



Skyfii Limited
ABN 20 009 264 699

Interim Financial Report

For the half-year ended 31 December 2016

Skyfii Limited

ABN 20 009 264 699

Appendix 4D for the half-year ended 31 December 2016

(Previous corresponding period: Half-year ended 31 December 2015)

Results for announcement to market

	\$	% Movement
Revenue from ordinary activities	1,731,795	15.0%
(Loss) after tax from ordinary activities attributable to shareholders	(2,274,117)	105.7%
Net (loss) attributable to shareholders	(2,274,117)	105.7%

No dividends have been declared for the reporting period.

Other information required by Listing Rule 4.2A

Other information requiring disclosure to comply with Listing Rule 4.2A is contained in the Interim Financial Report (which includes the Directors' report).

Skyfii Limited

ABN 20 009 264 699

Interim financial report for the half-year ended 31 December 2016

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Directors' report

Your Directors present their report on the consolidated entity (referred to hereafter as the Group), consisting of Skyfii Limited and the entities it controlled at the end of, or during, the half-year ended 31 December 2016 (1H17).

Directors

The names and particulars of the Directors of the Company who held office at the date of this report are:

- James Scott Independent Non-Executive Chairman
- Wayne Arthur Chief Executive Officer/Executive Director
- Andrew Johnson Independent Non-Executive Director

Review of operations

During the half-year ended 31 December 2016, the Group generated revenues of \$1,731,795, up 15% on the prior corresponding period (pcp) (1H16: \$1,505,309).

During the half-year ended 31 December 2016, the Group generated operating revenues (excluding grant and interest income) of \$1,386,377, up 26% on pcp (1H16: \$1,100,771). Underlying this result was an 117% increase in recurring revenues on pcp (1H17: \$882,966; 1H16: \$406,100).

This result was mainly driven by the successful deployment of major data analytics contracts with major domestic and international retail mall and property groups.

Total operating expenses excluding depreciation, amortisation and finance costs were \$3,531,560 (1H16: \$2,444,224) reflecting a 44% increase on pcp due predominantly to growth in headcount and investment in sales and marketing.

The Group reported an operating EBITDA loss excluding non-recurring items of \$1,606,734 (1H16: \$938,914) and net loss after tax of \$2,274,117 (1H16: \$1,105,330).

Operating cash outflows for 1H17 were \$713,384 (1H16: \$613,377 outflow) and net cash outflows from investment activities were \$834,871 (1H16: \$935,995 outflow) including an investment of \$748,821 in software development comprising predominantly of research and development employee costs and external developer costs.

The Group's cash balance as at 31 December 2016 was \$3,484,943 (1H16: \$4,997,582).

During the half-year ended 31 December 2016, the Company successfully completed an equity placement of approximately \$4.2 million to institutional and sophisticated investors, which included continued strong support from existing shareholders. Note that \$1.7 million of this equity placement was concluded in February 2017, after receiving the requisite shareholder approval at a general meeting of shareholders. In addition, the Company raised \$491,000 via a share purchase plan to existing eligible shareholders in February 2017.

Dividends paid or recommended

In respect of the half-year ended 31 December 2016, there have been no dividends paid or provided for (1H16: nil).

Auditor's independence declaration

The auditor's independence declaration is included on page 5 of this report and forms part of the Directors' Report for the half-year ended 31 December 2016.

This report is made in accordance with a resolution of Directors.



James Scott
Chairman

28 February 2017

Auditor's independence declaration

HALL CHADWICK  **(NSW)**

Chartered Accountants and Business Advisers

**SKYFII LIMITED
ACN 009 264 699
AND CONTROLLED ENTITIES**

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

SYDNEY

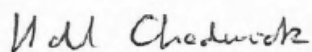
Level 40
2 Park Street
Sydney NSW 2000
Australia

GPO Box 3555
Sydney NSW 2001

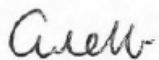
Ph: (612) 9263 2600
Fx: (612) 9263 2800

I declare that, to the best of my knowledge and belief, during the half-year ended 31 December 2016 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: 28 February 2017

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Skyfii Limited

Consolidated statement of profit or loss and other comprehensive income

For the half-year ended 31 December 2016

	Note	31 Dec 2016 \$	31 Dec 2015 \$
Revenue and other income			
Revenue	2	1,386,377	1,100,771
Other income	2	345,418	404,539
Total revenue		1,731,795	1,505,309
Expenses			
Direct costs and implementation expenses		(395,824)	(360,712)
Employee benefits expense	3	(1,763,315)	(1,130,630)
Contractor and consultant expenses		(61,553)	(80,837)
Marketing and promotion expenses		(166,283)	(71,470)
Data hosting expenses		(238,117)	(133,564)
Travel and accommodation expenses		(221,673)	(104,264)
Office and other expenses		(381,137)	(422,745)
Directors' fees		(110,627)	(140,002)
Share based payments expense		(193,031)	-
Depreciation and amortisation expenses	3	(466,918)	(160,489)
Finance costs	3	(1,267)	(670)
Loss before tax		(2,267,950)	(1,100,073)
Income tax expense		(6,167)	(5,256)
Loss for the period		(2,274,117)	(1,105,330)
Other comprehensive income			
Items that will be reclassified to profit or loss when specific conditions are met:			
Exchange differences on translation of foreign operations		(21,468)	(880)
Total comprehensive loss for the period		(2,295,586)	(1,106,210)
Earnings per share			
		Cents	Cents
Basic earnings per share	16	(1.3)	(0.9)
Diluted earnings per share	16	(1.3)	(0.9)

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

Skyfii Limited

Consolidated statement of financial position

As at 31 December 2016

	Note	31 Dec 2016 \$	30 Jun 2016 \$
Assets			
Current assets			
Cash and cash equivalents		3,484,943	2,612,422
Trade and other receivables	4	911,567	1,515,106
Inventories	5	11,100	10,444
Other assets	6	319,670	93,930
Total current assets		4,727,280	4,231,902
Non-current assets			
Plant and equipment	7	179,065	164,374
Intangible assets	8	3,104,662	2,803,857
Total non-current assets		3,283,727	2,968,231
Total assets		8,011,008	7,200,133
Liabilities			
Current liabilities			
Trade and other payables	10	717,342	674,768
Provisions	11	128,986	136,841
Deferred revenue		464,233	166,926
Total current liabilities		1,310,562	978,534
Total liabilities		1,310,562	978,534
Net assets		6,700,446	6,221,599
Equity			
Contributed equity	12	20,637,626	17,987,101
Reserves		105,892	64,080
Accumulated losses		(14,043,073)	(11,829,582)
Total equity		6,700,446	6,221,599

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

Skyfii Limited
Consolidated statement of changes in equity
For the half-year ended 31 December 2016

		Contributed equity	Share based payments reserve	Share option reserve	Foreign currency translation reserve	Accumulated losses	Total equity
	Note	\$	\$	\$	\$	\$	\$
Balance at 1 July 2015		11,091,161	-	-	-	(6,414,258)	4,676,903
Loss for the period		-	-	-	-	(1,105,330)	(1,105,330)
Exchange differences on translation of foreign operations		-	-	-	(880)	-	(880)
Total comprehensive loss for the period		-	-	-	(880)	(1,105,330)	(1,106,210)
Transactions with owners in their capacity as owners:							
Issue of ordinary shares	12	4,105,000	-	-	-	-	4,105,000
Capitalised equity raising costs (net of tax)	12	(242,595)	-	-	-	-	(242,595)
Balance at 31 December 2015		14,953,566	-	-	(880)	(7,519,588)	7,433,098

		Contributed equity	Share based payments reserve	Share option reserve	Foreign currency translation reserve	Accumulated losses	Total equity
	Note	\$	\$	\$	\$	\$	\$
Balance at 1 July 2016		17,987,101	60,492	-	3,588	(11,829,582)	6,221,599
Loss for the period		-	-	-	-	(2,274,117)	(2,274,117)
Exchange differences on translation of foreign operations		-	-	-	(21,468)	-	(21,468)
Total comprehensive loss for the period		-	-	-	(21,468)	(2,274,117)	(2,295,586)
Transactions with owners in their capacity as owners:							
Issue of ordinary shares	12	2,752,517	-	-	-	-	2,752,517
Capitalised equity raising costs (net of tax)	12	(101,992)	-	-	-	-	(101,992)
Share based payments	13	-	63,281	-	-	-	63,281
Issue of options	13	-	-	60,627	-	-	60,627
Balance at 31 December 2016		20,637,626	123,773	60,627	(17,881)	(14,103,699)	6,700,446

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

Skyfii Limited
Consolidated statement of cash flows
For the half-year ended 31 December 2016

	31 Dec 2016 \$	31 Dec 2015 \$
Cash flows from operating activities		
Receipts from customers	1,806,749	786,187
Payments to suppliers and employees	(3,389,106)	(2,238,419)
Receipts from other income	10,840	28,000
Receipts from government R&D tax incentive	851,219	791,729
Interest received	8,181	19,797
Interest paid	(1,267)	(670)
Net cash (outflow) from operating activities	(713,384)	(613,377)
Cash flows from investing activities		
Payments for plant and equipment	(33,593)	(100,234)
Payments for intangible assets	(748,821)	(820,097)
Payments for other assets	(52,456)	(15,664)
Net cash (outflow) from investing activities	(834,871)	(935,995)
Cash flows from financing activities		
Proceeds from issue of shares	2,522,767	4,105,000
Capitalised capital raising costs	(101,992)	(242,595)
Net cash inflow from financing activities	2,420,775	3,862,405
Net increase in cash held	872,520	2,313,033
Cash at the beginning of the period	2,612,422	2,684,548
Cash at the end of the period	3,484,943	4,997,582

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

Skyfii Limited

Notes to the financial statements

For the half-year ended 31 December 2016

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This Interim Financial Report does not include all the notes normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2016 and any public announcements made by Skyfii Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Skyfii Limited

Notes to the financial statements

For the half-year ended 31 December 2016

1. Summary of significant accounting policies

(a) Basis of preparation of interim financial report

These general purpose interim financial statements for the half-year reporting period ended 31 December 2016 have been prepared in accordance with requirements of the *Corporations Act 2001* and Australian Accounting Standard AASB 134: *Interim Financial Reporting*. Skyfii Limited is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

This interim financial report is intended to provide users with an update on the latest annual financial statements of Skyfii Limited and its controlled entities (referred to as the "consolidated group" or "group"). As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2016, together with any public announcements made during the following half-year. The accounting policies adopted in the preparation of the consolidated interim financial statements are consistent with those adopted in the Group's annual financial report for the year ended 30 June 2016.

These interim financial statements were authorised for issue on 28 February 2017.

(b) Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the interim financial report, are disclosed in the 2016 Annual Report.

(c) Segment reporting

The Group operates predominantly in one industry and one geographical segment, being the development and commercialisation of data analytics, marketing and advertising services to its customers in Australia. At this stage the Group's overseas operations are in start-up phase and not significant to the Group. The Group 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.

(d) Accounting standards issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for the current reporting period. The Group has assessed the impact of these new standards and interpretations, and does not expect that initial application will affect any of the amounts recognised in the financial report, but may change the disclosures presently made in relation to the Group. For further details refer to the 2016 Annual Report.

(e) Going concern

The financial statements of the Group have been prepared on a going concern basis, which contemplates the continuation of normal business operations and the realisation of assets and settlement of liabilities in the normal course of business.

The Group is in the research, development and commercialisation stage of its data analytics technology and services. During the half-year ended 31 December 2016 the Group incurred a loss after tax of \$2,274,117 and incurred cash outflows from operating activities of \$713,384 for the period. At 31 December 2016, the Group had a surplus in net current assets of \$3,416,719 and a surplus in net assets of \$6,700,446.

The Group has to date been successful in raising equity capital since the Company's re-listing in November 2014, having undertaken a private placement to new and existing investors of \$2,800,000 in May 2015, \$4,105,000 in November 2015, and more recently the Group conducted a two tranche private placement to new and existing sophisticated investors to raise \$2,572,767 in December 2016, and a further \$1,661,880 in February 2017 (of which \$796,470 is expected to settle in March 2017). In addition, the Company raised \$491,000 via a share purchase plan to existing eligible shareholders in February 2017.

Management have prepared cash flow projections that support the Group's ability to continue as a going concern. The Directors of the Company consider that the cash flow projections and assumptions are achievable, and in the longer term, significant revenues will be generated from the commercialisation of intellectual property, and accordingly, the Group will be able to continue as a going concern.

Skyfii Limited

Notes to the financial statements

For the half-year ended 31 December 2016

2. Revenue

	31 Dec 2016	31 Dec 2015
	\$	\$
Revenue from operations	1,386,377	1,100,771
Other income		
R&D tax incentive	326,397	356,742
Government grants	10,840	28,000
Interest income	8,181	19,797
Total other income	345,418	404,539
Total revenue	1,731,795	1,505,309

3. Expenses

Loss before income tax expense includes the following expenses:

	Note	31 Dec 2016	31 Dec 2015
		\$	\$
Employee benefits expense			
Salaries and related expenses (including superannuation)		1,712,318	1,048,601
Other employment costs		50,997	82,029
Total employee benefits expense		1,763,315	1,130,630
Depreciation and amortisation expenses			
Plant and equipment	7	18,902	9,043
Software development amortisation	8	448,016	151,446
Total depreciation and amortisation expenses		466,918	160,489
Rental expense relating to operating leases			
Minimum lease payments		125,550	33,185
Rent recovery from sub-lease agreements		(67,925)	-
Total depreciation and amortisation expenses		57,625	33,185
Net foreign exchange losses		(15,962)	9,628
Finance costs			
Interest expense		1,267	670

4. Trade and other receivables

	31 Dec 2016	30 Jun 2016
	\$	\$
Current		
Trade receivables	559,810	682,874
R&D tax incentive receivable	269,150	823,325
Other debtors	82,607	8,907
Total current trade and other receivables	911,567	1,515,106

Skyfii Limited

Notes to the financial statements

For the half-year ended 31 December 2016

5. Inventories

	31 Dec 2016	30 Jun 2016
	\$	\$
Current		
Equipment – at cost	11,100	10,444
Total inventories	11,100	10,444

Inventories include servers and other networking equipment which the Group sells to its customers in order to deliver data analytics services.

6. Other assets

	31 Dec 2016	30 Jun 2016
	\$	\$
Current		
Prepayments	305,286	87,629
Security deposits	4,057	4,057
Other	10,327	2,244
Total current other assets	319,670	93,930

7. Plant and equipment

	31 Dec 2016	30 Jun 2016
	\$	\$
Non-current		
Office and computer equipment – at cost	235,397	201,773
Accumulated depreciation	(56,332)	(37,399)
Carrying value of office and computer equipment	179,065	164,374
Total carrying value of plant and equipment	179,065	164,374

8. Intangible assets

	31 Dec 2016	30 Jun 2016
	\$	\$
Non-current		
Software development – at cost	3,988,122	3,239,300
Accumulated amortisation	(883,459)	(435,443)
Carrying value of software development	3,104,662	2,803,857
Total carrying value of intangible assets	3,104,662	2,803,857

Skyfii Limited

Notes to the financial statements

For the half-year ended 31 December 2016

Reconciliations

Reconciliations of the carrying amount of intangible assets at the beginning and end of the current and previous period are set out below:

	Software development \$
Balance at 1 January 2016	2,088,635
Additions	999,219
Amortisation	(283,997)
Balance at 30 June 2016	2,803,857
Balance at 1 July 2016	2,803,857
Additions	748,821
Amortisation	(448,016)
Balance at 31 December 2016	3,104,662

9. Net tangible asset backing

	31 Dec 2016 Cents per share	30 Jun 2016 Cents per share
Net tangible asset backing per share	1.68	2.03
Net assets per share	3.14	3.70

10. Trade and other payables

	31 Dec 2016 \$	30 Jun 2016 \$
Current		
Trade payables	676,717	633,289
Sundry payables	40,625	41,478
Total trade and other payables	717,342	674,768

11. Provisions

	31 Dec 2016 \$	30 Jun 2016 \$
Current		
Employee benefits	128,986	136,841
Total provisions	128,986	136,841

Skyfii Limited

Notes to the financial statements

For the half-year ended 31 December 2016

12. Contributed equity

(a) Share capital

	31 Dec 2016 Number	30 Jun 2016 Number	31 Dec 2016 \$	30 Jun 2016 \$
Ordinary shares	213,406,839	168,265,551	20,637,626	17,987,101
Total share capital			20,637,626	17,987,101

(b) Movements in ordinary share capital

	Date	Number	Unit price	\$
Reconciliation to 30 June 2016:				
Balance at 1 January 2016		145,790,189		14,953,566
Capitalised equity raising costs (net of tax)				-
Movements in ordinary shares:				
Issue of Earn Out Shares	26-Feb-16	22,342,028	\$0.135	3,013,535
Issued in settlement of a liability	26-Feb-16	133,334	\$0.150	20,000
Balance at 30 June 2016		168,265,551		17,987,101
Reconciliation to 31 December 2016:				
Balance at 1 July 2016		168,265,551		17,987,101
Capitalised equity raising costs (net of tax)				(101,992)
Movements in ordinary shares:				
Issue of ESP shares ¹	21-Sep-16	1,825,000	\$0.077	-
Issued in settlement of various liabilities	21-Sep-16	1,685,065	\$0.077	129,750
Issued in settlement of various liabilities	20-Dec-16	1,587,301	\$0.063	100,000
Share placement	20-Dec-16	40,837,572	\$0.063	2,522,767
Balance at 31 December 2016		213,406,839		20,637,626

(c) Ordinary shares

Ordinary shares have the right to receive dividends as declared, and, in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

(d) Employee Share Plan (ESP)

Information relating to the Employee Share Plan can be found in the Company's annual report for the year ended 30 June 2016.

(e) Earn Out Shares

Information relating to the Earn Out Shares issued in the year ended 30 June 2016 can be found in the Company's annual report for the year ended 30 June 2016.

¹ All eligible employees who accepted an offer of ESP shares were given an interest free loan from the Company to finance the whole of the purchase of the ESP shares they were invited to apply for (**ESP Loan**). The ESP Loans are provided to participants on a non-recourse basis and upon vesting must be repaid in order to remove trading restrictions on vested ESP shares. The term of the ESP Loan is five years however participants may forfeit their ESP shares if they do not repay the ESP Loan or leave the Company under certain scenarios. As the ESP removes the risk to participants from decreases in the share price by limiting the maximum loan amount repayable to the value of the ESP shares disposed and waiving the ESP Loan should the participant forfeit their ESP shares, whilst still allowing participants the rewards of any increase in share price, the Company has effectively granted the participants an option to the ESP shares due to the ESP Loans being non-recourse. As such, this arrangement is accounted for under AASB 2.

Skyfii Limited

Notes to the financial statements

For the half-year ended 31 December 2016

(f) Options over unissued ordinary shares

The Company granted the following options to Directors, convertible into the same number of ordinary shares in the Company, on the basis of shareholder approval granted on 30 November 2016:

Number of options	Option consideration	Expiry date	Exercise price per option
1,000,000	\$0.00	30 November 2019	\$0.100
1,000,000	\$0.00	30 November 2019	\$0.125
1,000,000	\$0.00	30 November 2019	\$0.150
1,000,000	\$0.00	30 November 2019	\$0.200
1,000,000	\$0.00	30 November 2019	\$0.300

The fair value of the options over the shares is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured and recognised at grant date, being 30 November 2016.

The fair value at grant date is determined using the Black-Scholes option pricing model that takes into account the exercise price, the term of the options, the impact of dilution, the non-tradeable nature of the options, the share price at grant date and expected price volatility of the underlying shares, the expected dividend yield and the risk-free interest rate for the term of the options.

13. Equity – reserves

	31 Dec 2016 \$	30 Jun 2016 \$
Share based payment reserve movements		
Balance at the beginning of the period	60,492	-
Share based payments expense	63,281	60,492
Balance at the end of the period	123,773	60,492
Share option reserve movements		
Balance at the beginning of the period	-	-
Share option expense	60,627	-
Balance at the end of the period	60,627	-
Foreign currency translation reserve movements		
Balance at the beginning of the period	3,588	-
Currency translation differences arising during the period	(21,468)	3,588
Balance at the end of the period	(17,881)	3,588
Total reserves	105,892	64,080

14. Contingent liabilities

There are no contingent liabilities as at 31 December 2016.

15. Events occurring after the reporting date

On 10 February 2017, the Company issued an additional 26,379,052 ordinary shares at \$0.063 to raise gross proceeds of \$1,661,880 before costs, of which \$796,470 is expected to be received in March 2017.

On 14 February 2017, the Company issued an additional 7,793,643 ordinary shares at \$0.063 pursuant to a share purchase plan to raise gross proceeds of \$491,000 before costs.

Other than the above matters there are no other matters or circumstances that have arisen since 31 December 2016 that have significantly affected, or may significantly affect:

- the consolidated entity's operations in the future financial years, or
- the results of those operations in future financial years, or
- the consolidated entity's state of affairs in the future financial affairs.

Skyfii Limited

Notes to the financial statements

For the half-year ended 31 December 2016

16. Earnings per share (EPS)

	31 Dec 2016 Cents per share	31 Dec 2015 Cents per share
(a) Basic earnings per share		
Basic EPS attributable to ordinary equity holders of the Company	(1.3)	(0.9)
(b) Diluted earnings per share		
Diluted EPS attributable to ordinary equity holders of the Company	(1.3)	(0.9)
(c) Weighted average number of shares used as the denominator	Number	Number
Weighted average number of ordinary shares used in calculating basic EPS	172,681,095	121,704,971
Weighted average number of dilutive options outstanding	842,391	-
Weighted average number of ordinary shares used in calculating diluted EPS	173,523,486	121,704,971
(d) Reconciliation of earnings used in calculating earnings per share	\$	\$
Loss attributable to the ordinary equity holders of the Company used in calculating basic EPS	(2,295,586)	(1,106,210)

Directors' declaration

In the Directors' opinion:

- (a) the financial statements and notes, as set out on pages 6 to 17, are in accordance with the *Corporations Act 2001*, including:
 - i. complying with Accounting Standard AASB 134: *Interim Financial Reporting*; and
 - ii. giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date.
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

On behalf of the Directors



James Scott
Chairman

28 February 2017

Independent auditor's review report

HALL CHADWICK  (NSW)

Chartered Accountants and Business Advisers

SKYFII LIMITED
ACN 009 264 699
AND CONTROLLED ENTITIES

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SKYFII LIMITED

SYDNEY

Level 40
2 Park Street
Sydney NSW 2000
Australia

GPO Box 3555
Sydney NSW 2001

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Report on the Interim Financial Report

We have reviewed the accompanying half-year financial report of Skyfii Limited, which comprises the consolidated statement of financial position as at 31 December 2016, 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 half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

Directors' Responsibility for the Interim 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 Limited's financial position as at 31 December 2016 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 Limited, 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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Independence

In conducting our review, we have complied with the independence requirements of the *Corporations 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 Limited is not in accordance with the *Corporations Act 2001*, including:

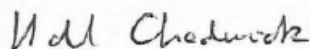
- i. giving a true and fair view of Skyfii Limited's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- ii. complying with AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*.

SYDNEY

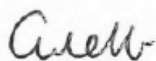
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HALL CHADWICK
Level 40, 2 Park Street
Sydney NSW 2000



GRAHAM WEBB

Partner

Dated: 28 February 2017

Corporate directory

Company Directors

Mr James Scott
Mr Wayne Arthur
Mr Andrew Johnson

Chairman, Non-Executive Director
Managing Director
Non-Executive Director

Company Secretary

Mr Heath Roberts

Registered Office

Level 1
34-36 Oxford Street
Darlinghurst NSW 2010
Telephone: +61 2 8188 1188

Share Registry

Boardroom Pty Limited
Level 12
225 George Street
Sydney NSW 2000

Auditors

Hall Chadwick
Level 40
2 Park Street
Sydney NSW 2000

Securities exchange listing

Skyfii Limited shares are listed on the Australian Securities Exchange (Listing code: SKF)

Website

www.skyfii.io