

The Projects may be subject to government royalties as stipulated by the Government where currently applicable.

No royalty payments are considered in this valuation as no mining is occurring.

3.0 Background Information

3.1 Introduction

This valuation has been provided by way of a detailed study of existing information and field data provided by Power regarding operations completed at the project to date. Since no JORC Code (2012) compliant resource estimates have been attempted to date; AM&A has been supplied with available historical expenditures which form the basis for this valuation.

3.2 Specific Valuation Methods

There are various methods acceptable for the valuation of a mineral prospect ranging from the most favoured DCF analysis of identified Proved & Probable Reserves to the more subjective rule-of-thumb assessment when no Reserves have yet been calculated but Resources may exist. These are discussed above in Section 2.0.

For the Power prospect the MEE Method has been applied to the historic expenditures to determine a value range as at 28th June, 2016 and a preferred or most likely value ascribed within that range.

3.3 Tenement Holding

Power in its own right holds a tenement within the Linden Mining District SE of Leonora in Western Australia (Table 2). The Company provided the full tenement details to AM&A. The status of the tenements has been verified based on examination of open-source files accessed on Tengraph pursuant to paragraphs 67 and 68 of the VALMIN Code. The tenements are believed to be in good standing at the date of this valuation as represented by Power.

Tenement ID	Location / Project	Registered Holder	Date Granted	Expiry Date	Area ha	Rent \$	Commitment \$
P39/5062	Southeast Leonora	Power 90%	5/08/2010	4/08/2018	30.0	75.00	2,000pa

Table 2: Power Tenement Holdings.

The general configuration of the licence held by Power, herein referred to as the “Linden Project” is presented in Figure 2. The joint holder of the tenement has carried out a field visit and carried out metal detecting and general prospecting. Required minimum expenditure on the licence is \$2,000 p.a.

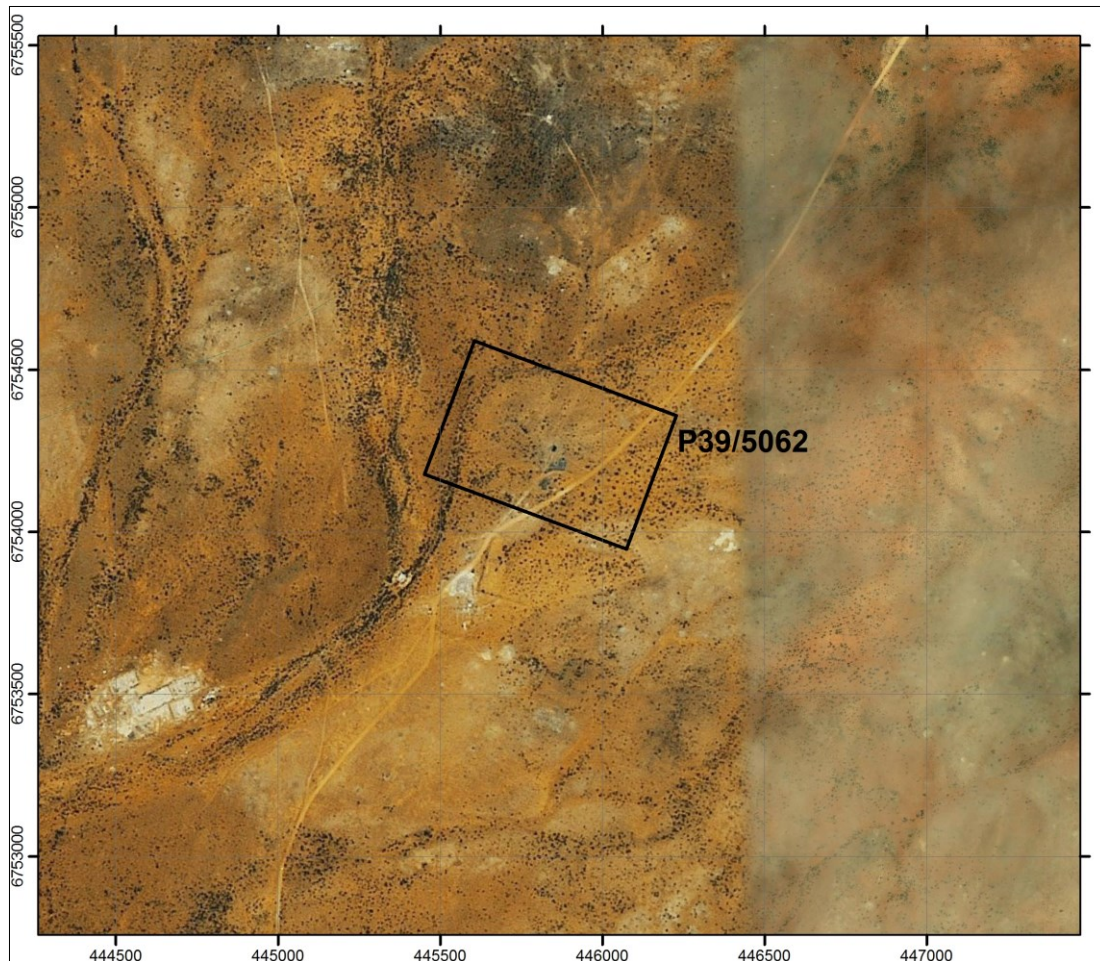


Figure 2: Linden Project – P39/5062 on Google Image.

4.0 Linden Project, WA

4.1 Introduction

The Linden (Good Hope) Prospect comprises the single tenement Prospecting Licence P39/5062 granted on 05 August 2010. It is located in the Linden Mining District some 120 km SE of the town of Leonora in the Eastern Goldfields region of Western Australia.

4.2 Location and Access

Prospecting Licence P39/5062 is located on the 1:250,000 geological map sheet, Edjudina SH-5166 and the area is further shown on the 1:100,000 geological map sheets 3339 Lake Carey and 3439 Mt Celia.

The Project area is situated on Jeedamya Pastoral Station north of Lake Ballard and south of Lake Carey. Access to the project from Kalgoorlie is by the sealed bitumen road Kalgoorlie - Leonora road then by the gravel roads Yarri-Pinjin-Mt Celia-Donkey Rocks Road for some 240 km to the Jeedamya Pastoral Station. Access is then by station tracks directly to the historic workings at Linden. Alternative access is by gravel road for 75 km from Leonora via Linden and then SW to site.

The climate is arid to semi-arid, with an average annual rainfall of only 250 mm. However, rainfall can vary widely from year to year, with droughts followed by very wet years, usually as a result of the spin-off from tropical cyclones and lows.

Five classes of vegetation are recognised in the district, viz: mulga woodlands, acacia and tea-tree scrub, grasslands with scattered trees, succulents and salt-lake communities. Variations in vegetation can generally be attributed to changes in regolith, bedrock and rainfall.

4.3 Regional Geological Setting.

Linden is located within the Archaean Eastern Goldfields Granite-Greenstone terrane of Western Australia.

Greenstone belts, comprising mafic volcanics, intermediate volcanoclastics, sedimentary sequences, felsic volcanic sequences and ultramafic rocks, are interspersed with granite and granite-gneiss complexes throughout the Eastern Goldfields region. These rocks have been multiply deformed and metamorphosed, with the major deformations comprising east-over-west compression followed by sinistral transpression.

Metamorphism varies in degree locally but is predominantly mid-greenschist to lower amphibolite facies, and coincides with the major deformations. Regional transpression is synchronous with the development of the vast majority of gold deposits throughout the region.

The Linden (Good Hope) project is located near the eastern margin of the greenstones in the central part of the Eastern Goldfields region. Regional granites to the east have behaved as buttresses to the regional stress field, resulting in development of extensive gold mineralisation at and around the Linden and Second Fortune and Mount Celia mining centres (Figure 3).

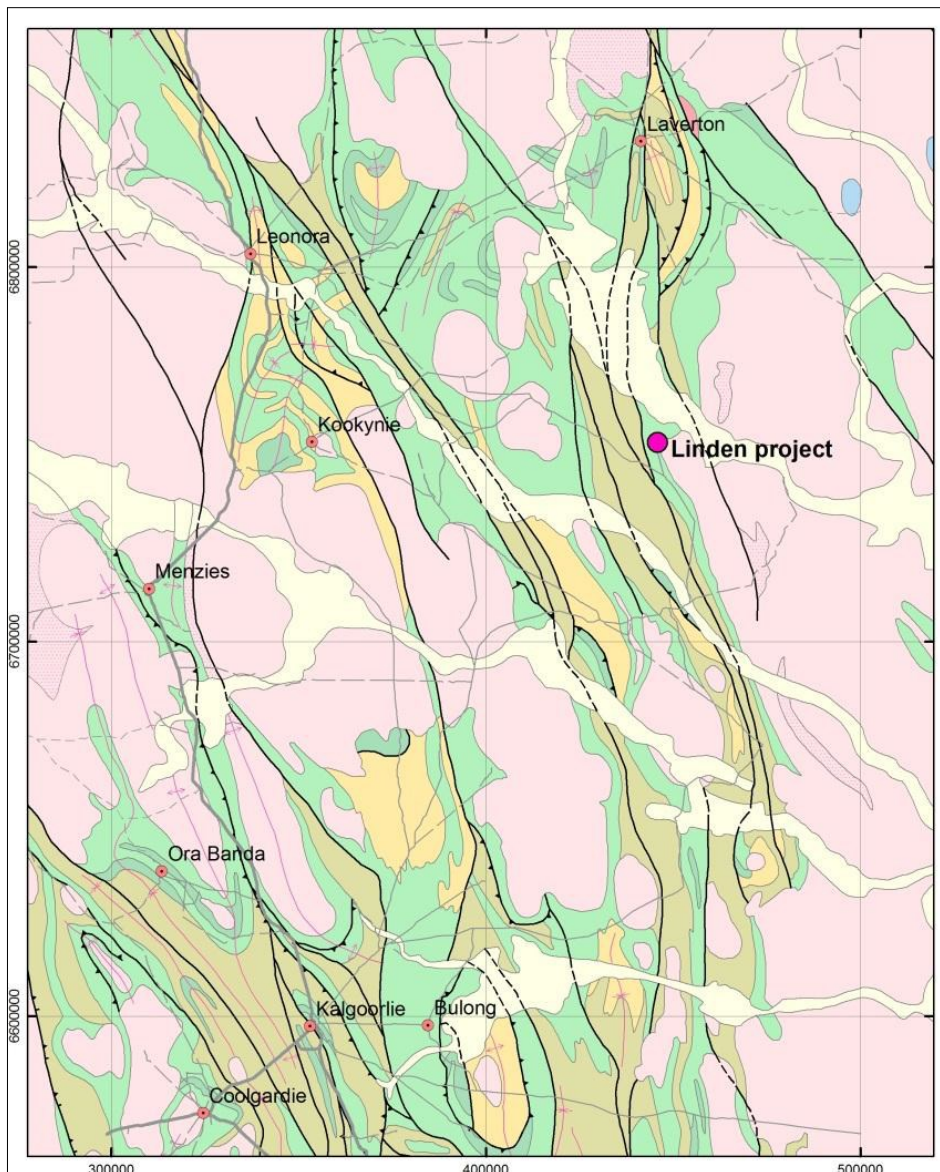


Figure 3: Linden Prospect Location within the Granite-Greenstone Belts of the Eastern Goldfields.

Pink = granite, green & dark green = mafic rocks, khaki = sedimentary rocks, yellow = felsic rocks, white = palaeodrainage system.

4.4 Local Geological Setting

Within the Linden (Good Hope) licence area, outcrop is poor and is dominated by Archaean monzogranite. An east-west valley appears to be underlain by amphibolite. Whether this amphibolite is a large xenolithic raft or is a fragment of greenstone hornfelsed by the granite is unclear. Regardless, the contrast between the mafic rocks and the granite has become the locus for mineralisation that has been exploited.

At and near the contact of the granitic and mafic rocks, a series of north-south trending pyritic “lenticular bedded cherty lithology” units (here interpreted to be a mineralised shear zone) interact with small intrusions of porphyritic diorite. East-west trending, subvertical, pyritic quartz veins cross-cut the “cherts”. Chlorite and carbonate alteration is evident throughout these rocks (Figure 4).

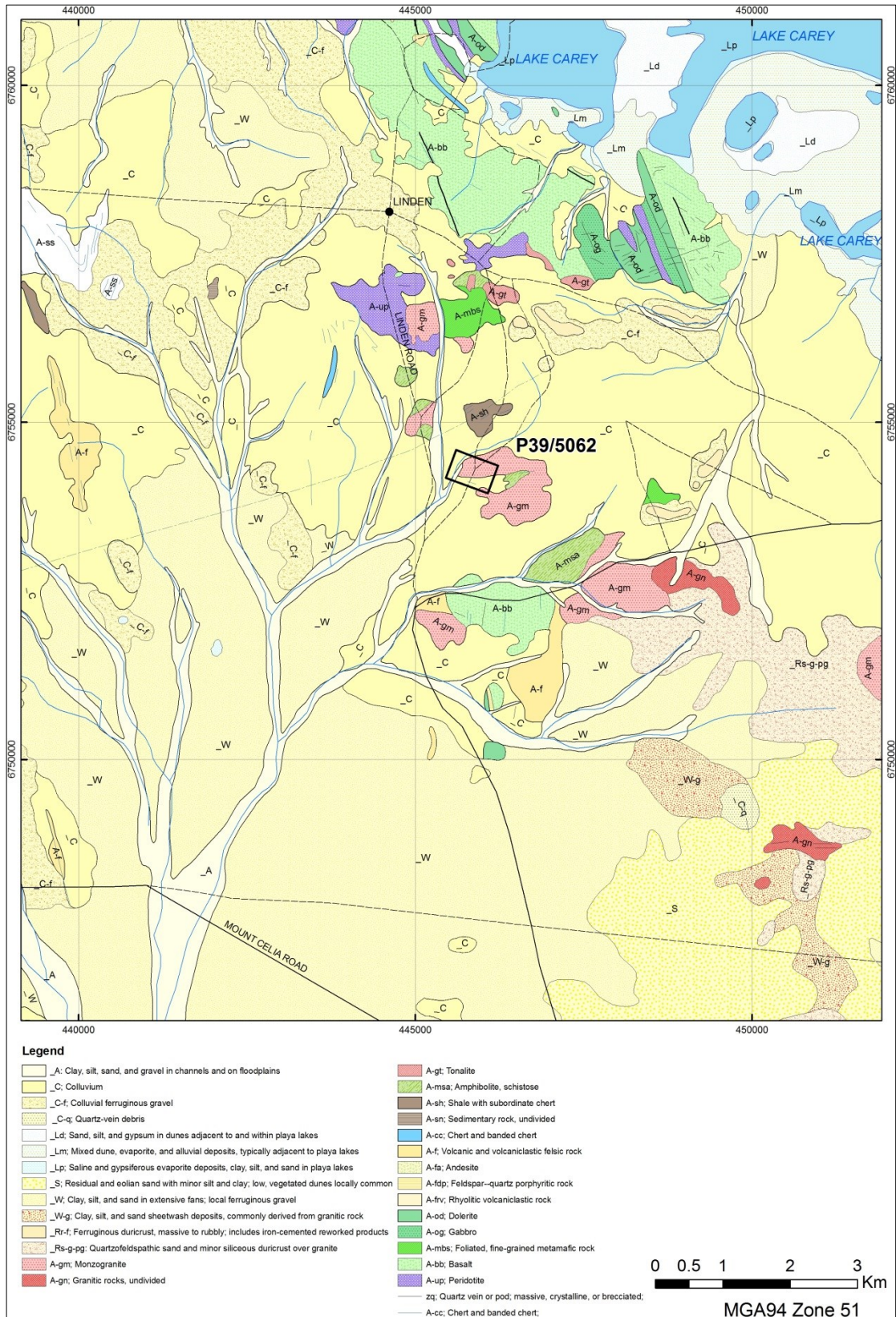


Figure 4: Linden Prospect Local Geological Map.

4.5 Mineralisation -

The gold deposits of the Linden mining area are mostly contained in quartz-stringer-lode formations within shear zones through mafic to ultramafic volcanic host rocks. The deposits are generally small but high grade. Several shear zones have been identified within the project area on which are located there are several small prospector style shafts, illustrating the control of shearing on mineralisation.

Mesothermal gold mineralisation is manifested as shear-hosted lode-style gold mineralisation in a wide variety of host rocks throughout the Eastern Goldfields. Invariably, local structural controls are a major factor defining the distribution of gold mineralisation.

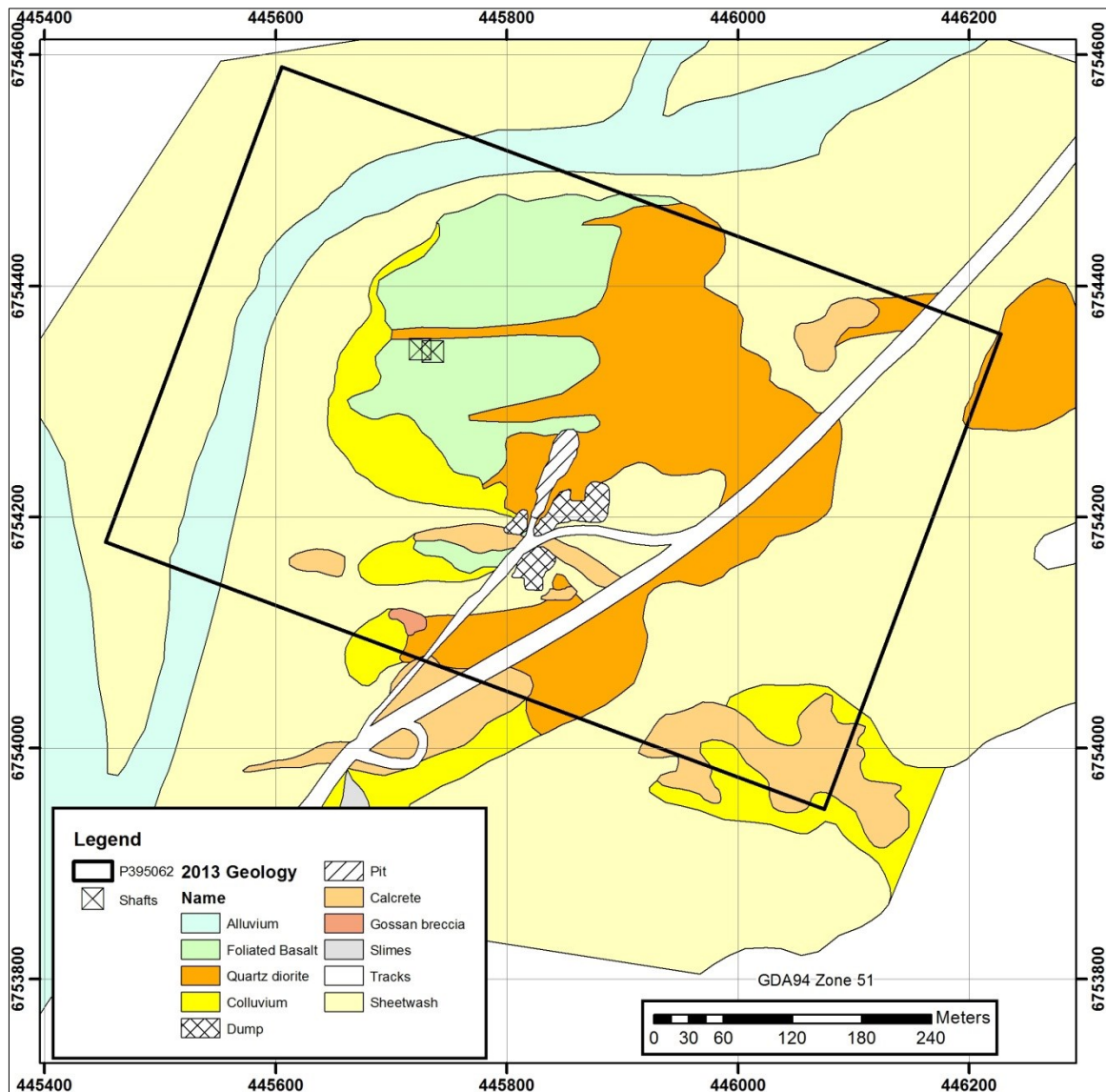


Figure 5: Linden Tenement Site Geology.

4.6 Previous Exploration

The gold deposits of the Linden mining area are mostly contained in quartz-stringer-lode formations within shear zones through mafic to ultramafic volcanic host rocks. The deposits are generally small but high grade. Several shear zones have been identified within the project area on which are located there are several small prospector style shafts, illustrating the control of shearing on mineralisation.

The old workings comprise three shallow shafts and a number of small trenches. The prospect has been known previously as “Water Reserve Find” and “Good Hope”. Government records show that 30 t of ore yielded 1 oz/t Au from a structure around 1 m thick. Historic sampling of quartz-pyrite altered rocks from local waste dumps recorded grades of up to 16 g/t Au.

Mapping of the area commenced but has been restricted by the poor exposure. Some of the historic prospector shafts are not presently safe for entry, but will likely yield useful observational data. It is expected that this detailed mapping which includes structural and alteration detail will provide the necessary framework for a future drill program at Linden.

Outcrop on site is poor and is largely restricted to historic workings. Cherty zones are locally pyritic and appear to be shear zones that are directly associated with chloritic and carbonate alteration and most likely gold mineralisation. It is likely that those 'cherty' zones exposed are part of a series of similar structures, and identification of these is a priority in the current and upcoming mapping programmes.

4.7 Recent Exploration

The work carried out to date includes a review and planning for the future exploration. This has included designing a soil sampling and detailed mapping program. A reappraisal of the region using high resolution, regional geophysical data-sets will be undertaken over the Linden area in order to place the Good Hope prospect into its regional context. This analysis should yield new possible controls on mineralisation.

In more detail, P39/5062 is located on a minor granitic pluton that has intruded into the greenstone package (Figure 6). This minor pluton and the shear zones that have ruptured it have further complicated the local stress field. On the scale of the licence area, it is likely that low-strain zones within the granite, at the interface of mafic enclaves and the host granite, and adjacent to shear zones have combined to form a complex array of favourable sites for mineralisation. Indeed, the observed mineralisation in "cherts" at Linden is interpreted as local dilation along a north-south shear at the contact between the mafic rocks and the granite. Such structural traps define significant targets for a series of small- to moderate-sized gold deposits.

Detailed mapping, sampling and petrology will be required to fully assess the distribution of mineralisation and alteration throughout the licence area.

4.7 Exploration Potential

The Linden project area is prospective for mesothermal gold mineralisation. Historic workings, mineralised outcrops and through-going shear zones provide the necessary complexity in an area already favourable for the development of such deposits.

Gold mineralisation on the licence area occurs between the north-south trending Hootanui/Harold Shear System and an apophysis of the regional granites (Figure 5). Regional sinistral transpression means that the entire area stretching from the Linden and Second Fortune mining centres (and possibly as far south as the Mount Celia mining centre is located within the strain shadow to the west and north of the granitic pluton. Low-strain zones are typically the loci for intense fluid flux, hence the area is highly favourable for the development of mesothermal gold mineralisation.

The initial exploration program involved documentation of the local geology and distribution of mineralisation throughout the licence area.

5.0 Valuation of the Project

When valuing any mineral asset/project it is important to consider as many factors as possible that may either assist or impinge upon the current cash value estimates of the mineral asset under consideration. In this Report AM&A considers that the primary features to be taken into account are the Tenement Security; Available Infrastructure; Relevant Expenditure on development, Resource Estimations and the general Geological Setting.

Basically, these "Boxes are Ticked" as described above with regards to tenement security, infrastructure, previous exploration concepts and a favourable geological environment.

5.1 Selection of Valuation Methods

The following valuation methods, as described above in section 2, are not considered applicable for the respective reasons provided:

- The Discounted Cash Flow method cannot be used for the Project as the lack of mineral reserve estimates precludes a DCF;
- The Kilburn 'prospectivity' method - as the range of values generated is typically too wide to be realistic.
- Comparable transactions – with the recent general demise of the exploration industry, through lack of 'high-risk funds', this has curtailed much activity thus no similar recent relevant transactions could be located for similar projects.
- Real estate value which is usually based on a value ascribed to varying areas of tenement holdings which may consequently become unrealistic due to the varying areas of projects.
- The Empirical method was deemed unreliable since there are not yet any JORC Code (2012) compliant resource estimates.

Accordingly the MEE method, with appropriate discount factors, has been adapted as the overriding basis for the estimation of the value. The MEE method was applied to the supplied historical expenditures for the project.

5.2 Valuation – MEE Method

The historical expenditures were supplied by Power and deemed applicable. The Reserve Bank Inflation Calculator was used to inflate the expenditures to a 2016 basis for the valuation, with PEM factors between 1.0 and 2.0 applied to the total inflated expenditures thereby establishing a range of values.

Details of these workings are summarised in Appendix 1.

5.3 Valuation Conclusions

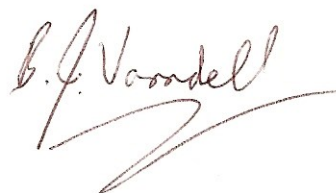
The summary result is presented in Table 3. As stated above the MEE method was selected as the most appropriate method for valuation estimate purposes.

	A\$000s		
Method	Low	High	Preferred
Rounded	23	45	34

Table 3: Summary Range of Current Values.

This Report concludes that the cash value of 90% of the Power Project in Western Australia at 28th June, 2016, is ascribed at \$34,000 from within the range of \$23,000 to \$45,000.

Yours faithfully,

Allen J. Maynard
BAppSc(Geol), MAIG, MAusIMM.

Brian J. Varndell
BSc(Spec Hons) FAusIMM.

Competent Persons Statement

The information in this report which relates to Exploration Targets, Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Mr Allen Maynard, who is a Member of the Australian Institute of Geosciences ("AIG"), a Corporate Member of the Australasian Institute of Mining & Metallurgy ("AusIMM") and independent consultant to the Company. Mr Maynard is the Director and principal geologist of Al Maynard & Associates Pty Ltd and has over 35 years of exploration and mining experience in a variety of mineral deposit styles. Mr Maynard has sufficient experience which is relevant to the style of mineralisation and type of deposit under

consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for reporting of Exploration Results, Exploration Targets, Mineral Resources and Ore Reserves".(JORC Code). Mr Maynard consents to inclusion in the report of the matters based on this information in the form and context in which it appears.

Competent Persons Statement

The information in this report which relates to Exploration Targets, Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Mr Brian Varndell, who is a Fellow of the Australasian Institute of Mining and Metallurgy and independent consultant to the Company. Mr Varndell is an associate of Al Maynard & Associate Pty Ltd and has over 40 years of exploration and mining experience in a variety of mineral deposit styles including iron ore mineralisation. Mr Varndell has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for reporting of Exploration Results, Exploration Targets, Mineral Resources and Ore Reserves".(JORC Code). Mr Varndell consents to inclusion in the report of the matters based on this information in the form and context in which it appears.

6.0 References

Valuation

AusIMM - JORC Code, 2012. *Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserve*, prepared by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australasian Institute of Geoscientists and Minerals Council of Australia (JORC), 2012 Edition.

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7.0 Glossary of Technical Terms and Abbreviations

Anomaly	Value higher or lower than the expected or norm.
Base metal	Generally a metal inferior in value to the precious metals, e.g. copper, lead, zinc, nickel.
Complex	An assemblage of rocks or minerals intricately mixed or folded together.
Diamond drill	Rotary drilling using diamond impregnated bits, to produce a solid continuous core sample of the rock.
Dip	The angle at which a rock layer, fault or any other planar structure is inclined from the horizontal.
Fault	A fracture in rocks on which there has been movement on one of the sides relative to the other, parallel to the fracture.
Intercept	The length of rock or mineralisation traversed by a drillhole.

JORC Code	Joint Ore Reserves Committee- Australasian Code for Reporting of Identified Resources and Ore Reserves.
Mineralisation Ore	In economic geology, the introduction of valuable elements into a rock body. A mixture of minerals, host rock and waste material which is expected to be mineable at a profit.
Outcrop Primary	The surface expression of a rock layer (verb: to crop out). Mineralisation which has not been affected by near surface mineralisation oxidising process.
Quartz RAB	A very common mineral composed of silicon dioxide-SiO ₂ . Rotary Air Blast (as related to drilling)—A drilling technique in which the sample is returned to the surface outside the rod string by compressed air.
RC	Reverse Circulation (as relating to drilling)—A drilling technique in which the cuttings are recovered through the drill rods thus minimising sample losses and contamination.
Reconnaissance	A general examination or survey of a region with reference to its main features, usually as a preliminary to a more detailed survey.
Remote Sensing	Geophysical data obtained by satellites processed and presented Imagery as photographic images in real or false colour combinations.
Resource	In-situ mineral occurrence from which valuable or useful minerals may be recovered, but from which only a broad knowledge of the geological character of the deposit is based on relatively few samples or measurements.
Shear (zone)	A zone in which shearing has occurred on a large scale so that the rock is crushed and brecciated.
Stratigraphy	The succession of superimposition of rock strata. Composition, sequence and correlation of stratified rock in the earth's crust.
Strike	The direction or bearing of the outcrop of an inclined bed or structure on a level surface.

Abbreviations

g	gram	m ³	cubic metre
kg	kilogram	mm	millimetre
km	kilometre	M	million
km ²	square kilometre	oz	troy ounce
m	metre	t	tonne
m ²	square metre		

Appendix 1: Details of Valuation Estimates.

Linden Valuation Worksheet							RBA Inflation Calculator			28 June 2016		
MEE	2012	2013	2014	2015	2016	Total	PEM Factor			Value A\$ 000s		
							Low	High	Preferred	Low	High	Preferred
Exp \$	16,679	267	1,200	4,246	1,345	23,738						
Infl Factor	1.07	1.04	1.02	1.00	1.00							
Val Exp	17,847	278	1,224	4,246	1,345	24,940	1.00	2.00	1.50	24.94	49.88	37.41
Total MEE								Rounded		25	50	37
								Rounded	90%	23	45	34
Au US\$ 1218.5 on 1/6/16		Exchange rate A\$1= US\$0.72		Au A\$/oz=1692.4								