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Interim Financial Report

FOR THE HALF-YEAR ENDED
31 DECEMBER 2018



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skyfii 

Skyfii Limited
ABN 20 009 264 699
Interim Financial Report
For the half-year ended 31 December 2018



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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 2018 (1HFY19).

Directors

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

- Andrew Johnson Independent Non-Executive Chairman
- Wayne Arthur Chief Executive Officer/Executive Director
- Lincoln Brown Independent Non-Executive Director
- Jon Adgemis Independent Non-Executive Director (appointed 24 September 2018)
- Sue O'Malley Independent Non-Executive Director (appointed 24 September 2018)
- James Scott Independent Non-Executive Chairman (resigned 31 January 2019)
- Shaun Bonett Independent Non-Executive Director (resigned 29 November 2018)
- Roger Hatem Alternate Non-Executive Director (resigned 29 November 2018)

Review of operations

During the half-year ended 31 December 2018, the Group generated revenues of \$4,684,657 up 67.0% on the prior corresponding period (pcp) (1HFY18: \$2,800,256).

During the half-year ended 31 December 2018, the Group generated operating revenues (excluding interest income) of \$4,666,345, up 74.3% on pcp (1HFY18: \$2,677,161). Underlying this result was an 51.7% increase in recurring revenues on pcp (1HFY19: \$2,298,506; 1HFY18: \$1,514,909).

This result was mainly driven by the successful deployment of major data analytics and infrastructure set up contracts within Australia. In addition to the success in Australia, Skyfii gained significant growth in customer contract conversion in Brazil which will contribute to future operating revenues in the second half of FY2019 and beyond.

Total operating expenses excluding depreciation, amortisation and finance costs were \$4,969,777 (1HFY18: \$3,473,727) reflecting a 43% increase on pcp. Operating costs in 1HFY19 excluding COS was \$3,452,312 (1HFY18: \$2,589,223).

The Group reported a positive operating EBITDA (Earnings including R&D tax incentive Before Interest, Tax, Depreciation, & Amortisation) of \$291,979 (1HFY18: \$303,454 loss) and net loss after tax of \$1,233,754 (1HFY18: \$1,098,878).

Operating cash inflows for 1HFY19 were \$1,027,975 (1HFY18: \$496,912 inflow) and net cash outflows from investment activities were \$1,077,707 (1HFY18: \$752,311 outflow) including an investment of \$1,029,472 in software development comprising predominantly of direct employee costs and external developer costs.

The Group's cash balance as at 31 December 2018 was \$1,415,175 (1HFY18: \$2,751,932).

Dividends paid or recommended

In respect of the half-year ended 31 December 2018, there have been no dividends paid or provided for (1HFY18: nil).

Auditor's independence declaration

The auditor's independence declaration is included on page of this report and forms part of the Directors' Report for the half-year ended 31 December 2018.

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



Andrew Johnson
Chairman
22 February 2019



Auditor's independence declaration

HALL CHADWICK (NSW)

SKYFII LIMITED
ABN 20 009 264 699
AND CONTROLLED ENTITIES

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

SYDNEY
Level 40
2 Park Street
Sydney NSW 2000
Australia
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 2018 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.

H M Chadwick

HALL CHADWICK
Level 40, 2 Park Street
SYDNEY NSW 2000

G Webb

GRAHAM WEBB
Partner
Dated: 22 February 2019

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Consolidated statement of profit or loss and other comprehensive income

For the half-year ended 31 December 2018

	Note	31-Dec-18 \$	31-Dec-17 \$
Revenue and other income			
Revenue	3	4,666,345	2,677,161
Other income	3	18,312	123,094
Total revenue		4,684,657	2,800,256
Expenses			
Direct costs of services		(1,517,465)	(884,504)
Employee benefits expense	4	(1,836,443)	(1,628,446)
Contractor and consultant expenses		(112,071)	(40,826)
Marketing and promotion expenses		(276,215)	(119,680)
Travel and accommodation expenses		(179,773)	(196,954)
Office and other expenses		(615,833)	(370,236)
Directors' fees		(243,896)	(100,000)
Share based payments expense		(188,081)	(133,081)
Depreciation and amortisation expenses	4	(1,442,442)	(762,973)
Finance costs	4	(548)	(436)
Loss before tax		(1,728,109)	(1,436,880)
Income tax benefit	5	(494,355)	(338,001)
Loss for the period		(1,233,754)	(1,098,878)
Other comprehensive income			
Items that will be reclassified to profit or loss when specific conditions are met:			
Exchange differences on translation of foreign operations		(129,746)	(3,884)
Total comprehensive loss for the period		(1,363,500)	(1,102,762)
Earnings per share		Cents	Cents
Basic earnings per share	16	(0.4)	(0.4)
Diluted earnings per share	16	(0.4)	(0.4)

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

Consolidated statement of financial position

As at 31 December 2018

	Note	31-Dec-18 \$	30-Jun-18 \$
Assets			
Current assets			
Cash and cash equivalents		1,415,175	1,464,907
Trade and other receivables	6	2,044,856	2,050,017
Other assets	7	338,687	377,449
Total current assets		3,798,719	3,892,373
Non-current assets			
Plant and equipment	8	67,341	137,824
Intangible assets	9	6,397,835	6,677,768
Total non-current assets		6,465,176	6,815,592
Total assets		10,263,895	10,707,965
Liabilities			
Current liabilities			
Trade and other payables	10	799,398	811,635
Provisions	11	412,971	233,981
Deferred revenue		1,112,897	977,955
Total current liabilities		2,325,266	2,023,571
Non-current liabilities			
Provisions	11	30,000	-
Deferred revenue		326,787	286,300
Total non-current liabilities		356,787	286,300
Total liabilities		2,682,053	2,309,871
Net assets		7,581,842	8,398,094
Equity			
Contributed equity	12	27,028,891	26,739,453
Reserves	13	537,719	409,656
Accumulated losses		(19,984,767)	(18,751,015)
Total equity		7,581,842	8,398,094

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

Consolidated statement of changes in equity

For the half-year ended 31 December 2018

	Note	Contributed equity	Share based payments reserve	Share option reserve	Foreign currency translation reserve	Accumulated losses	Total equity
		\$	\$	\$	\$	\$	\$
Balance at 1 July 2017		22,774,553	244,437	60,627	15,884	(16,741,297)	6,354,204
Loss for the period		-	-	-	-	(1,098,878)	(1,098,878)
Exchange differences on translation of foreign operations		-	-	-	(3,884)	-	(3,884)
Total comprehensive loss for the period		-	-	-	(3,884)	(1,098,878)	(1,102,762)

Transactions with owners in their capacity as owners:

Issue of ordinary shares	12	367,000	-	-	-	-	367,000
Share based payments	13	-	133,081	-	-	-	133,081
Balance at 31 December 2017		23,141,553	377,518	60,627	12,000	(17,840,175)	5,751,522

	Note	Contributed equity	Share based payments reserve	Share option reserve	Foreign currency translation reserve	Accumulated losses	Total equity
		\$	\$	\$	\$	\$	\$
Balance at 1 July 2018		26,739,453	448,365	60,627	(99,336)	(18,751,015)	8,398,094
Loss for the period		-	-	-	-	(1,233,754)	(1,233,754)
Exchange differences on translation of foreign operations		-	-	-	(129,746)	-	(129,746)
Total comprehensive loss for the period		-	-	-	(129,746)	(1,233,754)	(1,363,500)

Transactions with owners in their capacity as owners:

Issue of ordinary shares	12	289,437	-	-	-	-	289,437
Share based payments	13	-	173,081	-	-	-	173,081
Issue of options		-	-	84,729	-	-	84,729
Balance at 31 December 2018		27,028,891	621,446	145,356	(229,082)	(19,984,769)	7,581,842

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

Consolidated statement of cash flows

For the half-year ended 31 December 2018

	31-Dec-18 \$	31-Dec-17 \$
Cash flows from operating activities		
Receipts from customers	4,515,102	2,744,406
Payments to suppliers and employees	(4,339,909)	(3,193,021)
Receipts from other income	-	116,594
Receipts from R&D tax incentive	851,684	823,229
Interest received	1,646	6,139
Interest paid	(548)	(436)
Net cash (outflow) from operating activities	1,027,975	496,912
Cash flows from investing activities		
Payments for plant and equipment	(62,554)	(19,928)
Payments for intangible assets	(1,029,472)	(732,382)
Payments for other assets	(2,348)	-
Proceeds from sale of plant & equipment	16,667	-
Net cash (outflow) from investing activities	(1,077,707)	(752,311)
Cash flows from financing activities		
Proceeds from issue of shares	-	726,470
Net cash inflow from financing activities	-	726,470
Net (decrease) / increase in cash	(49,732)	471,071
Cash at the beginning of the period	1,464,907	2,280,861
Cash at the end of the period	1,415,175	2,751,932

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

Notes to the financial statements

For the half-year ended 31 December 2018

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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 2018 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*.

Notes to the financial statements continued

For the half-year ended 31 December 2018

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 2018 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 2018, 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 2018, except as described below.

These interim financial statements were authorised for issue on 22 February 2019

(b) New and Amended Standards Adopted by the Group

The Group has considered the implications of new or amended Accounting Standards which have become applicable for the current financial reporting period as a result of adopting the following standards:

AASB 15: Revenue from Contracts with Customers, and

AASB 9: Financial Instruments.

AASB 15

The impact of the adoption of these standards and the respective accounting policies are

- Configuration revenue is unbundled from the upfront installation revenue of the contract and will be amortised over the contract period.
- Related sales commissions is capitalised and amortised over the contract period.
- Recurring revenues recognised over the contract period continue to be recognised in accordance with the existing accounting policy; and
- Other installation (non-recurring) revenues under AASB 15 where the performance obligation is satisfied and deemed to be recognisable at the initial stage of the contract continue to be recognised in accordance with the existing accounting policy.

The prior period comparatives (1HFY18) were reviewed and the impact of AASB 15 on revenue and deferred revenue is considered to be immaterial and therefore comparative balances have not been adjusted in the interim financial report.

AASB 9

There is no impact on the adoption of AASB 9

(c) 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 2018 Annual Report.

(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 2018 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 continues to be in the research, development and commercialisation stage of its data analytics technology and services. During the half-year ended 31 December 2018 the Group incurred a loss after tax of \$1,233,754. At 31 December 2018, the Group had a surplus in net current assets of \$1,473,453 and a surplus in net assets of \$7,581,842.

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.

Notes to the financial statements continued

For the half-year ended 31 December 2018

2. Operating Segments

The Group operates predominantly in two geographical segments, being the development and commercialisation of data analytics, marketing and advertising services to its customers in Australia and Internationally. 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. In the prior period the Group was considered one geographical segment on the basis that international revenues and profits were not significant.

	Australia \$	International \$	Total \$
Revenue	2,719,933	1,946,412	4,666,345
Other Income	16,994	1,318	18,312
Total segment revenue	2,736,927	1,947,730	4,684,657
 Segment net profit	 1,667,190	 1,500,003	 3,167,193
 Reconciliation of segment result to loss before tax			
Employee benefits expense			(1,836,443)
Depreciation and amortisation expenses			(1,442,442)
Other Expenses			(1,615,869)
Finance Costs			(548)
 Loss before tax			 (1,728,109)
Income tax benefit			(494,355)
Loss for the year			(1,233,754)

3. Revenue

	31-Dec-18 \$	31-Dec-17 \$
Revenue from operations	4,666,345	2,677,161
Other income		
Government grants	-	116,955
Gain on sale of plant and equipment	16,667	-
Interest income	1,646	6,139
Total other income	18,312	123,094
 Total revenue	 4,684,657	 2,800,256



4. Expenses

Loss before income tax expense includes the following expenses:

	Note	31-Dec-18 \$	31-Dec-17 \$
Employee			
Salaries and related expenses (including superannuation)		1,287,621	1,212,640
Other employment costs		548,822	415,806
Total employee benefits expense		1,836,443	1,628,446
Depreciation and amortisation			
Plant and equipment depreciation	7	133,037	23,918
Intangible assets amortisation	8	1,309,405	739,054
Total depreciation and amortisation expenses		1,442,442	762,973
Rental expense relating to operating leases			
Minimum lease payments		377,003	115,573
Rent recovery from sub-lease agreements			(74,367)
Net rental expense relating to operating leases		377,003	41,206
Net foreign exchange losses		(129,746)	(3,884)
Finance costs			
Interest expense		548	436

5. Income tax benefit

	31-Dec-18 \$	30-Dec-17 \$
R&D tax incentive	577,099	370,017
Income tax expense	(82,744)	(32,016)
Total income tax benefit	494,355	338,001

6. Trade and other receivables

	31-Dec-18 \$	30-Jun-18 \$
Current		
Trade receivables	1,266,848	1,146,853
R&D tax incentive receivable	496,761	828,593
Other debtors	281,247	74,571
Total current trade and other receivables	2,044,856	2,050,017

Notes to the financial statements continued

For the half-year ended 31 December 2018

7. Other assets

	31-Dec-18 \$	30-Jun-18 \$
Current		
Prepayments	273,131	328,575
Security deposits	2,348	-
Other	63,209	48,874
Total current other assets	338,687	377,449

8. Plant and equipment

	31-Dec-18 \$	30-Jun-18 \$
Non-current		
Office and computer equipment – at cost	328,159	265,250
Accumulated depreciation	(260,818)	(127,427)
Carrying value of office and computer equipment	67,341	137,824
Total carrying value of plant and equipment	67,341	137,824



9. Intangible assets

	31-Dec-18 \$	30-Jun-18 \$
Non-current		
Software development – at cost	7,471,608	6,442,136
Accumulated amortisation	(3,886,121)	(3,075,299)
Carrying value of software development	3,585,487	3,366,837
Customer Contracts	853,000	853,000
Accumulated amortisation	(280,519)	(138,736)
Carrying value of software development	572,481	714,264
Brand Names	198,000	198,000
Accumulated amortisation	(36,300)	(16,500)
Carrying value of brand names	161,700	181,500
Software	2,696,000	2,696,000
Accumulated amortisation	(617,833)	(280,833)
Carrying value of software	2,078,167	2,415,167
Total carrying value of intangible assets	6,397,835	6,677,768

Notes to the financial statements continued

For the half-year ended 31 December 2018

10. Trade and other payables

	31-Dec-18 \$	30-Jun-18 \$
Current		
Trade payables	498,858	729,806
Sundry payables	300,540	81,829
Total trade and other payables	799,398	811,635

11. Provisions

	31-Dec-18 \$	30-Jun-18 \$
Current		
Employee benefits	412,971	233,981
Non-Current		
Employee benefits	30,000	-
Total provisions	442,971	233,981

12. Contributed equity

(a) Share capital

	31-Dec-18 Number	30-Jun-18 Number	31-Dec-18 \$	30-Jun-18 \$
Ordinary shares	331,903,308	301,221,791	27,028,891	26,739,454
Total share capital			27,028,891	26,739,454

(b) Movements in ordinary share capital

	Date	Number	Average price	\$
Reconciliation to 30 June 2018:				
Balance at 1 January 2018		273,436,623		23,141,553
Capitalised equity raising costs (net of tax)				-
Movements in ordinary shares:				
Issued for purchase of Causely Acquisition	7-Feb-18	25,000,000	\$0.1400	3,500,000
Issued in settlement of various liabilities	8-Feb-18	488,168	\$0.1610	78,595
Conversion of ESP shares to ordinary shares	22-Mar-18	115,500	\$0.0650	7,508
Issue of ESP shares	6-Apr-18	1,000,000	\$0.1560	-
Issue of ESP shares	8-Jun-18	1,000,000	\$0.1470	-
Conversion of ESP shares to ordinary shares	29-Jun-18	66,000	\$0.0650	4,290
Conversion of ESP shares to ordinary shares	29-Jun-18	115,500	\$0.0650	7,508
Balance at 30 June 2018		301,221,791		26,739,454
Reconciliation to 31 December 2018:				
Balance at 1 July 2018		301,221,791		26,739,454
Capitalised equity raising costs (net of tax)				-
Movements in ordinary shares:				
Issued in settlement of various liabilities	25-Jul-18	335,730	\$0.133	44,652
Issue of ESP shares	5-Sep-18	1,800,000	\$0.194	-
Issued in settlement of various liabilities	12-Sep-18	98,926	\$0.200	19,785
Issued in settlement of various liabilities	10-Oct-18	75,000	\$0.200	15,000
Issue of ESP shares	28-Dec-18	7,500,000	\$0.149	-
Issued in settlement of Directors Fees	28-Dec-18	1,428,572	\$0.147	210,000
Issue of EOP shares	28-Dec-18	16,943,289	\$0.15	-
Balance at 31 December 2018		329,403,303		27,028,891

(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 2018.

Notes to the financial statements continued

For the half-year ended 31 December 2018

(e) 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 and 29 November 2018 with a three-year expiry date:

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
300,000	\$0.00	29 November 2021	\$0.100
300,000	\$0.00	29 November 2021	\$0.125
300,000	\$0.00	29 November 2021	\$0.150
300,000	\$0.00	29 November 2021	\$0.200
300,000	\$0.00	29 November 2021	\$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 the respective grant dates.

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-18 \$	30-Jun-18 \$
Share based payment reserve movements		
Balance at the beginning of the period	448,365	244,437
Share based payment expense	173,081	203,928
Balance at the end of the period	621,446	448,365
Share option reserve movements		
Balance at the beginning of the period	60,627	60,627
Share option expense	84,729	-
Balance at the end of the period	145,356	60,627
Foreign currency translation reserve movements		
Balance at the beginning of the period	(99,336)	15,884
Currency translation differences arising during the period	(129,746)	(115,220)
Balance at the end of the period	(229,082)	(99,336)
Total reserves	537,719	409,656



14. Contingent liabilities

There are no contingent liabilities as at 31 December 2018.

15. Events occurring after the reporting date

There are no other matters or circumstances that have arisen since 31 December 2018 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.

16. Earnings per share (EPS)

	31-Dec-18 cents per share	31-Dec-17 cents per share
(a) Basic earnings per share		
Basic EPS attributable to ordinary equity holders of the Company	(0.4)	(0.4)
(b) Diluted earnings per share		
Diluted EPS attributable to ordinary equity holders of the Company	(0.4)	(0.4)
(c) Weighted average number of shares used as the denominator	Number	Number
Weighted average number of ordinary shares used in calculating basic EPS	303,170,859	265,746,231
Weighted average number of dilutive options outstanding	5,024,457	3,606,557
Weighted average number of ordinary shares used in calculating diluted EPS	308,195,316	269,352,789
(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	(1,363,500)	(1,102,762)

Directors' Declaration

In the Directors' opinion:

- (a) the financial statements and notes, as set out on pages 6 to 19 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 2018 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

A handwritten signature in blue ink, appearing to read "A. Johnson".

Andrew Johnson
Chairman

22 February 2019



Independent Auditor's review report

HALL CHADWICK  (NSW)

SKYFII LIMITED
ABN 20 009 264 699
AND CONTROLLED ENTITIES

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

SYDNEY

Level 40
2 Park Street
Sydney NSW 2000
Australia
Ph: (612) 9263 2600
Fx: (612) 9263 2800

Report on the Half-year 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 2018, 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 Half-year Financial Report

The directors of Skyfii Limited 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 2017 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 audit of the annual 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.

Independence

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

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Independent Auditor's review report continued

HALL CHADWICK  (NSW)

SKYFII LIMITED
ACN 009 264 699
AND CONTROLLED ENTITIES

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

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 2017 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.

Hall Chadwick

HALL CHADWICK
Level 40, 2 Park Street
SYDNEY NSW 2000

Graham Webb

GRAHAM WEBB
Partner
Dated: 22 February 2019



Corporate directory

Company Directors

Andrew Johnson	Independent Non-Executive Chairman
Wayne Arthur	Chief Executive Officer/Executive Director
Lincoln Brown	Independent Non-Executive Director
Jon Adgemis	Independent Non-Executive Director
Sue O'Malley	Independent Non-Executive Director

Company Secretary

Koreen White

Registered Office

Level 2
100 William Street
Woolloomooloo NSW 2011
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

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