

ASX: SKF

QUARTERLY BUSINESS UPDATE

HIGHLIGHTS

- **Pipeline growth continues to surge – \$44m from advanced stage pipeline (up 9% on the prior quarter)** assuming 5 year contract terms, excluding any revenues from advertising and data services
- **Strong growth in revenue for the quarter, up 46% to \$682k¹** - customer rollouts and billings accelerating quarter on quarter
- **Customer installations up 115% quarter on quarter**, with 28 new venues going live compared to 13 in previous quarter
- **Customer growth continues in international markets with entry into the UK & Ireland and Asia and further penetration into Brazil** through new distribution contracts and new pilot trials commencing in large scale sites with industry leaders Decathlon and Swire Group
- **Successful \$4.1m capital raise completed** via institutional and sophisticated investors, including Bruce Gordon and the White family of Ray White Property Group
- **Strong cash position of \$5m** - Skyfii enters the new year well-funded to continue expansion

Data analytics services company Skyfii Limited (**Skyfii, the Company**) has today released its Appendix 4C Report for the three-month period to 31 December 2015 and is pleased to provide a review of the progress made during Q2 FY16.

Strong Customer & Revenue Growth

Skyfii continued to install its guest WiFi and analytics services in a growing number of venues, with 28 new venues going live during the quarter, a growth rate of 115% on the previous quarter when 13 new venues installations were completed.

This growth in installations and billing customers generated a significant increase in total revenue, which improved 46% to \$682k (Q1 FY16 \$466k).

The Company continues to have strong market penetration into the retail mall sector, with a prospective customer base that includes over 15% of the Australian retail mall market, including current customers and those in the Company's advanced stage customer pipeline.

Skyfii entered the UK and Ireland markets in October 2015, signing a wholesale distribution agreement with leading IT sales and marketing distributor, Data Solutions. The distribution agreement yielded its first pilot contract with Eyre Square Shopping Centre in Galway, Ireland.

Additionally, Skyfii signed a reseller agreement with Liveconsult Technologies a leading IT consultancy headquartered in Brazil. The agreement delivered its first mall contract customer, Saga Group and Skyfii has already commenced the roll-out of its analytics and guest WiFi services in Saga's prestigious Varzea Grande mall. Saga Group owns a further 7 large retail malls and 62 large car dealerships in Brazil, providing further potential customers for Skyfii.

¹ Based on unaudited total revenues for the quarters ending 31 December 2015 and 30 September 2015.

Skyfii is also pleased to report that a number of new pilot customers are trialling its guest WiFi and analytics services. New pilot deployments signed during the quarter include:

- **Metro Supermarket Group**, a market leading grocery chain in Canada has deployed Skyfii services into 8 supermarkets on a 60 day trial agreement delivered through IT2Go who are a Canadian based systems integrator. Metro operate over 500+ grocery outlets nationally across Canada.
- **Springvale Homemaker Centre** has signed a 4 week trial agreement to deploy Skyfii's Guest WiFi and Analytics services across the centre. The trial is due to launch early in February.
- **Sydney Museum** who currently operate a Xirrus based wireless network has deployed Skyfii's analytics services across its network on a 4 week trial basis which is due to conclude mid February 2016.

Successful \$4.1m Capital Raise

During the quarter, Skyfii completed a successful capital raise of \$4.1m from institutional and sophisticated investors, including Bruce Gordon and the White family of Ray White Property Group. Funding will be used to continue the Company's customer growth plans.

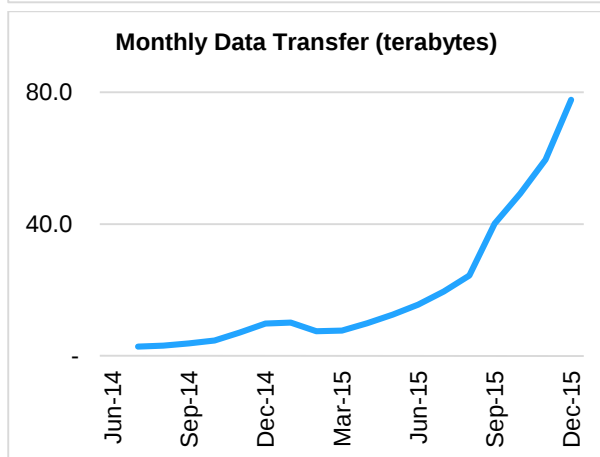
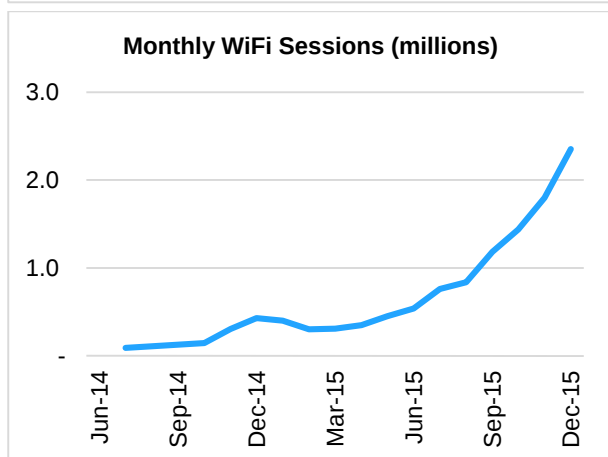
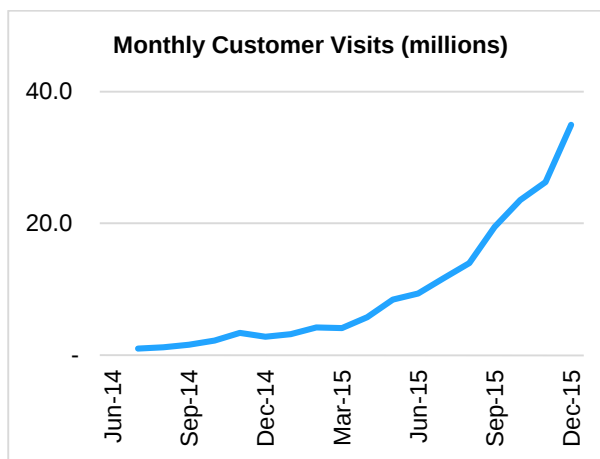
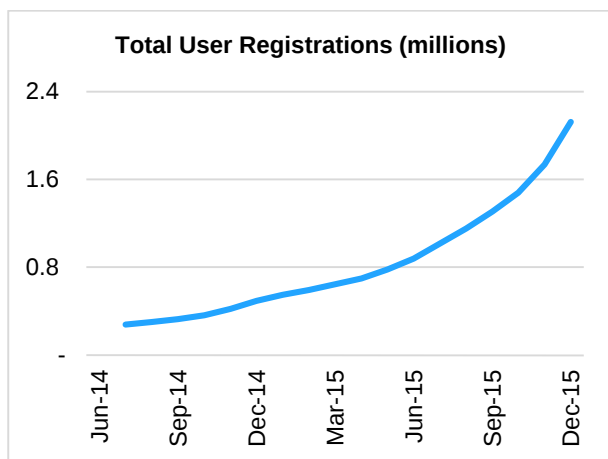
Strong Cash Position

As at 31 December 2015, the Company had a cash position of \$5.0m. This was supported by its successful capital raising of \$4.1m, along with an R&D tax rebate of \$477k.

Key User Operating Metrics

In line with the Company's continued growth in contract deployments, all key operating metrics continue to experience significant growth, lending strong user validation of Skyfii's services:

- Total registered user base increased by +63% qoq from 1.3 million to 2.1 million unique users
- Significant growth in new unique registered users of +90% qoq
- Growth in WiFi sessions of +101% qoq
- Customer venue visits increased by +88% qoq
- Data transferred grew by +122% qoq



Outlook

Skyfii continues to grow its advanced stage pipeline of over \$44m, assuming 5 year contract terms, excluding any revenues from advertising and data services , in Australia and internationally. With its strong pipeline conversion rate of 90%, the Company's growth outlook remains very positive.

The Company looks forward to updating shareholders on further new customer wins as pilots convert to commercial contracts and also on expansion opportunities currently being pursued within the UK and US markets.

For further information, please contact:

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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.

Our networks are powered by a bespoke technology and commercial solution that gives people access to the internet for free, provides venues a valuable service to offer their customers, and gives brands and venues a powerful tool to understand and engage with consumers.

Appendix 4C

Quarterly report for entities admitted on the basis of commitments

Name of entity

Skyfii Limited

ABN

20 009 264 699

Quarter ended ("current quarter")

31 December 2015

Unaudited consolidated statement of cash flows

Cash flows related to operating activities		Current quarter \$A'000	Year to date (6 months) \$A'000
1.1	Receipts from customers	545	786
1.2	Payments for ¹		
	(a) staff costs	(905)	(1,659)
	(b) advertising and marketing	(36)	(71)
	(c) research and development	(82)	(210)
	(d) leased assets	-	-
	(e) other working capital	(570)	(1,119)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	13	20
1.5	Interest and other costs of finance paid	(1)	(1)
1.6	Income taxes refunded/ (paid)	-	-
1.7	Other:		
	(a) Government grant revenue	2	28
	(b) R&D tax rebate	477	792
Net operating cash flows		(556)	(1,433)

¹ Cash flows are presented before the capitalisation of employee, contractor and other expenditure attributable to software development of approximately \$820k for the six months to 31 December 2015. The Company expects to capitalise this expenditure as an intangible software development asset in the half-year accounts ended 31 December 2015.

		Current quarter \$A'000	Year to date (6 months) \$A'000
1.8	Net operating cash flows (carried forward)	(556)	(1,433)
	Cash flows related to investing activities		
1.9	Payment for acquisition of:		
	(a) businesses (item 5)	-	-
	(b) equity investments	-	-
	(c) intellectual property ¹	-	-
	(d) physical non-current assets	(89)	(100)
	(e) other non-current assets	-	-
1.10	Proceeds from disposal of:		
	(a) businesses (item 5)	-	-
	(b) equity investments	-	-
	(c) intellectual property	-	-
	(d) physical non-current assets	-	-
	(e) other non-current assets	-	-
1.11	Loans to other entities		
	(a) employee advances	(0)	(16)
1.12	Loans repaid by other entities	-	-
1.13	Other	-	-
	Net investing cash flows	(90)	(116)
1.14	Total operating and investing cash flows	(646)	(1,549)
	Cash flows related to financing activities		
1.15	Proceeds from issues of shares, options, etc.	4,105	4,105
1.16	Proceeds from sale of forfeited shares	-	-
1.17	Proceeds from borrowings	-	-
1.18	Repayment of borrowings	-	-
1.19	Dividends paid	-	-
1.20	Other		
	(a) capital raising costs	(243)	(243)
	Net financing cash flows	3,862	3,862
	Net increase (decrease) in cash held	3,216	2,313
1.21	Cash at beginning of quarter/year to date	1,781	2,685
1.22	Exchange rate adjustments	-	-
1.23	Cash at end of quarter	4,998	4,998

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.24	Aggregate amount of payments to the parties included in item 1.2	89
1.25	Aggregate amount of loans to the parties included in item 1.11	-
1.26	Explanation necessary for an understanding of the transactions	
	1.24 includes directors' fees and salaries paid in the quarter.	

Non-cash financing and investing activities

- 2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

N/A

- 2.2 Details of outlays made by other entities to establish or increase their share in businesses in which the reporting entity has an interest

N/A

Financing facilities available

	Amount available \$A'000	Amount used \$A'000
3.1	Loan facilities	-
3.2	Credit standby arrangements	-

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.		Current quarter \$A'000	Previous quarter \$A'000
4.1	Cash on hand and at bank	4,993	1,776
4.2	Deposits at call	5	5
4.3	Bank overdraft	-	-
4.4	Other (provide details):	-	-
Total: cash at end of quarter (item 1.23)		4,998	2,685

Acquisitions and disposals of business entities

	Acquisitions (Item 1.9(a))	Disposals (Item 1.10(a))
5.1 Name of entity	-	-
5.2 Place of incorporation or registration	-	-
5.3 Consideration for acquisition or disposal	-	-
5.4 Total net assets	-	-
5.5 Nature of business	-	-

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act (except to the extent that information is not required because of note 2) or other standards acceptable to ASX.
- 2 This statement does give a true and fair view of the matters disclosed.

Heath Roberts
Company Secretary

Dated 28 January 2016

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
2. The definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report except for any additional disclosure requirements requested by AASB 107 that are not already itemised in this report.
3. **Accounting Standards.** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.