9 May 2019

MARKET UPDATE

Blue Sky Alternative Investments Limited (ASX: BLA) (the 'Company') refers to its announcements on 28 February 2019 and 1 April 2019 regarding covenants under the convertible note facility with Oaktree Capital Management, L.P. ('Oaktree') detailed in its announcement on 28 September 2018.

As previously announced, the Company was within all relevant lending covenant tests under the Oaktree facility at 31 December 2018, but the Board anticipated that the covenants may not be met at 31 March 2019 due to restructuring measures continuing through FY19.

Under the Oaktree facility, the following financial covenants are tested quarterly: minimum cash balance; minimum recurring cash EBITDA; minimum net tangible assets; and minimum annual capex.

The Company has now finalised its management accounts for the month of March, obtained advice on the application/interpretation of the agreement and engaged external advisers to review the Company's calculations to test compliance with the financial covenants. This review has confirmed that the Company was in breach of the minimum recurring cash EBITDA covenant as at the 31 March 2019 calculation date.

Since announcing to the market that covenants may not be met as at the 31 March 2019 calculation date, the Company has been in constant discussions with Oaktree to vary and/or restructure the covenants to better reflect the current position of the Company. This was desirable irrespective of any breach. These discussions have been constructive to date and remain ongoing, although agreement has not been reached with Oaktree in relation to a variation or restructure at this stage, and Oaktree has not waived the financial covenant breach.

At the time the covenants were agreed, the Company was in a transitional state. It executed the facility with Oaktree to strengthen its capital and liquidity position following a period of significant disruption, and to facilitate the execution of a revised business strategy.

The Company had $46.9 million cash on its balance sheet and approximately $2.8 billion Fee Earning Assets Under Management ('FEAUM') at 31 March 2019.[1] The Board remains committed to supporting the Company's renewed executive team and strengthened governance, risk and compliance framework. The Company notes that the capital subscribed by investor clients in underlying investments are held in unit trusts and are not assets of the Company.

The Company will continue to keep the market updated in accordance with its continuous disclosure obligations.

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[1] These figures are unaudited.