

ASX: SKF

VARIATION OF SKYFII EARN OUT AGREEMENT

Highlights

- Skyfii enters into agreements with a majority of the existing Skyfii vendors for those vendors to accept a fixed number of shares, subject to shareholder approval
- Agreement resolves the current variable nature of the existing earn-out agreement for those vendors
- New 12 month voluntary escrow arrangements signed, demonstrating continued support from founding shareholders
- Determination of potential dilution impact of the earn-out shares simplified
- Agreements received to date result in 21.8m of a potential maximum 79.9m shares under the variable earn-out agreement now being issued to those vendors

Skyfii Limited (ASX:SKF) (**Skyfii** or the **Company**) advises that it has entered into agreements with a number of existing vendors of Skyfii Group Pty Ltd representing 97% of vendor entitlements (**Skyfii Vendor Shareholders**) which subject to shareholder approval will:

- vary the terms of their respective earn-out entitlements relating to the reverse acquisition which occurred in conjunction with the re-listing of the Company in November 2014; and
- result in the consideration shares and earn-out shares being placed under new 12 month voluntary escrow arrangements (Earn Out Variation Deed).

Key elements of the Variation Deed include:

- Vendors have agreed to enter into new voluntary 12 month escrow arrangements, subject to shareholder approval, for SKF shares acquired as consideration, including any new earn-out shares issued.
- Agreements received to date result in 21.8m of a potential maximum 79.9m shares under the variable earn-out agreement now being issued to those vendors.
- This new earn-out arrangement would see at least 53% of the fully diluted shares outstanding being re-escrowed for an additional 12 months.

The Earn Out Variation Deed was prompted by significant feedback Skyfii received from prospective sophisticated and institutional investors that the uncertainty of the current earn out mechanism and impact on dilution, which is based on the consolidated revenue performance of the Company in the calendar 2016 year (**Earn Out Mechanism**), was prohibitive to considering an investment in the Company. The Company also received feedback from prospective investors regarding the potential impact of the Skyfii Vendor Shareholders' significant unrestricted shares on the Company's future share price performance. This prompted the Company to initiate negotiations with the major Skyfii Vendor Shareholders.

The Company's Independent Directors undertook a review of the terms of the Earn Out Variation Deed, engaging PKF Corporate Finance (**PKFCF**) to independently evaluate of the Earn Out Variation Deed (the **Proposal**) in comparison to the original terms of the acquisition agreement (including the Earn Out Mechanism).

The advice the Independent Directors received was that there were sufficient grounds to justify the Independent Directors recommending to shareholders (other than the Skyfii Vendor Shareholders) that the current Earn Out Mechanism be replaced by the Proposal.

Notice of Meeting and Explanatory Memorandum

The Company will issue a Notice of Meeting shortly in order for shareholders to vote on the Proposal. The Notice of Meeting will contain an Explanatory Memorandum outlining in greater detail the background, terms and basis for the recommendation of the Independent Directors with respect to the Proposal.

In addition to resolutions relating to the Proposal, the Company is also seeking to ratify various share issues, including the recent placement, insofar as they impact on the Company's available placement capacity.

ENDS

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ABOUT SKYFII

Skyfii is an innovative data services company that captures, stores and analyses behavioural data through technologies such as WiFi. We build, manage and monetise free public Wi-Fi by creating an engaging content channel for advertisers and by analysing customer data to assist retailers to make smarter business decisions.