



ASX Announcement
22nd January 2016

ASX: SKF

VARIATION OF SKYFII EARN OUT AGREEMENT – NOTICE OF MEETING, PROXY AND WAIVER

Further to the announcement by Skyfii Limited (ASX:SKF) (**Skyfii** or the **Company**) yesterday, the following document are attached for release:

- Notice of Meeting (with Explanatory Statement).
- Proxy Form.
- ASX Terms of Waiver (pertaining to Resolutions 7, 8 and 9).

ENDS

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.



SKYFII LIMITED

ACN 009 264 699

NOTICE OF GENERAL MEETING

TIME: 11.00am (AEDT)

DATE: Monday, 22 February 2016

VENUE: Level 40, 2 Park St, SYDNEY NSW 2000

THIS IS AN IMPORTANT DOCUMENT - If you are in any doubt as to how to act, you should consult your financial or legal adviser as soon as possible.

Notice of General Meeting

This Notice of Meeting should be read in conjunction with the accompanying Explanatory Memorandum. Notice is given that a General Meeting of the shareholders of Skyfii Limited (**Company**) to which this Notice relates will be held at 11.00am (AEDT) on Monday, 22 February 2016 at Level 40, 2 Park St, SYDNEY NSW 2000.

1.1 Voting Eligibility

The directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the General Meeting are those that are registered shareholders at 11.00am (AEDT) on 20 February 2016.

1.2 Voting In Person

To vote in person, attend the General Meeting at the time, date and place set out above.

1.3 Voting by Proxy

To vote by proxy, please complete and sign the enclosed Proxy Form and return by the time and in accordance with the instructions set out on the Proxy Form.

In accordance with section 249L of the Corporations Act, members are advised that:

- (a) each member has a right to appoint a proxy;
- (b) the proxy need not be a member of the Company; and
- (c) a member who is entitled to cast 2 or more votes may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If the member appoints 2 proxies and the appointment does not specify the proportion or number of the member's votes, then in accordance with section 249X(3) of the Corporations Act, each proxy may exercise one-half of the votes.

New sections 250BB and 250BC of the Corporations Act came into effect on 1 August 2012 and apply to voting by proxy on or after that date. Shareholders and their proxies should be aware of these changes to the Corporations Act, as they will apply to this General Meeting. Broadly, the changes mean that:

- (a) if proxy holders vote, they must cast all directed proxies as directed; and
- (b) any directed proxies which are not voted will automatically default to the Chair, who must vote the proxies as directed.

Further details on these changes is set out below.

Proxy vote if appointment specifies way to vote

Section 250BB(1) of the Corporations Act provides that an appointment of a proxy may specify the way the proxy is to vote on a particular resolution and, **if it does**:

- (a) the proxy need not vote on a show of hands, but if the proxy does so, the proxy must vote that way (i.e. as directed); and
- (b) if the proxy has 2 or more appointments that specify different ways to vote on the resolution – the proxy must not vote on a show of hands; and
- (c) if the proxy is the chair of the meeting at which the resolution is voted on – the proxy must vote on a poll, and must vote that way (i.e. as directed); and
- (d) if the proxy is not the chair – the proxy need not vote on the poll, but if the proxy does so, the proxy must vote that way (i.e. as directed).

Transfer of non-chair proxy to Chair in certain circumstances

Section 250BC of the Corporations Act provides that, if:

- (a) an appointment of a proxy specifies the way the proxy is to vote on a particular resolution at a meeting of the Company's members; and
- (b) the appointed proxy is not the Chair of the meeting; and
- (c) at the meeting, a poll is duly demanded on the resolution; and
- (d) either of the following applies:
 - (i) the proxy is not recorded as attending the meeting;
 - (ii) the proxy does not vote on the resolution,

the Chair of the meeting is taken, before voting on the resolution closes, to have been appointed as the proxy for the purposes of voting on the resolution at the meeting.

Agenda

1 To Ratify an Issue of Shares

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an ordinary resolution:

*“That, for the purposes of Listing Rule 7.4 and for all other purposes, shareholders approve and ratify the prior allotment and issue of 100,000 shares (**First Service Provider Shares**) on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice of Meeting.”*

Voting Exclusion Statement:

In accordance with Listing Rule 14.11, the Company will disregard any votes cast on Resolution 1 by any person who participated in the issue of the First Service Provider Shares, or any associate of such a person. However, in accordance with the Listing Rules, the Company need not disregard a vote if it is cast by a person as a proxy for a shareholder who is entitled to vote, in accordance with the directions on the proxy form, or if it is cast by the Chairman of the Meeting as proxy for a shareholder who is entitled to vote, in accordance with the directions on the proxy form.

2 To Ratify an Issue of Shares

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an ordinary resolution:

*“That, for the purposes of Listing Rule 7.4 and for all other purposes, shareholders approve and ratify the prior allotment and issue of 90,909 shares (**Second Service Provider Shares**) on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice of Meeting.”*

Voting Exclusion Statement:

In accordance with Listing Rule 14.11, the Company will disregard any votes cast on Resolution 2 by any person who participated in the issue of the Second Service Provider Shares, or any associate of such a person. However, in accordance with the Listing Rules, the Company need not disregard a vote if it is cast by a person as a proxy for a shareholder who is entitled to vote, in accordance with the directions on the proxy form, or if it is cast by the Chairman of the Meeting as proxy for a shareholder who is entitled to vote, in accordance with the directions on the proxy form.

3 To Ratify an Issue of Placement Shares

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an ordinary resolution:

*“That, for the purposes of Listing Rule 7.4 and for all other purposes, shareholders approve and ratify the prior allotment and issue of 27,366,667 shares (**Placement Shares**) to selected sophisticated and professional investors on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice of Meeting.”*

Voting Exclusion Statement:

In accordance with Listing Rule 14.11, the Company will disregard any votes cast on Resolution 3 by any person who participated in the issue of the Placement Shares, or any associate of such a person. However, in accordance with the Listing Rules, the Company need not disregard a vote if it is cast by a person as a proxy for a shareholder who is entitled to vote, in accordance with the directions on the proxy form, or if it is cast by the Chairman of the Meeting as proxy for a shareholder who is entitled to vote, in accordance with the directions on the proxy form.

4 To Approve an Issue of Proposed Earn Out Shares

To consider, and if thought fit, to pass with or without amendment, the following resolution as an ordinary resolution:

*“That, in accordance with Listing Rule 7.1 of the Australian Securities Exchange, shareholders approve the allotment and issue of up to 22,500,000 shares (**Proposed Earn Out Shares**) to the Skyfii Vendor Shareholders in proportion to their shareholding in Skyfii Group Pty Ltd immediately prior to the date of acquisition of Skyfii Group Pty Ltd by RKS Consolidated Limited A.C.N. 009 264 699 and on the terms and conditions described in the Explanatory Memorandum accompanying this Notice of Meeting.”*

Voting Exclusion Statement:

The Company will disregard any votes cast on Resolution 4 by any person who is entitled to participate in the issue of the Proposed Earn Out Shares or any person who may obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the resolution is passed, or any associate of such a person. However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

5 Approval to Issue Proposed Earn Out Shares to Karibu Pty Ltd, an Entity Associated with Director Mr Wayne Arthur

To consider, and if thought fit, to pass with or without amendment, the following resolution as an ordinary resolution:

"That, subject to the approval by shareholders of Resolution 4 in accordance with Chapter 2E of the Corporations Act 2001 and Listing Rule 10.11 of the Australian Securities Exchange, the Company be authorised to issue 2,796,375 shares to Karibu Pty Ltd, an entity associated with director Mr Wayne Arthur, on the terms and conditions described in the Explanatory Memorandum accompanying this Notice of Meeting and each share ranking pari passu with Skyfii existing fully paid ordinary shares."

Voting Exclusion Statement:

The Company will disregard any votes cast on Resolution 5 by Karibu Pty Ltd, Mr Wayne Arthur and any other person associated with Mr Wayne Arthur. However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

6 Approval to Issue Earn Out Shares to Ms Rachel Scott, the spouse of Director Mr James Scott

To consider, and if thought fit, to pass with or without amendment, the following resolution as an ordinary resolution:

"That, subject to the approval by shareholders of Resolution 4, in accordance with Chapter 2E of the Corporations Act 2001 and Listing Rule 10.11 of the Australian Securities Exchange, the Company be authorised to issue 116,727 shares to Ms Rachel Scott, the spouse of director Mr James Scott, on the terms and conditions described in the Explanatory Memorandum accompanying this Notice of Meeting and each share ranking pari passu with Skyfii existing fully paid ordinary shares."

Voting Exclusion Statement:

The Company will disregard any votes cast on Resolution 6 by Ms Rachel Scott, Mr James Scott and any other person associated with Mr James Scott. However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

7 Approval Issue of Shares to a Director – Mr Anthony Dunlop

To consider, and if thought fit, to pass with or without amendment, the following resolution as an ordinary resolution:

"That, in accordance with the Company's Constitution, Listing Rule 10.11 and for all other purposes, the Company approves the issue of up to \$50,000 in shares to or as directed by Mr Anthony Dunlop, a Director of the Company, such shares to be issued on the terms contained in the Explanatory Statement."

Voting Exclusion Statement:

The Company will disregard any votes cast on Resolution 7 by Mr Dunlop, or his nominee, and by an associate of Mr Dunlop, or his nominee, excluded from voting as provided for in ASX Listing Rule 14.11. However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

8 Approval Issue of Shares to a Director – Mr Andrew Johnson

To consider, and if thought fit, to pass with or without amendment, the following resolution as an ordinary resolution:

"That, in accordance with the Company's Constitution, Listing Rule 10.11 and for all other purposes, the Company approves the issue of up to \$50,000 in shares to or as directed by Mr Andrew Johnson, a Director of the Company, such shares to be issued on the terms contained in the Explanatory Statement."

Voting Exclusion Statement:

The Company will disregard any votes cast on Resolution 8 by Mr Johnson, or his nominee, and by an associate of Mr Johnston, or his nominee, excluded from voting as provided for in ASX Listing Rule 14.11. However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

9 Approval Issue of Shares to a Director – Mr James Scott

To consider, and if thought fit, to pass with or without amendment, the following resolution as an ordinary resolution:

“That, in accordance with the Company’s Constitution, Listing Rule 10.11 and for all other purposes, the Company approves the issue of up to \$50,000 in shares to or as directed by Mr James Scott, a Director of the Company, such shares to be issued on the terms contained in the Explanatory Statement.”

Voting Exclusion Statement:

The Company will disregard any votes cast on Resolution 9 by Mr Scott, or his nominee, and by an associate of Mr Scott, or his nominee, excluded from voting as provided for in ASX Listing Rule 14.11. However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

10 Approval Issue of Shares to a Director – Mr Gary Flowers

To consider, and if thought fit, to pass with or without amendment, the following resolution as an ordinary resolution:

“That, in accordance with the Company’s Constitution, Listing Rule 10.11 and for all other purposes, the Company approves the issue of up to \$20,000 in shares to or as directed by Mr Gary Flowers, a Director of the Company, such shares to be issued on the terms contained in the Explanatory Statement.”

Voting Exclusion Statement:

The Company will disregard any votes cast on Resolution 10 by Mr Flowers, or his nominee, and by an associate of Mr Flowers, or his nominee, excluded from voting as provided for in ASX Listing Rule 14.11. However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Explanatory Memorandum

This Explanatory Memorandum has been prepared for the information of shareholders in connection with the General Meeting of shareholders to be held at 11.00am (AEDT) on Monday, 22 February 2016 at Level 40, 2 Park St SYDNEY NSW 2000.

Resolutions 1 and 2 – To Ratify two separate Issues of Shares to Service Providers

Background

During the year the Company issued two tranches of shares to non-related services providers of the Company in lieu of cash fees. 100,000 shares were issued on or about 16 February 2015 and 90,909 shares were issued on or about 3 June 2015.

The prior approval of these modest share issues was not required as neither exceeded the 15% share placement limit imposed upon eligible listed companies by ASX Listing Rules 7.1 at the relevant time of the share issues. As the Company is now calling a general meeting of shareholders, it wishes to ratify these share placements, which for the purposes of this Notice of Meeting are called the First Service Provider Shares and the Second Service Provider Shares.

Listing Rule 7.4 provides that if these share issues are ratified by shareholders, the Company will have the flexibility to issue further securities without shareholder approval within the 15% restriction imposed upon listed companies by ASX Listing Rule 7.1, without the need to consider or 'count' these share issues. In effect, by ratifying these share issues, the Company will 'refresh' its full placement capacity under ASX Listing Rules 7.1.

The Board believes that it is in the best interests of the Company to maintain the ability to issue up to its full placement capacity so that the Company retains financial flexibility and can take advantage of commercial and fund raising opportunities that may arise.

The following information is provided in relation to Resolutions 1 and 2 in accordance with Listing Rule 7.5:

	Resolution 1 – the First Service Provider Shares	Resolution 2 – the Second Service Provider Shares
Number of shares issued/allotted	100,000	90,909
Issue price	\$0.20 per share	\$0.22 per share
Allottee details	S3 Consortium Pty Ltd	Marlon Teperson
Terms of the shares	Rank equally with existing ordinary shares on issue.	
Use of funds	No cash raised, shares issued in lieu of cash fees to service providers.	

Recommendation

The Board unanimously recommends that shareholders approve Resolutions 1 and 2 as each director intends to do with regard to their own shareholdings in the Company.

Resolution 3 – To Ratify an Issue of Placement Shares

Background

On 2 November 2015, the Company announced a proposed placement of shares to selected sophisticated and professional investors ('Excluded Offerees' as defined in section 708 of the Corporations Act) to raise approximately \$4 million. On 9 November 2015 the Company announced the completion of the placement of 27,366,667 shares (**Placement Shares**) at an issue price of \$0.15 per Share to raise \$4,105,000 (the **Placement**). The Placement was completed and the new shares issued shortly thereafter.

The sophisticated and professional investors who were issued shares were not related parties of the Company. The prior approval of shareholders was not required in respect of the Placement as it did not exceed the combined 25% share placement limit imposed upon eligible listed companies by ASX Listing Rules 7.1 and 7.1A.

Listing Rule 7.4 provides that if the Placement is ratified by shareholders, the Company will again have the flexibility to issue further securities without shareholder approval within the 15% restriction imposed upon listed companies by ASX Listing Rule 7.1 and the 10% restriction imposed upon listed companies by Listing Rule 7.1A, as the case requires. In effect, by ratifying the Placement, the Company will 'refresh' its full placement capacity under ASX Listing Rules 7.1 and 7.1A.

The Board believes that it is in the best interests of the Company to maintain the ability to issue up to its full placement capacity so that the Company retains financial flexibility and can take advantage of commercial and fund raising opportunities that may arise.

The following information is provided in relation to Resolution 3 in accordance with Listing Rule 7.5:

Number of shares issued/allotted	27,366,667
Issue price	\$0.15 per share
Terms of the shares	Rank equally with existing ordinary shares on issue.
Allottee details	Selected sophisticated and professional investors, all 'Excluded Offerees' as defined in section 708 of the Act, who are not related parties of the Company.
Use of funds	The Company intends to use the funds raised under the Placement to roll out and expand the Company's business plan. Further details are provided in the Company's release to the ASX dated 2 November 2015, titled 'Skyfii Investor Presentation'.

Recommendation

The Board unanimously recommends that shareholders approve Resolutions 3 as each director intends to do with regard to their own shareholdings in the Company.

Resolution 4 – To Ratify the Issue of Proposed Earn Out Shares

Background

In July 2014, the Company (formerly RKS Consolidated Limited) entered into an agreement to acquire 100% of the issued capital of Skyfii Group Pty Ltd (**Acquisition Agreement**).

As part of the Acquisition Agreement entered into between the Company and the shareholders of Skyfii Group Pty Ltd, the Company agreed that on or after the fifth business day following 16 March 2017, it will issue to those shareholders who were shareholders of Skyfii Group Pty Ltd as at the acquisition date (**Skyfii Vendor Shareholders**), additional ordinary shares to the value of the lesser of a) \$30,000,000 or b) three times the Company's gross revenue for the year ending 31 December 2016 (**CY16**) minus \$13,500,000, at an issue price of \$0.20 per share (**Earn Out Shares**). The minimum number of Earn Out Shares which may be issued pursuant to the Acquisition Agreement is nil, and the maximum number is 82,500,000 (**Earn Out Mechanism**).

As a condition of the re-listing of the Company on 20 November 2014, the Skyfii Vendor Shareholders were required to enter into various escrow arrangements with the Company and ASX, with 61,300,164 shares having been subject to escrow for 12 months to 21 November 2015, and 8,829,836 shares having been subject to 24 months to 21 November 2016 (**Escrow Shares**).

Since entering into the Acquisition Agreement in July 2014, the Company has undertaken three significant equity capital raisings, equating to \$10.4 million (before costs), in order to support the ongoing development and strategy of the Company. The direct and indirect support of the Skyfii Vendor Shareholders has been crucial to the success of the Company's equity funding strategy to date, accounting for approximately 63% of all equity raised since the Company's re-listing.

During the Company's latest capital raising in which the Company sought to diversify its shareholder base to provide greater trading liquidity for shareholders, the Company received considerable feedback from prospective sophisticated and institutional investors that the uncertainty of the current Earn Out Mechanism and impact on dilution 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' Escrow Shares being released from trading restrictions on the Company's future share price performance.

In response to this feedback and having regard to the potential financial performance of the Company in CY16, as assessed in early December 2015, the Company entered into agreements with the majority (by shareholding) of the Skyfii Vendor Shareholders to provide certainty in relation to the dilutionary impact of the Earn Out Shares and the intentions and continued support of the Skyfii Vendor Shareholders, which, subject to shareholder approval, will result in:

- the issue of up to 22,500,000 fully paid ordinary shares to the Skyfii Vendor Shareholders and thereby removing any further potential entitlement to Earn Out Shares (**Proposed Earn Out Shares**); and
- up to 92,500,000 fully paid ordinary shares held by the Skyfii Vendor Shareholders being placed under voluntary escrow for an additional 12 months (**New Escrow Shares**),

thereby varying the terms of the Acquisition Agreement (**Earn Out Variation Deed**).

As at the date of this Notice, fifteen (15) of the twenty five (25) Skyfii Vendor Shareholders have entered into an Earn Out Variation Deed as it relates to their rights and entitlements under the Acquisition Agreement, representing 97% of the Proposed Earn Out Shares and New Escrow Shares. The Company anticipates and intends to attempt to enter into Earn Out Variation Deeds with the remaining ten (10) Skyfii Vendor Shareholders.

Several potential scenarios relating to the dilutionary impact of the Earn Out Shares and the Proposed Earn Out Shares is detailed in the table below:

	Present situation		Proposed Earn Out Shares (current 97% participation by Skyfii Vendor Shareholders)		Proposed Earn Out Shares (100% participation by Skyfii Vendor Shareholders)	
Current Shares Outstanding	145,790,189	63.9%	145,790,189	85.7%	145,790,189	86.6%
Maximum Earn Out Shares under the Acquisition Agreement	82,500,000	36.1%	2,609,506	1.5%	-	-
Proposed Earn Out Shares	-	-	21,788,315	12.8%	22,500,000	13.4%
Diluted Shares Outstanding	228,290,189		170,188,010		168,290,189	

Key Terms of the Earn Out Variation Deed

The Earn Out Variation Deed replaces the rights of the Skyfii Vendor Shareholders to receive the Earn Out Shares under the Acquisition Agreement in consideration for the Skyfii Vendor Shareholders being issued the Proposed Earn Out Shares and entering into a new escrow arrangement in respect of the New Escrow Shares.

As stated above, the Earn Out Variation Deed is conditional upon the ratification of shareholders of the Company of this Resolution 4. The Earn Out Variation Deed applies only to the issue of 22,500,000 fully paid ordinary shares in the Company at an issue price of \$0.15 per share. As such, although the Earn Out Variation Deed crystallises the rights of the Skyfii Vendor Shareholders (who would otherwise have waited until March 2017 to realise the benefit of such rights),

the Company is effectively reducing its potential capital exposure by issuing the Proposed Earn Out Shares ahead of schedule.

As stated above, the Skyfii Vendor Shareholders will be required to enter into an escrow arrangement with regards to their New Escrow Shares under the Earn Out Variation Deed. The New Escrow Shares will be placed under escrow for 12 months from the date of entry into the Earn Out Variation Deed, subject to standard exceptions with regards to takeover offers or mergers permitted by ASX Listing Rule 9.18.

The full names of each Skyfii Vendor Shareholder together with details of their current shareholdings, their maximum potential entitlement to Earn Out Shares and the proposed number of Earn Out Shares subject to approval under Resolution 4 are set out in the table at Annexure A. In the event shareholders approve this Resolution 4, the Proposed Earn Out Shares will be issued no later than one month from the date of the meeting.

It should be noted that, to the extent that Directors Messrs Wayne Arthur and James Scott have direct interests in the outcome of Resolution 4 (refer Resolutions 5 and 6 following), they are excluded from voting on Resolution 4.

Recommendation

The Board (Messrs Wayne Arthur and James Scott abstaining) unanimously recommends shareholders approve Resolution 4, as each director intends to do with regard to their own shareholdings in the Company.

To assist the Board, excluding Messrs Wayne Arthur and James Scott, (**Independent Directors**) in making its recommendation, the Independent Directors engaged PKF Corporate Finance (**PKFCF**) to undertake an assessment 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 Arrangement be replaced by the Proposal.

In providing their assessment of the Proposal, PKFCF considered the advantages and disadvantages of the Proposal based on information provided by the Company, publically available information and their own research. The key issues addressed by PKFCF included:

- the main risks of the Proposal;
- the advantages of the Proposal to the Company and shareholders other than the Skyfii Vendor Shareholders;
- the disadvantages of the Proposal to the Company and shareholders other than the Skyfii Vendor Shareholders; and
- any impact of the Proposal on the liquidity of the Company's shares and any impact on shareholder control.

Resolution 5 – Approval of Issue of Proposed Earn Out Shares to Karibu Pty Ltd, an Entity Associated with Director Mr Wayne Arthur

Background

As described above in relation to Resolution 4, the Earn Out Variation Deed replaces the rights of the Skyfii Vendor Shareholders, including Karibu Pty Ltd which is an entity associated with director Mr Wayne Arthur, to receive the Earn Out Shares under the Acquisition Agreement in consideration for the Skyfii Vendor Shareholders being issued the Proposed Earn Out Shares and entering into a new escrow arrangement in respect of the New Escrow Shares.

As it relates to Karibu Pty Ltd and subject to shareholder approval under Resolution 4, the Earn Out Variation Deed will result in the issue of 2,796,375 fully paid ordinary shares in the Company at an issue price of \$0.15 per share which represents a deferred consideration amount of \$419,456.25 for the acquisition of Karibu Pty Ltd's previous shareholding in Skyfii Group Pty Ltd.

As at the date of this Notice of Meeting, Mr Wayne Arthur holds a relevant interest in 8,829,836 fully paid ordinary shares representing 6.1% of the current issued share capital of the Company. Subject to the approval of Resolution 4, Mr Wayne Arthur will hold a relevant interest in 11,626,211 fully paid ordinary shares representing 6.9% of the diluted share capital of the Company, assuming all Skyfii Vendor Shareholders enter into an Earn Out Variation Deed.

In the event shareholders approve this Resolution 5, the Proposed Earn Out Shares will be issued to Karibu Pty Ltd no later than one month from the date of the meeting. The Proposed Earn Out Shares will be issued at \$0.15 per share (however no funds will be raised as a result of the issue).

The Board is of the view that there are no risks attendant to this Resolution 5 beyond those risks outlined more generally in relation to the Earn Out Variation Deed referred to above in relation to Resolution 4.

Recommendation

The Board (Mr Wayne Arthur abstaining) unanimously recommends that shareholders approve Resolution 5 as each director intends to do with regard to their own shareholdings in the Company. Other than Mr Wayne Arthur, no director has an interest in the outcome of Resolution 3.

Resolution 6 – Approval of Issue of Proposed Earn Out Shares to Ms Rachel Scott, the spouse of Director Mr James Scott

Background

As described above in relation to Resolution 4, the Earn Out Variation Deed replaces the rights of the Skyfii Vendor Shareholders, including Ms Rachel Scott, spouse of Director Mr James Scott, to receive the Earn Out Shares under the Acquisition Agreement in consideration for the Skyfii Vendor Shareholders being issued the Proposed Earn Out Shares and entering into a new escrow arrangement in respect of the New Escrow Shares.

As it relates to Ms Rachel Scott and subject to shareholder approval under Resolution 4, the Earn Out Variation Deed will result in the issue of 116,727 fully paid ordinary shares in the Company at an issue price of \$0.15 per share which represents a deferred consideration amount of \$17,509.05 for the acquisition of Ms Scott's previous shareholding in Skyfii Group Pty Ltd.

As at the date of this Notice of Meeting, Mr James Scott holds a relevant interest 631,426 fully paid ordinary shares representing 0.4% of the current issued share capital of the Company. Subject to the approval of Resolution 6, Mr James Scott will hold a relevant interest in 748,153 fully paid ordinary shares representing 0.4% of the diluted share capital of the Company, assuming all Skyfii Vendor Shareholders enter into an Earn Out Variation Deed.

In the event shareholders approve this Resolution 6, the Proposed Earn Out Shares will be issued to Ms Scott no later than one month from the date of the meeting. The Proposed Earn Out Shares will be issued at \$0.15 per share (however no funds will be raised as a result of the issue).

The Board is of the view that there are no risks attendant to this Resolution 6 beyond those risks outlined more generally in relation to the Earn Out Variation Deed referred above in relation to Resolution 4.

Recommendation

The Board (Mr James Scott abstaining) unanimously recommends that shareholders approve Resolution 6 as each director intends to do with regard to their own shareholdings in the Company. Other than Mr James Scott, no director has an interest in the outcome of Resolution 6.

Resolution 7, 8 and 9 – Approval of Issue of Shares to Directors – Messrs Anthony Dunlop, Andrew Johnson and James Scott

The annual remuneration of each of the Directors referred to above was set at \$50,000 per annum on the re-listing of the Company in November 2014 and will remain at that level for the 2015/2016 year.

Name	Role	Annual Remuneration	Proposed Share Component
Anthony Dunlop	Non-Executive Director	\$50,000	\$50,000
Andrew Johnson	Non-Executive Director	\$50,000	\$50,000
James Scott	Non-Executive Director	\$50,000	\$50,000

The annual remuneration for Messrs Dunlop, Johnson and Scott is proposed to be issued in shares, in order to preserve the Company's cash balance for operational expenditure. It is proposed that these Directors be issued shares on the following basis:

Name	Value* and Issue Date	Value* and Issue Date	Value* and Issue Date
Anthony Dunlop	\$25,000 on 1 July 2016	\$12,500 on 30 September 2016	\$12,500 on 31 December 2016
Andrew Johnson	\$25,000 on 1 July 2016	\$12,500 on 30 September 2016	\$12,500 on 31 December 2016
James Scott	\$25,000 on 1 July 2016	\$12,500 on 30 September 2016	\$12,500 on 31 December 2016

* The shares will be issued at a price equivalent to the 15 trading day volume weighted average price of shares trading on the ASX immediately prior to the issue date.

In accordance with ASX Listing Rule 10.13 the following information is provided in relation to Resolutions 7, 8 and 9:

- The maximum number of shares to be issued is \$150,000 divided by the volume weighted average price of shares trading on the ASX immediately prior to the issue dates as set out in the table immediately above. The table below shows the number of shares that would be issued at various prices.

	At \$0.10 per share	At \$0.15 per share	At \$0.20 per share	At \$0.25 per share	At \$0.30 per share
Shares to be issued	1,500,000	1,000,000	750,000	600,000	500,000

- The shares will be issued at an issue price equivalent to the 15 trading day volume weighted average price of shares trading on the ASX immediately prior to the issue date (refer preceding table);
- The shares will be issued and allotted no later than 31 December 2016; and
- No funds will be raised from the issue of the shares however issue of the shares reduces the (cash) payment to be made to Directors as set out above (in effect, reducing the Company's cash outflows for the forthcoming year by \$150,000).

As provided in Exception 14 to Listing Rule 7.2, if shareholder approval is given under Listing Rule 10.11 approval is not required under Listing Rule 7.1. The shares will rank equally with the Company's fully paid ordinary shares coded and trading as 'SKF'.

In the event that any of Messrs Dunlop, Johnson or Scott resign as Directors during the year their share entitlement shall be reduced pro-rata and otherwise issued on the date/s set out in the preceding table.

Recommendation

The Board (Messrs Dunlop, Johnson and Scott abstaining) unanimously recommends that shareholders approve Resolutions 7, 8 and 9 as each director intends to do with regard to their own shareholdings in the Company. Other than Messrs Dunlop, Johnson and Scott, no director has an interest in the outcome of Resolutions 7, 8 and 9.

Resolution 10 – Approval of Issue of Shares to a Director – Mr Gary Flowers

The annual remuneration of Mr Flowers has been set at \$80,000 per annum. It is proposed that this remuneration be paid in cash and Skyfii shares in accordance with the following table.

Name	Role	Annual Remuneration	Proposed Share Component
Gary Flowers	Chairman	\$80,000	\$20,000

The \$20,000 share component of Mr Flowers remuneration, which shall be issued for the first quarter of services provided by Mr Flowers, will be issued immediately following shareholder approval of this resolution (unlike the share issues subject of Resolutions 7, 8 and 9, which are staged over the 2016 calendar year).

In accordance with ASX Listing Rule 10.13 the following information is provided in relation to Resolutions 10:

- The shares will be issued at \$0.15 per share
- The shares will be issued and allotted no later than one (1) month following the date of shareholder approval; and
- No funds will be raised from the issue of the shares however issue of the shares reduces the (cash) payment to be made to Mr Flowers as set out above (in effect, reducing the Company's cash outflows for the forthcoming year by \$20,000).

As provided in Exception 14 to Listing Rule 7.2, if shareholder approval is given under Listing Rule 10.11 approval is not required under Listing Rule 7.1. The shares will rank equally with the Company's fully paid ordinary shares coded and trading as 'SKF'.

Recommendation

The Board (Mr Flowers abstaining) unanimously recommends that shareholders approve Resolution 10 as each director intends to do with regard to their own shareholdings in the Company. Other than Mr Flowers, no director has an interest in the outcome of Resolutions 10.

Annexure A

Skyfii Vendor Shareholders	Consideration Shares	Maximum Earn Out Shares under Acquisition Agreement	Proposed Earn Out Shares	New Escrow Shares
Avenue C Pty Ltd <Orchard Street Family A/C>	11,623,743	13,699,411	3,736,202	15,359,945
Jagafii Pty Ltd <SkyFii Unit A/C>	11,439,243	13,481,964	3,676,898	15,116,141
Karibu Pty Ltd <Wayne Arthur Family A/C>	8,699,836	10,253,379	2,796,375	11,496,211
Bonduffmex Pty Ltd <Ian Robinson Family A/C>	7,956,690	9,377,528	2,557,508	10,514,198
Shanderlay Investments Pty Ltd <Shanderlay Disc A/C>	5,737,514	6,762,070	1,844,201	7,581,715
Montella Investments Pty Ltd <R White Disc A/C>	5,737,514	6,762,070	1,844,201	7,581,715
Birketu Pty Ltd	3,966,102	4,674,335	1,274,819	5,240,921
Yellow Monkey Holdings Pty Ltd <Bernberg Family A/C>	3,158,950	3,723,048	1,015,377	4,174,327
Devero Holdings Pty Ltd	2,941,546	3,466,821	945,497	3,887,043
Alterac Pty Ltd <Alterac A/C>	1,983,055	2,337,171	637,410	2,620,465
Mr Marco Betelli	1,983,055	2,337,171	637,410	2,620,465
Bmr Securities Pty Ltd <The Bmr Securities A/C>	877,232	1,033,881	281,968	1,159,200
Glemaress Pty Ltd <Glenmaress Family A/C>	846,144	997,242	271,975	1,118,119
Ms Alice Klara Senn	794,618	936,514	255,413	1,050,031
The Chimes Private Foundation	472,100	556,404	151,747	623,847
Ms Rachel Scott	363,150	427,999	116,727	479,877
Mr Richard McClaren	254,207	299,602	81,710	335,917
Ma Duck & Me Pty Ltd <Ma Duck & Me A/C>	254,207	299,602	81,710	335,917
Ms Kerry McCabe	254,207	299,602	81,710	335,917
Asia Pacific Optical Network Pty Ltd <Apon Investment A/C>	169,472	199,734	54,473	223,945
Mr Christopher Thomas Khoury	121,043	142,658	38,907	159,950
Mr Andrew Bates	112,977	133,151	36,314	149,291
Mr Kunal Khatter	112,977	133,151	36,314	149,291
Grant Vandenberg Assoc Pty Ltd <Vandenberg Family A/C>	72,629	85,598	23,345	95,974
Lemniscate Investments Pty Ltd	67,789	79,894	21,789	89,578
Total	70,000,000	82,500,000	22,500,000	92,500,000



All Correspondence to:

✉ **By Mail** Boardroom Pty Limited
GPO Box 3993
Sydney NSW 2001 Australia

📠 **By Fax:** +61 2 9290 9655

💻 **Online:** www.boardroomlimited.com.au

☎ **By Phone:** (within Australia) 1300 737 760
(outside Australia) +61 2 9290 9600

YOUR VOTE IS IMPORTANT

For your vote to be effective it must be recorded **before 11:00am (AEDT) on Saturday 20 February 2016.**

🖥 TO VOTE ONLINE

STEP 1: VISIT www.votingonline.com.au/skyfiigm2016

STEP 2: Enter your Postcode OR Country of Residence (if outside Australia)

STEP 3: Enter your Voting Access Code (VAC):

📱 BY SMARTPHONE



Scan QR Code using smartphone
QR Reader App

TO VOTE BY COMPLETING THE PROXY FORM

STEP 1 APPOINTMENT OF PROXY

Indicate who you want to appoint as your Proxy.

If you wish to appoint the Chair of the Meeting as your proxy, mark the box. If you wish to appoint someone other than the Chair of the Meeting as your proxy please write the full name of that individual or body corporate. If you leave this section blank, or your named proxy does not attend the meeting, the Chair of the Meeting will be your proxy. A proxy need not be a security holder of the company. Do not write the name of the issuer company or the registered securityholder in the space.

Appointment of a Second Proxy

You are entitled to appoint up to two proxies to attend the meeting and vote. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by contacting the company's securities registry or you may copy this form.

To appoint a second proxy you must:

- (a) complete two Proxy Forms. On each Proxy Form state the percentage of your voting rights or the number of securities applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded.
- (b) return both forms together in the same envelope.

STEP 2 VOTING DIRECTIONS TO YOUR PROXY

To direct your proxy how to vote, mark one of the boxes opposite each item of business. All your securities will be voted in accordance with such a direction unless you indicate only a portion of securities are to be voted on any item by inserting the percentage or number that you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on a given item, your proxy may vote as he or she chooses. If you mark more than one box on an item for all your securities your vote on that item will be invalid.

Proxy which is a Body Corporate

Where a body corporate is appointed as your proxy, the representative of that body corporate attending the meeting must have provided an "Appointment of Corporate Representative" prior to admission. An Appointment of Corporate Representative form can be obtained from the company's securities registry.

STEP 3 SIGN THE FORM

The form **must** be signed as follows:

Individual: This form is to be signed by the securityholder.

Joint Holding: where the holding is in more than one name, all the securityholders should sign.

Power of Attorney: to sign under a Power of Attorney, you must have already lodged it with the registry. Alternatively, attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: this form must be signed by a Director jointly with either another Director or a Company Secretary. Where the company has a Sole Director who is also the Sole Company Secretary, this form should be signed by that person. **Please indicate the office held by signing in the appropriate place.**

STEP 4 LODGEMENT

Proxy forms (and any Power of Attorney under which it is signed) must be received no later than 48 hours before the commencement of the meeting, therefore by **11am (AEDT) on 20, February 2016**. Any Proxy Form received after that time will not be valid for the scheduled meeting.

Proxy forms may be lodged using the enclosed Reply Paid Envelope or:

💻 **Online** www.votingonline.com.au/skyfiigm2016

📠 **By Fax** + 61 2 9290 9655

✉ **By Mail** Boardroom Pty Limited
GPO Box 3993,
Sydney NSW 2001 Australia

👤 **In Person** Level 12, 225 George Street,
Sydney NSW 2000 Australia

Attending the Meeting

If you wish to attend the meeting please bring this form with you to assist registration.

☐

Your Address

This is your address as it appears on the company's share register. If this is incorrect, please mark the box with an "X" and make the correction in the space to the left. Securityholders sponsored by a broker should advise their broker of any changes. **Please note, you cannot change ownership of your securities using this form.**

PROXY FORM

STEP 1 APPOINT A PROXY

I/We being a member/s of **SkyFii Limited** (Company) and entitled to attend and vote hereby appoint:

☐

the **Chair of the Meeting (mark box)**

OR if you are **NOT** appointing the Chair of the Meeting as your proxy, please write the name of the person or body corporate (excluding the registered shareholder) you are appointing as your proxy below

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chair of the Meeting as my/our proxy at the General Meeting of the Company to be held at **Level 40, 2 Park St SYDNEY NSW 2000 on Monday, 22 February 2016 at 11:00am (AEDT)** and at any adjournment of that meeting, to act on my/our behalf and to vote in accordance with the following directions or if no directions have been given, as the proxy sees fit.

The Chair of the Meeting intends to vote undirected proxies in favour of each of the items of business.

STEP 2 VOTING DIRECTIONS

* If you mark the Abstain box for a particular item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your vote will not be counted in calculating the required majority if a poll is called.

		For	Against	Abstain*
Resolution 1	To Ratify an Issue of Shares	☐	☐	☐
Resolution 2	To Ratify an Issue of Shares	☐	☐	☐
Resolution 3	To Ratify an Issue of Placement of Shares	☐	☐	☐
Resolution 4	To Approve an Issue of Proposed Earn Out Shares	☐	☐	☐
Resolution 5	Approval to Issue Proposed Earn Out Shares to Karibu Pty Ltd, an Entity Associated with Director Mr Wayne Arthur	☐	☐	☐
Resolution 6	Approval to Issue Earn Out Shares to Ms Rachel Scott, the spouse of Director Mr James Scott	☐	☐	☐
Resolution 7	Approval of Issue of Shares to a Director – Mr Anthony Dunlop	☐	☐	☐
Resolution 8	Approval of Issue of Shares to a Director – Mr Andrew Johnson	☐	☐	☐
Resolution 9	Approval of Issue of Shares to a Director – Mr James Scott	☐	☐	☐
Resolution 10	Approval of Issue of Shares to a Director – Mr Gary Flowers	☐	☐	☐

STEP 3 SIGNATURE OF SHAREHOLDERS

This form must be signed to enable your directions to be implemented.

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director / Company Secretary

Contact Name.....

Contact Daytime Telephone.....

Date / / 2016



20 January 2015

Heath Roberts
Company Secretary
Skyfii Limited
Suite 3, Level 2
115 Devonshire Street
Surry Hills, NSW 2010

By email: heathlroberts@gmail.com

Dear Heath,

REQUEST FOR LISTING RULE WAIVER – SKYFII LIMITED (COMPANY)

I refer to your letter dated 11 January 2015 applying for a waiver from Listing Rules 10.13.3 and 10.13.5. I am pleased to advise that ASX Limited (ASX) has decided to grant the waiver you have requested.

ASX's formal decision is as follows.

“DECISION

1. *Subject to resolution 2, and based solely on the information provided, ASX Limited (“ASX”) does each of the following.*
 - 1.1. *Grants Skyfii Limited (the “Company”) a waiver from listing rules 10.13.3 and 10.13.5 to the extent necessary to permit the Company’s notice of general meeting (the “Notice”) seeking shareholder approval for the issue of shares up to the aggregate value of \$150,000 in lieu of cash payments for directors’ future fees to Mr Anthony Dunlop, Mr Andrew Johnson and Mr James Scott (“Future Remuneration Shares”) in accordance with existing employment terms not to state that the Future Remuneration Shares will be issued no later than one month after the date of the annual general meeting, and not to include an issue price, subject to the following conditions.*
 - 1.1.1 *The Company issues up to \$25,000 worth of shares to each of Mr Anthony Dunlop, Mr Andrew Johnson and Mr James Scott by 1 July 2016.*
 - 1.1.2 *The Company issues up to \$12,500 worth of shares to each of Mr Anthony Dunlop, Mr Andrew Johnson and Mr James Scott by 30 September 2016.*
 - 1.1.3 *The Company issues up to \$12,500 worth of shares to each of Mr Anthony Dunlop, Mr Andrew Johnson and Mr James Scott by 31 December 2016.*



1.1.4 *The Notice states that the maximum number of Future Remuneration Shares to be issued to each of the non-executive directors will be calculated by dividing the number of Future Remuneration Shares equal to the value of the directors fees due by the 15 trading day volume weighted average price of shares trading on the ASX immediately prior to the relevant issue date.*

1.1.5 *The Company's annual report for any period during which the Future Remuneration Shares are issued to the directors (or their nominees) discloses details of the number of Future Remuneration Shares that were issued to them, including the percentage of the Company's issued capital represented by those Future Remuneration Shares.*

2. *The Company releases the terms of the waivers to the market no later than the time the Notice is released to the market.*
3. *ASX has considered listing rules 10.13.3 and 10.13.5 only and makes no statement as to the Company's compliance with other listing rules.*

BASIS FOR DECISION

Listing Rule 10.13.3

Underlying Policy

1. *Listing rule 10.11 protects a listed entity's security holders by preventing a related party from obtaining shares on advantageous terms and increasing the related party's holding proportionate to other holdings. Unless one of the exceptions under listing rule 10.12 applies, a listed entity must seek shareholder approval before it can issue shares to a related party. Listing rule 10.13 sets out the information required to be included in the notice of meeting seeking approval for the issue of the securities to a related party. In particular, listing rule 10.13.3 requires the date by which the entity will issue the securities and this date must be no later than 1 month after the date of the meeting. This rule ensures that an issue of securities to a related party that has been approved by security holders is made within a reasonable timeframe following the approval, so that that it is less likely that the circumstances in which the issue is made will have changed materially from those prevailing at the time the approval was given.*

Facts and Reasons for Granting Waiver

2. *The Company proposes to seek security holder approval at the general meeting for the issue of shares to the directors (or their nominees) in lieu of cash payments for director's fees. The maximum number of Future Remuneration Shares are to be issued no later than 31 December 2016. Although the maximum value of the Future Remuneration Shares to be issued is known at the time of shareholder approval, the maximum time for issue of the shares is fixed and the expected dilution of the Company's share capital following the issue of the shares is not expected to be excessive in view of the Company's security price and the dollar value of the grant. The waiver is granted on the condition that the securities are issued within the timeframe stipulated, the terms of the waiver are released to the market and the annual report discloses details of the relevant securities that have been issued.*



Listing Rule 10.13.5

Underlying Policy

3. *Listing rule 10.11 protects a listed entity's security holders by preventing a related party from obtaining shares on advantageous terms and increasing the related party's holding proportionate to other holdings. Unless one of the exceptions under listing rule 10.12 applies, a listed entity must seek shareholder approval before it can issue shares to a related party. Listing rule 10.13 sets out the information required to be included in the notice of meeting seeking approval for the issue of the securities to a related party. Listing rule 10.13.5 provides certainty to a listed entity's security holders by requiring a notice of meeting containing a resolution in accordance with listing rule 10.11 to state the issue price and terms of issue of securities that are intended to be issued to each of the relevant persons for whom approval is being sought.*

Facts and Reasons for Granting Waiver

4. *The Notice provides a formula for calculating the issue price of securities, calculated as the 15 trading day volume weighted average price of shares trading on the ASX immediately prior to the issue date. As the maximum number of Future Remuneration Shares that may be issued is fixed to the amount of director's fees payable, sufficient information is provided in the notice of meeting about the method of calculating the issue price of the relevant securities for shareholders to be able to provide their informed consent. The Company has provided working examples of dilution based on various VWAP prices in the notice of meeting to provide additional information about the basis of calculation of the number of securities to be issued."*

As you will see, the waiver is subject to certain conditions. Under Listing Rule 18.1.1, these conditions must be complied with for the waiver to be effective.

ASX's power to vary or revoke waiver

It should be noted that under ASX Listing Rule 18.3, ASX may vary or revoke this waiver at any time.

Further enquiries

If you have any further enquiries in relation to this matter, please feel free to contact me on (02) 9227 0133 or at Kimberley.brown@asx.com.au.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Kimberley Brown', with a stylized flourish at the end.

Kimberley Brown
Senior Adviser, Listings Compliance (Sydney)