ACN 009 264 699

Formerly RKS Consolidated Limited

Financial Report

For the Half-Year Ended 31 December 2014

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CORPORATE DIRECTORY

Directors	Gary Flowers Wayne Arthur Anthony Dunlop Andrew Johnson James Scott Chris Taylor
Company Secretary	Heath Roberts
Registered Office	Suite 3, Level 2 118 Devonshire Street Surry Hills NSW 2010
Principal Place of Business	Suite 3, Level 2 118 Devonshire Street Surry Hills NSW 2010
Share Register	Security Transfer Registrars Pty Ltd 770 Canning Way Applecross WA 6153
Auditor	Hall Chadwick Level 40 2 Park Street Sydney NSW 2000
Solicitors	Thomson Geer Level 21 1 O'Connell Street Sydney NSW 2000
Bankers	National Australia Bank Level 15, Ernst and Young Centre 680 George Street Sydney NSW 2000
Securities Exchange Listing	Skyfii Ltd shares are listed on the Australian Securities Exchange (ASX code: SKF)
Website Address	www.skyfii.com
Former Name	RKS Consolidated Limited changed its name to Skyfii Ltd. on 17 November 2014

Your Directors present their report together with the financial statements of Skyfii Ltd. (formerly known as RKS Consolidated Limited) (the "Company" or "Skyfii") for the half-year ended 31 December 2014.

Directors

The names of the Directors, who held office from 1 July 2014 to the date of this report, unless otherwise stated, are:

- Gary Flowers – appointed 27 November 2014
- Wayne Arthur – appointed 20 November 2014
- Anthony Dunlop
- Andrew Johnson – appointed 27 November 2014
- James Scott – appointed 20 November 2014
- Chris Taylor – appointed 27 November 2014
- Peter Dykes – resigned 20 November 2014
- Robert Spano – resigned 20 November 2014
- Suyin Chi – resigned 20 November 2014

Review of Operations

On 20 November 2014, the Company (formerly RKS Consolidated Limited) acquired 100% of the issued capital of Skyfii Group Pty Ltd ("SGPL"), a retail focussed technology company that captures and utilises big data to drive customer loyalty and sales for retailers. The acquisition was seen as an opportunity to use the existing listed company structure of the Company and provide existing shareholders the opportunity to participate in the significant future opportunities of SGPL.

The acquisition was achieved following the Company's 1 for 10 share consolidation by issuing 70,000,000 ordinary shares in the Company to existing shareholders of SGPL. Following completion, the previous shareholders of the Company held 12.5% and holders of SGPL held 87.5% of the Group respectively. As a consequence of this and other factors, for accounting purposes the acquisition is treated as a reverse acquisition. Further details of this acquisition are shown in note 2 to the Financial Statements.

Concurrent with the acquisition, the Company raised a further \$3.5m (excluding capital raising costs) through a public offering.

On 17 November 2014 the Company changed its name from RKS Consolidated Limited to Skyfii Ltd.

On 21 November 2014 the Company was reinstated to official quotation on the ASX.

Since the acquisition, the Company, through its wholly owned subsidiary Skyfii Group Pty Ltd has continued its retail-focussed strategy to install and manage public wifi hotspots and provide marketing data and advertising opportunities to its customers. The Company's main focus for these activities to date has been Australia, however the Company is also actively pursuing opportunities in Brazil, Indonesia and South Africa and will pursue additional international opportunities as these arise.

The company is pleased with the progress made since its listing in November, evidenced by recent announcements which include a significant partnership deal with Optus and revenue generating contracts with the GPT Group and NZRPG, New Zealand's largest privately owned retail development, investment and management company. The company anticipates additional upcoming announcements for several new contracts, including a significant property group within Australia and also a major retail property group in Brazil.

As a result of successfully securing these contracts, Skyfii has accelerated the development of its data services and content delivery platform, which will unlock new sources of revenue for the company in the new financial year.

During the half-year the Company spent and capitalised \$757k on the on the further development of software which is expected to provide a significant competitive advantage now and into the future.

The loss for the Company during the half-year was \$3.520m (2013: \$926k) including one-off goodwill and other impairments of \$2.158m.

Auditor's Independence Declaration

The Auditor's independence declaration for the half-year ended 31 December 2014 has been received and a copy is reproduced on page 4.

This Report is made in accordance with a resolution of the Board of Directors and signed on behalf of the Board by;

Gary Flowers
Chairman
Sydney, 25 February 2015

HALL CHADWICK (NSW)
Chartered Accountants and Business Advisers

SKYFII LTD
ACN 009 264 699
AND CONTROLLED ENTITIES

SYDNEY

Level 40
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Australia

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AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF SKYFII LTD
AND CONTROLLED ENTITIES

I declare that, to the best of my knowledge and belief, during the half-year ended 31 December 2014 there have been no contraventions of:

i. the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and

ii. any applicable code of professional conduct in relation to the review.

HALL CHADWICK
Level 40, 2 Park Street
SYDNEY NSW 2000

GRAHAM WEBB
Partner
Dated: 25 February 2015

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the half-year ended 31 December 2014

	Notes	Consolidated December 2014 $	Consolidated December 2013 $
Revenue			
Revenue from operations		256,749	310,469
Other income		25,982	-
Total revenue		**282,731**	**310,469**
Less: Expenses			
Acquisition costs		443,931	-
Corporate advisory services		225,000	-
Depreciation		4,819	-
Directors' fees		220,307	-
Impairment of goodwill and domain names		2,157,841	-
Network and other operating costs		309,889	395,068
Travel		104,589	48,687
Other expenses		716,440	792,320
Loss from operating activities		**(3,900,085)**	**(925,606)**
Finance expense		-	5
Loss before tax		**(3,900,085)**	**(925,611)**
Income tax benefit		379,747	-
Loss for the period		**(3,520,338)**	**(925,611)**
Other comprehensive income		-	-
Total comprehensive loss for the period		**(3,520,338)**	**(925,611)**
Loss per share attributable to the ordinary equity holders of the Company:			
Basic and diluted loss - cents per share		(11.48)	(18.78)

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	Notes	Consolidated December 2014 $	June 2014 $
ASSETS			
Current assets			
Cash and cash equivalents		1,946,469	33,175
Trade and other receivables		380,325	200,485
Income tax receivables		379,747	480,994
Other		74,320	22,000
Total current assets		**2,780,861**	**736,654**
Non-current assets			
Intangible assets	3	757,231	65,000
Plant and equipment		30,563	9,807
Financial assets		500	-
Total non-current assets		**788,294**	**74,807**
Total Assets		**3,569,155**	**811,461**
LIABILITIES			
Current Liabilities			
Trade and other payables		231,366	442,555
Provisions		67,278	39,749
Other		17,940	-
Total current liabilities		**316,584**	**482,304**
Non-current liabilities			
Interest-bearing liabilities		-	453,333
Total non-current liabilities		**-**	**453,333**
Total liabilities		**316,584**	**935,637**
Net Assets		**3,252,571**	**(124,176)**
EQUITY AND LIABILITIES			
Contributed equity	4	8,397,685	1,500,600
Retained earnings		(5,145,114)	(1,624,776)
Total Equity		**3,252,571**	**(124,176)**

The above statement of financial position should be read in conjunction with the accompanying notes.

STATEMENT OF CHANGES IN EQUITY

For the half-year ended 31 December 2014

	Notes	Ordinary Shares $	Consolidated Retained Earnings $	Total $
December 2014				
Balance at 1 July 2014		**1,500,600**	**(1,624,776)**	**(124,176)**
Issue of share capital (net of transaction costs)	4	6,897,085	-	6,897,085
Transactions with owners		**6,897,085**	**-**	**6,897,085**
Loss for the period		-	(3,520,338)	(3,520,338)
Total comprehensive loss for the period		**-**	**(3,520,338)**	**(3,520,338)**
Balance at 31 December 2014		**8,397,685**	**(5,145,114)**	**3,252,571**
December 2013				
Balance at 1 July 2013		**-**	**-**	**-**
Issue of share capital (net of transaction costs)	4	1,000,600	-	1,000,600
Transactions with owners		**1,000,600**	**-**	**1,000,600**
Loss for the period		-	(925,611)	(925,611)
Total comprehensive loss for the period		**-**	**(925,611)**	**(925,611)**
Balance at 31 December 2013		**1,000,600**	**(925,611)**	**74,989**

The above statement of changes in equity should be read in conjunction with the accompanying notes.

STATEMENT OF CASH FLOWS

For the half- year ended 31 December 2014

	Notes	Consolidated December 2014 $	Consolidated December 2013 $
Cash flows from operating activities			
Receipts from customers		245,856	310,241
Payments to suppliers and employees		(1,418,994)	(1,096,902)
Receipts from other income		17,895	-
Receipt for interest received		8,087	-
Net cash (used in) operating activities		**(1,147,156)**	**(786,661)**
Cash flows from investing activities			
Receipt from government R&D tax incentive		480,994	-
Payments for plant and equipment		(25,574)	-
Payments for acquisition costs	2	(443,931)	-
Payments for software development	3	(757,231)	-
Payments for advances		(35,021)	(3,252)
Receipt for refund of security bonds		4,085	-
Payment of security bonds		-	(7,470)
Payment for loans to related parties		(71,667)	(176,140)
Net cash (used in) investing activities		**(848,345)**	**(186,862)**
Financing activities			
Proceeds from issue of shares	4	1,650,090	1,000,600
Capital raising costs		(88,749)	-
Repayment of borrowings		(453,333)	-
Net cash provided by financing activities		**1,108,008**	**1,000,600**
Net (decrease) increase in cash held		**(887,493)**	**27,077**
Cash at the beginning of the period		33,175	-
Cash at acquisition		2,800,787	-
Cash at the end of the period		**1,946,469**	**27,077**

The above statement of cash flows should be read in conjunction with the accompanying notes.

1. Significant Accounting Policies

a) Basis of preparation

Skyfii Ltd. is a public company, listed on the Australian Securities Exchange, incorporated and domiciled in Australia.

These general purpose financial statements for the half-year reporting period ended 31 December 2014 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001.

The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

These financial statements do not include all the notes of the type normally included in annual financial statements and therefore cannot be expected to provide as full understanding of the financial performance, financial position and financing and investing activities of the Company as the full financial report. The half-year financial report should be read in conjunction with the Company's Annual Report for the year ended 30 June 2014, the Replacement Prospectus lodged by Skyfii Ltd. with the ASIC on 15 October 2014 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

This financial report covers Skyfii Ltd. and its wholly owned subsidiary Skyfii Group Pty, Ltd. and was authorised for issue in accordance with a resolution of Directors on 25 February 2015.

b) Significant accounting policies

The half-year financial report has been prepared using the accounting policies as used in the annual financial report for RKS Consolidated Ltd. for the year ended 30 June 2014 except as follows:

Recognition of revenue

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. When the inflow of consideration is deferred, it is treated as the provision of financing and is discounted at a rate of interest that is generally accepted in the market for similar arrangements. The difference between the amount initially recognised and the amount ultimately received is interest revenue.

Revenue from the sale of goods is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods and the cessation of all involvement in those goods.

Revenue for installation projects is recognised on the basis of that portion of costs that have been incurred to date in the completion of a particular project. Costs incurred to date on a project are brought to account in a cost of sales account to offset this revenue.

Interest revenue is recognised using the effective interest method.

Government R&D incentive tax incentives are recognised as credit to income tax on receipt.

Software development expenditure

Expenditure during the research phase of a project is recognised as an expense when incurred. Development costs are capitalised only when technical feasibility studies identify that the project is expected to deliver future economic benefits and these benefits can be measured reliably.

Capitalised development costs have a finite useful life and are amortised on a systematic basis based on the future economic benefits over the useful life of the project.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of the Company or parent entity and its subsidiary as at 31 December 2014 (the "Group") and the results of the Group for the half-year then ended.

Subsidiaries are entities that the parent controls. The parent controls an entity when it is exposed to, or has rights to, variable returns from it's involvement with the entity and has the ability to affect those returns through its power over the entity. As at 31 December 2014, the Company has only one 100% owned subsidiary; SkyFii Group Pty Ltd, which it acquired on 20 November 2014.

The assets, liabilities and results of all subsidiaries are fully consolidated into the financial statements of the Group from which control is obtained by the Group. The consolidation of a subsidiary is discontinued from the date that control ceases. Intercompany transactions, balances and unrealised gains or losses on transactions between Group entities are fully eliminated on consolidation.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group.

1. Significant Accounting Policies (cont.)

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The consolidated financial statements have been prepared using reverse acquisition accounting. In reverse acquisition accounting, the cost of the business combination is deemed to have been incurred by the legal subsidiary Skyfii Group Pty. Ltd. (the acquirer for accounting purposes) in the form of equity instruments issued to the owners of the legal parent, Skyfii Ltd. (the acquiree for accounting purposes).

c) New, revised or amending Accounting Standards and Interpretations adopted

The following standards became effective on 1 January 2014 that may in certain circumstances impact on the Group's financial reporting in the future:

- AASB 2012-3: Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities (issued June 2012), Interpretation 21: Levies (issued June 2013)
- AASB 2013-3: Amendments to AASB136 – Recoverable Amount Disclosures for Non-Financial Assets (issued June 2013)
- AASB 2013-4: Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting (Issued July 2013)

No new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have been early adopted.

d) Going concern

The Group has incurred a net loss after tax of $3,520,338 (2013: $925,611) for the half-year and net cash outflows from operating activities of $1,147,156 (2013: $786,661). The loss is impacted by a one-off impairment of goodwill and domain names amounting to $2,157,841.

The ongoing viability of the Group and the recoverability of its non-current assets are dependent on the successful development of its information technologies, the sale of the benefit of these technologies to current and future customers and future capital raisings.

The financial statements are prepared on a going concern basis as the Group's cash flow forecast indicates that after meeting all of its commitments, and expected future capital raisings it will remain cash flow positive past February 2016. This forecast acknowledges that the Group is in the early stages of development and assumes that the Directors will be able to raise at least $1,100,000 early in the next financial year and that the Group will continue to grow sales of its products and services and successfully exploit the Group's technology.

The Directors are confident that this capital raising will succeed and that the forecast growth of the Group can be achieved.

On this basis the Directors are of the opinion that the financial statements can be prepared on a going concern basis and the Group will be able to pay its debts as and when they fall due and payable.

Should the Group be unable to continue as a going concern it may be required to realise its assets and discharge its liabilities other than in the normal course of business and at amounts different to those stated in the financial statements.

2. Business Combination

On 20 November 2014, the Company (formerly RKS Consolidated Limited and referred to in this note as "RKS") acquired 100% of the issued capital of Skyfii Group Pty Ltd ("SGPL"), a retail focussed technology company that captures and utilises big data to drive customer loyalty and sales for retailers. The acquisition was seen as an opportunity to use the existing listed company structure of the Company and provide existing shareholders the opportunity to participate in the significant future opportunities of SGPL.

The acquisition was achieved following the RKS 1 for 10 share consolidation by issuing 70,000,000 ordinary shares in RKS to existing shareholders of SGPL. Following completion the previous shareholders of RKS held 12.5% and holders of SGPL held 87.5% of the Group respectively. As a consequence of this and other factors, for accounting purposes the acquisition is treated as a reverse acquisition.

2. Business Combination (cont.)

Fair Value of consideration paid by Skyfii Group Pty Ltd for the assets of RKS Consolidated Limited

	$
Consideration paid	**2,000,067**
Less:	
Fair Value of Net Assets of RKS Consolidated Limited at acquisition date	(92,774)
Goodwill	**2,092,841**

Fair Value of Net Assets of RKS Consolidated Limited acquired by Skyfii Group Pty Ltd

	Carrying amount $
ASSETS	
Current assets	
Cash and cash equivalents	2,800,787
Trade and other receivables	62,059
Total current assets	**2,862,846**
Non-current assets	
Financial assets	500
Total non-current assets	**500**
Total Assets	**2,863,346**
LIABILITIES	
Current Liabilities	
Trade and other payables	2,942,197
Loans	13,923
Total current liabilities	**2,956,120**
Total liabilities	**2,956,120**
Net Assets	**(92,774)**

The acquisition resulted in goodwill of $2,092,841 which has been written off in the half-year. Goodwill represents the value to SGPL of having an immediate ASX listed company status with all of the capital raising avenues available to this type of company.

Receivables and payables have been included at their fair value. Directors are of the opinion that these are fully recoverable and that no impairment of these is required.

Since the date of acquisition, RKS has contributed losses of $164,946 to the comprehensive loss of the Group. Had RKS been part of the Group for the whole of the half-year, it would have contributed losses of $275,034 to the comprehensive loss of the Group.

Acquisition costs of $443,931 have been expensed in the half-year. Capital raising costs of $973,072 associated with the acquisition and associated public offering have been deducted from the amount of capital raised.

As part of the acquisition agreement entered into between RKS and the shareholders of SGPL the Company has agreed that on or after the fifth business day following 16 March 2017, it will issue to those shareholders who were shareholders of SGPL as at the acquisition date, additional earn-out shares to the value of the lesser of a) $16,500,000 or b) three times the Company's gross revenue for the year ending 31 December 2016 minus $13,500,000. The agreed issue price of these shares is $0.20.

No value has been attributed to the earn-out shares at this stage as their value can not accurately be measured and the probability of this revenue hurdle being achieved at this early stage of the Company's development is insufficiently certain.

	Consolidated	
	December 2014 $	June 2014 $
3. Intangibles		
Capitalised Software Development		
At cost		
As at the beginning of the period	-	-
Add: Capitalised during the period	757,231	-
	757,231	**-**

In addition to the amount shown above, the Group charged software development costs of $1,004,915 to profit and loss during the year ended 30 June 2014.

A government R&D tax incentive of $480,994 was received during the half-year. This was recognised in the previous financial year as a reduction in the amounts payable to the ATO.

An expected government R&D tax incentive of $379,747 has been recognised in the current period.

Capitalised domain name acquisition costs of $65,000 were written off during the period.

4 Contributed Equity

		Number	$
Ordinary Shares - half-year to 31 December 2014			
As at 1 July 2014		7,500,000	1,500,600
22-Jul-14	Issued for cash @ $0.0001 per share	900,000	90
22-Jul-14	Issued for cash @ $0.8546 per share	1,755,209	1,500,000
22-Jul-14	Issued in settlement of a liability @ $0.8546 per share	58,507	50,000
22-Jul-14	Issued for cash @ $1.3333 per share	112,500	150,000
20-Nov-14	Elimination of Skyfii Group Pty. Ltd. shares on issue on acquisition	(10,326,216)	-
20-Nov-14	Shares of Skyfii Ltd. (formerly RKS Consolidated Ltd.) on acquisition	10,000,337	-
20-Nov-14	Issue of shares to former shareholders of Skyfii Group Pty. Ltd.	70,000,000	2,000,067
20-Nov-14	Public share offer @ $0.20 per share	17,500,000	3,500,000
20-Nov-14	Issued in settlement of a liability @ $0.20 per share	2,500,000	500,000
20-Nov-14	Issued in settlement of a liability @ $0.20 per share	850,000	170,000
	Less: Capital raising costs		(973,072)
Total for half-year		93,350,337	6,897,085
As at 31 December 2014		**100,850,337**	**8,397,685**
Ordinary Shares - half-year to 30 June 2014			
As at 1 January 2014		7,000,000	1,000,600
15-Jan-14	Issued for cash @ $1.000 per share	500,000	500,000
Total for half-year		500,000	500,000
As at 30 June 2014		**7,500,000**	**1,500,600**

5. Dividends

The Company has not declared or paid a dividend during the half-year.

6. Business Segments

The Company operates predominantly in one industry and one geographical segment, being provision of wifi hotspots in public places and the provision of marketing data and advertising opportunities to its customers in Australia. The Company has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

7. Fair Value Measurement

The estimated fair value of financial instruments has been determined by the Company using available market information and appropriate valuation methods. The estimates presented are not necessarily indicative of the amounts that will ultimately be realized by the Company upon maturity or disposal. The use of different market assumptions and/or estimation methods may have a material effect on the estimated fair value amounts.

For cash and cash equivalents, trade and other receivables and trade and other payables, the carrying amounts approximate fair value, because of the short maturity of these instruments, and therefore fair value information is not included in this note.

8. Contingent Liability

As part of the business combination agreement entered into between RKS and the shareholders of SGPL the Company has agreed that on or after the fifth business day following 16 March 2017, it will issue to those shareholders who were shareholders of SGPL as at the merger date, additional earn-out shares to the value of the lesser of a) $16,500,000 or b) three times the Company's gross revenue for the year ending 31 December 2016 minus $13,500,000. The agreed issue price of these shares is $0.20.

9. Subsequent Events

On 16 February 2015 the Company issued 100,000 fully paid ordinary shares at an issue price of $0.20 per share in satisfaction of a liability to a creditor.

No other matters or circumstances have arisen since the end of the half-year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Company in future financial years.

The Directors of the Company declare that:

In their opinion:

- the attached financial statements and notes thereto comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5) of the Corporations Act 2001.

Gary Flowers
Director
Sydney, 25 February 2015

HALL CHADWICK (NSW)
Chartered Accountants and Business Advisers

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SKYFII LTD
ACN 009 264 699
AND CONTROLLED ENTITIES

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF SKYFII LTD

Report on the Half-year Financial Report

We have reviewed the accompanying half-year financial report of Skyfii Ltd, which comprises the consolidated statement of financial position as at 31 December 2014, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the period ended on that date, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

Directors' Responsibility for the Half-year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Standard on Review Engagements ASRE 2410: Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of Skyfii Ltd's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Skyfii Ltd, ASRE 2410 requires that we comply with the ethical requirements relevant to the review of the half-year financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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SKYFII LTD
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AND CONTROLLED ENTITIES

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF SKYFII LTD

Independence

In conducting our review, we have complied with the independence requirement of the Corporation Act 2001.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Skyfii Ltd is not in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of Skyfii Ltd's financial position as at 31 December 2014 and of its performance for the period ended on that date; and

(ii) complying with AASB 134: Interim Financial Reporting and the Corporations Regulations 2001.

Emphasis of Matter

Without modifying our conclusion, we draw attention to Note 1 (d) in the financial report which indicates that the Group has incurred a net loss after tax of $3,520,338 for the half-year and net cash outflows from operating activities of $1,147,156. Note 1 (d) also indicates that the ability of the Group to continue as a going concern is dependent upon the future successful raising equity and the successful exploitation of the Group's technology. These conditions, along with other matters as set forth in Note 1 (d) indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the financial report.

Hall Chadwick

HALL CHADWICK
Level 40, 2 Park Street
SYDNEY NSW 2000

GRAHAM WEBB
Partner
Dated: 25 February 2015