



Global Satellite Solutions

NewSat Limited
Appendix 4D

27 February 2015

RESULTS FOR THE HALF YEAR ENDED 31 DECEMBER 2014

Results for Announcement to the Market

<i>A\$000s (unless indicated otherwise)</i>	Half-year ended 31 December 2013	Half-year ended 31 December 2014	H1FY14- H1FY15 Change	% Movement
Revenue - from ordinary activities	16,586	13,687	(2,899)	▼ -17%
Gross Margin	6,808	3,900	(2,908)	▼ -43%
Loss before depreciation, amortisation, finance costs and tax (EBITDA)	(908)	(37,666)	(36,758)	▼ -4047%
Net loss for the period attributable to members; and Loss from ordinary activities after tax attributable to members	(1,593)	(39,711)	(38,118)	▼ -2393%
Operating cash flow	(1,622)	(2,695)	(1,073)	▼ -66%
Cash and cash equivalents	32,660	21,440	(11,220)	▼ -34%
Net tangible assets per security - (\$)	0.0066	(0.4505)	(0.4571)	▼ -6878%
Basic earnings per share - (cents)	(0.2827)	(6.4002)	(6.1175)	▼ -2164%
Diluted earnings per share - (cents)	(0.2827)	(6.4002)	(6.1175)	▼ -2164%

Payment of a dividend is not proposed

¹ EBITDA is calculated as profit before depreciation, amortisation, finance costs and tax (EBITDA) and is included to assist investors better understand the performance of the business. Non-IFRS information has not been subject to review from the group's external auditor.

NewSat Limited

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NewSat Limited Half Year Report 2015

Commentary on the Group Results

The NewSat Limited Board of Directors reports the Group performance for the half year ended 31 December 2014.

Revenue

Total revenue for the first half of FY15 was \$13.7 million, down 17% from \$16.6 million in the first half of FY14. This is largely due to the previously announced wind back of services provided by a key partner to the US government following the decrease of military activity in Afghanistan. NewSat continues to face challenging market conditions and weakness in economic activity in the military, mining, oil and gas industries which has led to lower levels of revenues from key customers.

Positively, NewSat signed a number of new teleport services contracts during the period with a total contract value of \$14.1 million. This compares to new services contracts with value of \$7.5 million in the first half of FY14. While total revenue from these contracts is not yet fulfilled, the revenues from these services, once installed and operational, are expected to underpin greater stability and teleport business growth.

Profit

Gross margin of \$3.9 million for the first half of FY15 was down 43% from \$6.8 million in first half of FY14. The cost of unutilised Jabiru-2 capacity for the first quarter following its successful launch in September 2014, represented the major impact on the gross margin. The acquisition of customers is continuing to take place and fill rate of capacity is improving. The underlying gross margin, excluding Jabiru-2 capacity costs, was 42% which is consistent with the gross margin of 41% achieved in the first half of FY14.

Loss before depreciation, amortisation, finance costs and tax (EBITDA) was \$37.6 million, compared to a loss of \$0.9 million in the first half of FY14. The significant negative factors impacting first half of EBITDA were foreign exchange losses of \$33.8 million, trade debtors' impairment charges of \$1.2 million and legal fees of \$1 million. The depreciation in the AU\$/US\$ exchange rate between 30 June 2014 and 31 December 2014 has resulted in unrealised foreign exchange losses of \$30.9 million mainly arising from the translation of US\$ denominated borrowings to AU\$ for financial reporting purposes.

During the first half of FY15, the Company incurred a net loss of \$39.7 million in comparison to a \$1.6 million net loss during the previous corresponding period. The Company had negative operating cash flow of \$2.7 million, in comparison to a negative operating cash flow of \$1.6 million during the previous corresponding period.

Cash and cash equivalents were down \$11.2 million to \$21.4 million, equating to a 34% decrease from the previous corresponding period.

Liquidity and capital resources

At 31 December 2014, the balance sheet of the Group reflected a net current liability position of \$300 million. NewSat has previously disclosed that conditions to a formal waiver, obtained for an alleged technical/documentary breach of loan covenants with ECA (Export Credit Agencies) the Lenders, were not met at 31 December 2014. As a consequence, ECA borrowings of \$185.4 million and convertible note borrowings of \$34.5 million are considered to be in default at 31 December 2014 and have been classified as current liabilities.

Jabiru-1 project financing and arrangements with satellite manufacturer Lockheed Martin

On 27 January 2015, the Company announced that Lockheed Martin had notified NewSat that it was in default of the contract for the Jabiru-1 satellite construction, in respect of overdue payments of US\$21 million, and had issued a termination notice in respect of such contract, which triggered an extended cure period during which the default may be remedied in conjunction with the Lenders.



Global Satellite Solutions

NewSat and ECA Lenders have substantially progressed discussions regarding how outstanding waiver conditions, including the requirement that NewSat raise further equity or mezzanine financing, may be best satisfied and project financing recommenced. To that end, NewSat and the Lenders have agreed to formalise a revised conditional waiver, to replace the conditional waiver granted in August 2014. NewSat and the Lenders expect to finalise this revised conditional waiver by mid to late March 2015.

Year to date highlights

Emerging relationship with European based satellite operator - Following the announcement in November 2014 of the Master Purchase Agreement to procure and install 2 x 11 meter antennas on behalf of a European based satellite operator, NewSat continues to pursue joint opportunities including the hosting and maintenance of antenna operations, provision of ground infrastructure support and future satellite services with this operator. The purchase agreement for the antenna procurement and installation is the first step towards a long term role for NewSat supporting this European based satellite operator in the region and another element in the positioning of NewSat in the satellite communications market for future revenue growth.

Growth in new teleport customer contracts - The signing of a number of new strategic customer contracts to provide satellite communication services, with a total contract value of \$14.1 million, has allowed NewSat to stabilise current teleport business revenue sources and underpin future growth.

New Jabiru-1 satellite capacity contract - In the first half of FY15, NewSat secured a new Jabiru-1 satellite capacity contract with a South Asia satellite operator. Over a 5 year term, the contract is for the supply of US\$9 million worth of Jabiru-1 satellite transmission capacity over Pakistan, Afghanistan and the Middle East and takes Jabiru-1 binding pre-launch contracts total to US\$636 million.

Jabiru-2 launch success - The first half of FY15 saw the successful launch of the Jabiru-2 satellite with the satellite completing in orbit testing in mid-October 2014. NewSat is focused on securing and transitioning customers to the Jabiru-2 platform and expects to significantly grow revenues from the sale of Jabiru-2 capacity in the second half of FY15.

Expanded orbital slot access rights - NewSat entered into a replacement agreement with A.P. Kypros Satellites. In 2011 an original agreement was entered into to grant sub-licences to NewSat with respect to eight geostationary orbital slots located above the equator. The sub-licence entitled NewSat to locate satellites in each of these slots. The orbital slots were held by the Republic of Cyprus and licenced to Kyprosats. The replacement agreement provides enhanced rights with respect to those contained in the original orbital slot agreement.

Outlook

NewSat continues to provide world-class service and support to the Company's teleport customers, many of whom will become Jabiru customers in the future. The Company remains specifically focused on further growth in new vertical markets and geographical locations.

Building on the US\$636 million of pre-launch customer contracts already secured, an eventful period of continued investment in the Jabiru-1 satellite project, sees NewSat in a positive position and on the path to transform into a global satellite operator.

As NewSat transforms from 'teleport operator' into a 'satellite operator' it is the realisation of a long term mission. Expected to generate in excess of 85% margins, Jabiru-1 will create a step-change in earnings and profitability.

About NewSat:

NewSat is Australia's largest pure-play satellite communications company, delivering internet, voice, data and video communications via satellite. With award winning and unique-to-Australia teleport infrastructure, NewSat has a reputation as the partner of choice for enterprise and government customers around the world. Today, NewSat provides secure and reliable connectivity to 75% of the globe.

NewSat proposes to expand its satellite capabilities with the Jabiru Satellite Program. Set to launch Australia's first commercial Ka-band satellite, Jabiru-1 will provide high-powered, flexible capacity over the MENA and Jabiru-2, launched in 2014, will deliver highly targeted coverage across Australasia. For more information, please visit www.newsat.com

For further information:

Investors

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Media kit: www.newsat.com/mediakit

NewSat Limited

ABN 12 003 237 303

Half-Year Financial Report

**for the Half-Year Ended
31 December 2014**

This condensed half year financial report is to be read in conjunction with the financial report for the year ended 30 June 2014.

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Directors' Report

The Directors submit their report for the half-year ended 31 December 2014 and the auditor's review report thereon.

DIRECTORS

The names of the company's directors in office during the half-year and until the date of this report are as below, directors were in office for this entire period unless otherwise stated.

Richard R Green (Non-Executive Chairman)

Adrian M Ballintine (Director & Chief Executive Officer)

Ching Chiat Kwong (Non-Executive Director)

Roderic N Sage (Non-Executive Director, appointed 13 August 2014)

Fred S Grimwade (Non-Executive Director, appointed 29 August 2014)

Patrick S McVeigh (Non-Executive Director, appointed 26 September 2014)

REVIEW AND RESULTS OF OPERATIONS

The NewSat Limited Board of Directors reports the Group performance for the half year ended 31 December 2014.

Revenue

Total revenue for the first half of FY15 was \$13.7 million, down 17% from \$16.6 million in the first half of FY14. This is largely due to the previously announced wind back of services provided by a key partner to the US government following the decrease of military activity in Afghanistan. NewSat continues to face challenging market conditions and weakness in economic activity in the military, mining, oil and gas industries which has led to lower levels of revenues from key customers.

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Loss before depreciation, amortisation, finance costs and tax (EBITDA¹) was \$37.6 million, compared to a loss of \$0.9 million in the first half of FY14. The significant negative factors impacting first half of EBITDA were foreign exchange losses of \$33.8 million, trade debtors' impairment charges of \$1.2 million and legal fees of \$1 million. The depreciation in the AU\$/US\$ exchange rate between 30 June 2014 and 31 December 2014 has resulted in unrealised foreign exchange losses of \$30.9 million mainly arising from the translation of US\$ denominated borrowings to AU\$ for financial reporting purposes.

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Cash and cash equivalents were down \$11.2 million to \$21.4 million, equating to a 34% decrease from the previous corresponding period.

Liquidity and capital resources

At 31 December 2014 the balance sheet of the Group reflected a net current liability position of \$300 million. As previously announced last year, NewSat obtained a formal waiver for an alleged technical breach of its Jabiru-1 satellite project financing facilities. NewSat and the Lenders remained in ongoing discussions concerning satisfaction of the outstanding waiver conditions as at 31 December 2014. As the conditions of the formal waiver were not fully satisfied as at 31 December 2014, NewSat continued to classify all interest bearing loans as current liabilities.

NewSat continues to progress negotiations with ECA Lenders regarding the satisfactory execution of waiver requirements. An update on these matters is provided below under 'significant events subsequent to balance date'.

Going Concern

In light of circumstances disclosed in note 2 of the half year financial report, the auditor has included an emphasis of matter in their review opinion.

¹ EBITDA is calculated as profit before depreciation, amortisation, finance costs and tax (EBITDA) and is included to assist investors better understand the performance of the business. Non-IFRS information has not been subject to review from the group's external auditor.

Directors' Report (continued)

REVIEW AND RESULTS OF OPERATIONS (CONTINUED)

Half year highlights

Emerging relationship with European based satellite operator - Following the announcement in November 2014 of the Master Purchase Agreement to procure and install 2 x 11 meter antennas on behalf of a European based satellite operator, NewSat continues to pursue joint opportunities including the hosting and maintenance of antenna operations, provision of ground infrastructure support and future satellite services with this operator. The purchase agreement for the antenna procurement and installation is the first step towards a long term role for NewSat supporting this European based satellite operator in the region and another element in the positioning of NewSat in the satellite communications market for future revenue growth.

Growth in new teleport customer contracts - The signing of a number of new strategic customer contracts to provide satellite communication services, with a total contract value of \$14.1 million, has allowed NewSat to stabilise current teleport business revenue sources and underpin future growth.

New Jabiru-1 satellite capacity contract - In the first half of FY15, NewSat secured a new Jabiru-1 satellite capacity contract with a South Asia satellite operator. Over a 5 year term, the contract is for the supply of US\$9 million worth of Jabiru-1 satellite transmission capacity over Pakistan, Afghanistan and the Middle East and takes Jabiru-1 binding pre-launch contracts total to US\$636 million.

Jabiru-2 launch success - The first half of FY15 saw the successful launch of the Jabiru-2 satellite with the satellite completing in orbit testing in mid-October 2014. NewSat is focused on securing and transitioning customers to the Jabiru-2 platform and expects to significantly grow revenues from the sale of Jabiru-2 capacity in the second half of FY15.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

Jabiru-1 project financing and arrangements with satellite manufacturer Lockheed Martin

NewSat announced on 27 January 2015 that Lockheed Martin had notified NewSat that it was in default of the contract for the construction of the Jabiru-1 satellite in respect of overdue payments of US\$21 million and had issued a termination notice in respect of such contract, which triggered an extended cure period during which the default may be remedied in conjunction with the Lenders.

On 26 February 2015 NewSat also received notification from Arianespace that they were reserving all rights and remedies with respect to US\$42.4 million in outstanding invoices.

NewSat and the ECA Lenders have substantially progressed discussions regarding how outstanding waiver conditions, including the requirement that NewSat raise further equity or mezzanine financing, may be best satisfied and project financing recommenced. To that end, NewSat and the Lenders have agreed to formalise a revised conditional waiver, to replace the conditional waiver granted in August 2014. NewSat and the Lenders expect to finalise this revised conditional waiver by mid to late March 2015.

Orbital Slots

As announced 23 January 2015, NewSat entered into an agreement with A.P. Kypros Satellites Limited in 2011 to grant sub - licenses to the Company with respect to satellites in eight (8) geostationary orbital slots located above the equator ("the original slot agreement"). The sub-license entitled the Company to locate satellites in each of these slots. The orbital slots were held by the Republic of Cyprus and licensed to KyprosSat. The Company was pleased to announce that it has entered into a replacement agreement with KyprosSat providing enhanced rights with respect to those contained in the original orbital slot agreement.

OUTLOOK

NewSat continues to provide world-class service and support to the Company's teleport customers, many of whom will become Jabiru customers in the future. The Company remains specifically focused on further growth in new vertical markets and geographical locations.

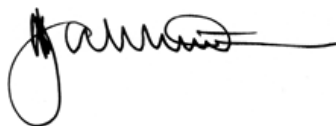
Building on the US\$636 million of pre-launch customer contracts already secured, an eventful period of continued investment in the Jabiru-1 satellite project, sees NewSat in a positive position and on the path to transform into a global satellite operator.

As NewSat transforms from 'teleport operator' into a 'satellite operator' it is the realisation of a long term mission. Expected to generate in excess of 85% margins, Jabiru-1 will create a step-change in earnings and profitability.

ROUNDING

The amounts contained in the half-year financial report have been rounded to the nearest \$1,000 (where rounding is applicable) under the option available to the company under ASIC Class Order 98/100. The company is an entity to which the Class Order applies.

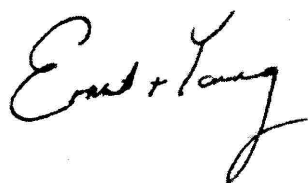
Signed in accordance with a resolution of the directors.



Adrian Ballintine
Director & Chief Executive Officer
27 February 2015

Auditor's Independence Declaration to the Directors of NewSat Limited

In relation to our review of the financial report of NewSat Limited for the half-year ended 31 December 2014, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.



Ernst & Young



Robert Dalton
Partner
27 February 2015

Consolidated Statement of Comprehensive Income

for the half-year ended 31 December 2014

	Notes	Half-year ended 31 December 2014 \$'000	Half-year ended 31 December 2013 \$'000
Revenue			
Sale of goods and services		13,687	16,586
Finance revenue		10	75
Revenue	3	13,697	16,661
Cost of Sales		(9,797)	(9,853)
Gross Margin		3,900	6,808
Salaries & employee benefits expense		(2,608)	(4,143)
Share based payments (non-cash)		(137)	(163)
Sales and marketing expense		(494)	(708)
Occupancy expense		(477)	(514)
Other expenses	3	(37,850)	(2,188)
Profit from operations before depreciation, amortisation, finance costs and tax (EBITDA)		(37,666)	(908)
Depreciation & amortisation		(871)	(680)
Finance costs		(519)	(5)
Profit before income tax		(39,056)	(1,593)
Income tax expense		(655)	-
Profit attributable to members of the parent		(39,711)	(1,593)
Other comprehensive income for the period, net of tax		-	-
Total comprehensive income		(39,711)	(1,593)

Earnings per share for profit attributable to ordinary equity holders of the parent:

Basic earnings per share, cents (6.400) (0.283)

Diluted earnings per share, cents (6.400) (0.283)

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Consolidated Balance Sheet

as at 31 December 2014

	Notes	31 December 2014 \$'000	30 June 2014 \$'000
ASSETS			
Current Assets			
Cash and cash equivalents	12	21,440	45,545
Trade and other receivables		8,854	5,771
Inventories		409	445
Prepayments		2,030	2,785
Other financial assets		5,766	3,666
Total Current Assets		38,499	58,212
Non-current Assets			
Property, plant and equipment		8,400	8,357
Intangible assets and goodwill	8	493,206	399,190
Deferred Tax Assets		1,887	2,518
Total Non-current Assets		503,493	410,065
Total Assets		541,992	468,277
LIABILITIES			
Current Liabilities			
Trade and other payables		98,027	34,938
Interest-bearing loans and borrowings	13	220,005	187,446
Other financial liabilities	14	12,258	6,356
Provisions		1,938	1,825
Deferred income		6,190	3,443
Other post-employment benefit liability		75	244
Total Current Liabilities		338,493	234,252
Non-current Liabilities			
Interest-bearing loans and borrowings	13	73	128
Other liabilities		90	102
Provisions		60	82
Total Non-current Liabilities		223	312
Total Liabilities		338,716	234,564
Net Assets		203,276	233,713
EQUITY			
Equity attributable to equity holders of the parent			
Contributed equity	4	281,868	275,926
Retained earnings		(135,843)	(96,132)
Reserves		57,251	53,918
Total Equity		203,276	233,713

The above Consolidated Balance Sheet should be read in conjunction with the accompanying notes.

Consolidated Cash Flow Statement

for the half-year ended 31 December 2014

	Notes	Half-year ended 31 December 2014 \$'000	Half-year ended 31 December 2013 \$'000
Cash flows from operating activities			
Receipts from customers		11,991	15,863
Payments to suppliers and employees		(14,696)	(17,560)
Interest received		10	75
Net cash flows from operating activities		(2,695)	(1,622)
Cash flows from investing activities			
Purchase of property, plant and equipment		(900)	(773)
Investment in Satellite Development Project		(30,694)	(82,703)
Net cash flows used in investing activities		(31,594)	(83,476)
Cash flows from financing activities			
Proceeds from issue of shares		6,000	5,000
Transaction cost of issue of shares		(82)	-
Proceeds from borrowings (interest bearing loan)		6,119	-
Interest paid		(14)	(5)
Payment of finance lease liabilities		(83)	(18)
Net cash flows from financing activities		11,940	4,977
Net increase in cash and cash equivalents		(22,349)	(80,121)
Net foreign exchange differences		(1,756)	-
Cash and cash equivalents at beginning of period		45,545	112,781
Cash and cash equivalents at end of period	12	21,440	32,660

The above Consolidated Cash Flow Statement should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

for the half-year ended 31 December 2014

	Attributable to equity holders of the parent					Total \$'000
	Issued capital \$'000	Retained earnings \$'000	Share Based Payment Reserve		Asset Revaluation Reserve \$'000	Equity Option Reserve \$'000
			Payment Reserve \$'000	Asset Revaluation Reserve \$'000		
At 1 July 2014	275,926	(96,132)	52,703	1,215	-	233,712
Total comprehensive income for the period						
Profit / (Loss) from operations	-	(39,711)	-	-	-	(39,711)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the period	-	(39,711)	-	-	-	(39,711)
Transactions with owners recorded directly in equity						
Shares issued (capital raising)	6,000	-	-	-	-	6,000
Shares issued (warrants exercised)	-	-	-	-	-	-
Shares issued (options exercised)	-	-	-	-	-	-
Shares issued (in lieu of cash)	-	-	-	-	-	-
Cost of capital raising	(58)	-	-	-	-	(58)
Share based payments	-	-	3,333	-	-	3,333
Total transactions with owners	5,942	-	3,333	-	-	9,275
At 31 December 2014	281,868	(135,843)	56,036	1,215	-	203,276

	Attributable to equity holders of the parent					Total \$'000
	Issued capital \$'000	Retained earnings \$'000	Share Based Payment Reserve		Asset Revaluation Reserve \$'000	Equity Option Reserve \$'000
			Payment Reserve \$'000	Asset Revaluation Reserve \$'000		
At 1 July 2013	265,583	(97,738)	37,370	1,215	-	206,429
Total comprehensive income for the period						
Profit / (Loss) from operations	-	(1,593)	-	-	-	(1,593)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the period	-	(1,593)	-	-	-	(1,593)
Transactions with owners recorded directly in equity						
Shares issued (capital raising)	6,399	-	-	-	-	6,399
Shares issued (warrants exercised)	- *	-	-	-	-	-
Shares issued (options exercised)	-	-	-	-	-	-
Shares issued (in lieu of cash)	233	-	-	-	-	233
Cost of capital raising	-	-	-	-	-	-
Share based payments	-	-	10,805	-	-	10,805
Total transactions with owners	6,632	-	10,805	-	-	17,437
At 31 December 2013	272,215	(99,331)	48,175	1,215	-	222,273

* Amount is less than \$1,000

The above Consolidated Statements of Changes in Equity should be read in conjunction with the accompanying notes.

Notes to the Half-Year Financial Statements

for the half-year ended 31 December 2014

1 CORPORATE INFORMATION

NewSat Limited is a for profit company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange. The nature of the operations and principal activities of the Group are described in note 6.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

Basis of Preparation

This condensed financial report for the half-year ended 31 December 2014 has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

It is recommended that the half-year financial report be read in conjunction with the annual report for the year ended 30 June 2014 and considered together with any public announcement made by NewSat Limited during the half-year ended 31 December 2014 in accordance with the continuous disclosure obligations of the ASX listing rules.

The accounting policies and methods of computation are the same as those adopted in the most recent annual financial report. The Group has not elected to early adopt any other new Standards or amendments that are issued but not yet effective.

The Group did not adopt any new and/or revised Standards, Amendments and Interpretations from 1 July 2014 which had a significant effect on the accounting policies of the Group.

The financial report complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board. A non IFRS measure EBITDA is included to assist investors better understand the performance of the business as management consider cash generation ability to be a key performance measure. It is calculated as profit before depreciation, amortisation, finance costs and tax (EBITDA).

Notes to the Half-Year Financial Statements (continued)

for the half-year ended 31 December 2014

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

Going Concern

The financial statements have been prepared on a going concern basis, which assumes the normal continuity of business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

The balance sheet of the group reflects a net current liability position of \$300 million. NewSat has previously disclosed that conditions to a formal waiver, obtained for an alleged technical/documentary breach of loan covenants with ECA (Export Credit Agencies) Lenders, were not met at 31 December 2014. As a consequence, ECA borrowings of \$185.4 million and convertible note borrowings of \$34.5 million are considered for the purposes of the half year accounts to be in default at 31 December 2014 and therefore have been classified as current liabilities.

NewSat has also previously announced that:

- NewSat and ECA Lenders remain in ongoing discussions concerning satisfactory execution of the outstanding waiver conditions and the basis on which debt funding could recommence
- NewSat has received conditional proposals to invest or underwrite up to US\$60 million in equity and that NewSat is considering these proposals with Lenders
- Project finance facilities are suspended while discussions with Lenders continue
- Funding delays have caused Lockheed Martin to give notice that NewSat is in default of the contract for the construction of Jabiru-1 in respect of overdue payments of US\$21 million and issue a termination notice to NewSat in respect of this contract, triggering an extended cure period during which this default must be remedied without affecting the construction

On 26 February 2015 NewSat also received notification from Arianespace that they were reserving all rights and remedies with respect to US\$42.4 million in outstanding invoices.

NewSat and the ECA Lenders have substantially progressed discussions regarding how outstanding waiver conditions, including the requirement that NewSat raise further equity or mezzanine financing, may be best satisfied and project financing recommenced. To that end, NewSat and the Lenders have agreed to formalise a revised conditional waiver, to replace the conditional waiver granted in August 2014. NewSat and the Lenders expect to finalise this revised conditional waiver by mid to late March 2015.

The Directors have satisfied themselves that despite the significant uncertainties of the Group's current financing situation, they are of the view that the continued application of the going concern basis is appropriate due to the following factors:

- Negotiations with Lenders and Lockheed Martin have progressed in recent weeks, with draft waiver terms being discussed with the Lenders. This indicates a likelihood that an acceptable revised conditional waiver will be finalised and that:
 - NewSat will meet expected waiver conditions and that Lenders will recommence project finance funding
 - Resumption of project funding will cure the Lockheed Martin notified contractual defaults without penalty to the project
 - Resumption of project funding will remedy all Arianespace outstanding invoices
 - Lenders will approve use of the \$6 million in capital raised from Maybank in November 2014 for approved teleport working capital purposes
- NewSat understands that Lockheed Martin have maintained their project construction activities in accordance with contractual milestones, notwithstanding NewSat's payment default
- NewSat internal estimates indicate that construction of Jabiru-1 can be completed with funds expected to be received from capital raising proposals awaiting Lenders' approval, combined with the resumption of available debt funding, there are sufficient funds to support the Jabiru-1 project through to expected launch
- Cashflow estimates for teleport operations show that with access to the \$6 million capital raised from Maybank, the teleport business has access to sufficient working capital funding to support the ongoing operation of the business

The ability of the company to continue as a going concern is dependent on the satisfactory execution of waiver conditions (including the raising of required capital) and the ongoing support of its Lenders.

However, if these conditions are not satisfied or satisfactorily renegotiated with the ECA Lenders there will be significant uncertainty as to whether the company and the consolidated entity can continue as going concerns, and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business at the amounts stated in the financial report. This report does not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the company and the consolidated entity not continue as going concerns.

Notes to the Half-Year Financial Statements (continued)

for the half-year ended 31 December 2014

3 REVENUE, INCOME AND EXPENSES

	Half-year ended 31 December 2014 \$'000	Half-year ended 31 December 2013 \$'000
Revenue		
Sale of goods	375	400
Rendering of services	13,312	16,186
Finance revenue	10	75
	13,697	16,661
Other Expenses breakdown:		
Consulting Fees	195	40
Accounting, Audit and Tax Fees	556	157
Insurance	232	185
Legal	1,027	92
Director Fees	178	305
Travel expenses	173	303
Doubtful Debts	1,202	-
Repairs & Maintenance	107	170
Foreign Currency Loss - Realised	150	365
Foreign Currency Loss - Unrealised *	33,638	(59)
Administrative expense	392	630
	37,850	2,188

* During December 2014, the depreciation in the AU\$/US\$ exchange rate has resulted in significant unrealised foreign exchange losses mainly arising from the translation of US\$ denominated borrowings to AU\$.

4 CONTRIBUTED EQUITY

	31 December 2014 \$'000	30 June 2014 \$'000
<i>Ordinary shares</i>		
Issued and fully paid	281,868	275,926
	Number of Shares in Thousands	\$'000
<i>Movements in ordinary shares on issue</i>		
At 1 July 2014	612,200	275,926
Shares issued (capital raising)	30,000	6,000
Shares issued (options exercised)	1,375	-
Transaction costs on share issues - Net of Tax	-	(58)
At 31 December 2014	643,575	281,868

Notes to the Half-Year Financial Statements (continued)

for the half-year ended 31 December 2014

5 FAIR VALUE

(a) Set out below is an overview of financial instruments and property, plant & equipment, held by the Group as at 31 December 2014:

	Carrying Amount Half-year ended 31 December 2014 \$'000	Fair Value Half-year ended 31 December 2014 \$'000
Assets		
Cash	21,440	21,440
Trade receivables	8,854	8,854
Other financial assets (current)	5,766	5,766
Property, plant and equipment	8,400	8,400
	44,460	44,460
Liabilities		
Trade payables	(98,027)	(98,027)
Obligations under finance leases and hire purchase	(101)	(101)
Interest bearing loans - ECA (Export Credit Agency) Debt Facility	(185,463)	(185,463)
Interest bearing loan - Convertible note	(34,514)	(34,514)
Other financial liability	(12,258)	(12,258)
	(330,363)	(330,363)

(b) Assets measured at fair value

As at 31 December 2014, the Group held the following assets carried at fair value in the Statement of Financial Position:

	Significant unobservable inputs (Level 3) \$'000
Land & Buildings (Date of valuation: 30 June 2014)	3,482

Land and Buildings are categorised as Level 3 in the fair value hierarchy given the valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

Significant unobservable valuation input:

	Significant unobservable inputs	Range	Sensitivity
Bayswater, Western Australia	Price per square metre	\$380 - \$420	The higher this value the higher the land value
Mawson Lakes, South Australia	Price per square metre	\$180 - \$220	The higher this value the higher the land value

Notes to the Half-Year Financial Statements (continued)

for the half-year ended 31 December 2014

6 SEGMENT REPORTING

(a) Identification of Reportable Segments

The Group has identified its operating segments based on internal reports that are reviewed and used by the Board of Directors (the chief operating decision makers - "CODM") in assessing performance and in determining the allocation of resources.

The operating segments are identified by management based on the nature and markets in which the products and services are sold. Discrete financial information about each of these operating businesses is reported by the Executive Management Team to the Board of Directors on at least a monthly basis.

The reportable segments are based on aggregated operating segments determined by the similarity of the products produced and sold and/or the services provided, as these are the sources of the Group's major risks and have the most effect on the rates of return.

(b) Reportable Segments

Delivery of Satellite Communications Solutions

The NewSat Limited Group provides satellite communications solutions to its customers, including sale of space capacity, VOIP and data services, up linking and down linking and other related services.

Satellite Development

As announced to the market in recent months, the Group is in the construction phase of the first satellite as part of the Jabiru Satellite Project and continues to significantly progress the development of the project. The project involves the development of a geostationary satellite program with the first launch anticipated in 2016 financial year.

(c) Accounting Policies and Inter-Segment Transactions

The accounting policies used by the Group in reporting segments internally are the same as those applied in the 2014 Annual Report (note 2).

(d) Major customers

Sales from one customer accounts for in excess of 10% of consolidated revenue for the six months ended 31 December 2014. The customer is in the Delivery of Satellite Services segment. Revenue from the customer was approximately \$1,799,000 for the six months ended 31 December 2014 (for the six months ended 2013: approximately \$3,046,000).

Notes to the Half-Year Financial Statements (continued)

for the half-year ended 31 December 2014

6 SEGMENT REPORTING (Continued)

(e) Information about reportable segments

	Delivery of Satellite Services	Jabiru Satellite Development	Unallocated Items	Total
	\$'000	\$'000	\$'000	\$'000
Half-year Ended 31 December 2014				
Revenue				
Sales to external customers	13,687	-	-	13,687
Total segment revenue	13,687	-	-	13,687
Segment profit / (loss) before depreciation, amortisation, finance costs and tax (Segment EBITDA)	429	-	-	429
Depreciation and amortisation	554	-	317	871
Capital expenditure (cash)	821	-	79	900
Investment in satellite development asset	-	94,017	-	94,017

Half-year Ended 31 December 2013

Revenue				
Sales to external customers	16,586	-	-	16,586
Total segment revenue	16,586	-	-	16,586
Segment profit / (loss) before depreciation, amortisation, finance costs and tax (Segment EBITDA)	3,822	-	-	3,822
Depreciation and amortisation	522	-	158	680
Capital expenditure (cash)	451	-	322	773
Investment in satellite development asset	-	92,465	-	92,465

(f) Reconciliation of reportable segment revenues and profit or loss

	Half-year ended 31 December 2014 \$'000	Half-year ended 31 December 2013 \$'000
Revenue		
Total segment revenue	13,687	16,586
Interest revenue	10	75
Consolidated revenue	13,697	16,661
Profit before income tax		
Reported segment profit before depreciation, amortisation, finance costs and tax	429	3,822
<i>Unallocated items:</i>		
Share based payments charge	(137)	(162)
Foreign exchange (losses)	(33,788)	(306)
Unallocated amounts - other corporate expenses	(4,170)	(4,263)
Profit before depreciation, amortisation, finance costs and tax (EBITDA) per the Statement of Comprehensive Income	(37,666)	(908)
Depreciation & amortisation	(871)	(680)
Finance costs	(519)	(5)
Profit before income tax per the Statement of Comprehensive Income	(39,056)	(1,593)

Notes to the Half-Year Financial Statements (continued)

for the half-year ended 31 December 2014

7 INCOME TAX

A reconciliation between tax expense and the product of accounting profit before income tax multiplied by the Group's applicable income tax rate is as follows:

	31 December 2014 \$'000	30 June 2014 \$'000
Accounting (loss)/profit before income tax	(39,056)	701
At the Group's statutory income tax rate of 30% (2014: 30%)	11,717	(210)
<u>Adjustments:</u>		
Tax effect of amount not assessable for tax purposes	-	2,001
Capital raising costs	-	536
Tax benefit of losses not brought to account	(1,197)	(2,327)
Non-deductible expenditure	(6)	-
Origination/reversal of temporary differences	(8,367)	(906)
Derecognition of previously recognised tax losses	(2,802)	-
Aggregate income tax benefit/(expense)	(655)	(906)

The Group has the following deferred tax arising from temporary differences recognised:

	31 December 2014 \$'000	30 June 2014 \$'000
Deferred Tax Liabilities		
Revaluation of Land & Buildings	(520)	(520)
Unrealised foreign exchange losses/ (gains)	-	(2,001)
	(520)	(2,521)

Deferred Tax Assets

Provisions	1,041	625
Capital raising costs	1,366	1,612
Tax losses	-	2,802
	2,407	5,039

Net deferred tax assets on consolidated balance sheet 1,887 2,518

Net deferred tax recognised in

- Income statement	(655)	906
- Directly to equity	24	1,612

The Group may have unrecognised tax losses of up to \$34,266,000 (2014: \$31,201,000) which can be utilised provided the carry forward loss rules in the Income Tax Assessment Act 1997 are satisfied.

Tax consolidation

NewSat Limited and its 100% owned Australian resident subsidiaries formed a tax consolidated group with effect from 1 January 2006. NewSat Limited is the head entity of the tax consolidated group.

Tax effect accounting by members of the tax consolidated group

The Group has applied the Group allocation approach in determining the appropriate amount of current taxes to allocate to members of the tax consolidated group. The Group does not have a tax funding agreement and all allocations under UIG 1052 (Tax Consolidation Accounting) are accounted for as equity. No entries were made in the current year (2014: nil).

Notes to the Half-Year Financial Statements (continued)

for the half-year ended 31 December 2014

8 INTANGIBLE ASSETS AND GOODWILL

	Customer Contracts ¹	Goodwill ²	Satellite Development Asset ³	Total
	\$'000	\$'000	\$'000	\$'000
<u>Gross cost</u>				
Opening Balance at 1 July 2014	1,004	11,206	390,569	402,779
Additions	-	-	94,017	94,017
Closing Balance at 31 December 2014	1,004	11,206	484,586	496,796
<u>Accumulated amortisation and impairment</u>				
Opening Balance at 1 July 2014	998	2,591	-	3,589
Amortisation expense for the period	1	-	-	1
Closing Balance at 31 December 2014	999	2,591	-	3,590
<u>Net book value</u>				
Opening as at 1 July 2014	6	8,615	390,569	399,190
Closing as at 31 December 2014	5	8,615	484,586	493,206

1 The customer contracts are for a finite period and therefore have a finite life. In accordance with AASB 138 'Intangible Assets', the depreciation in relation to an intangible asset with a finite useful life shall be allocated on a systematic basis over its useful life. The Group has considered diminishing value method to be the most appropriate method to apply.

2 Purchased as part of business combinations. Goodwill acquired through business combinations has been allocated to the teleport cash generating unit which is included in the Delivery of Satellite Services segment. The key assumption on which management has based its valuation of goodwill was that the business will generate cash flows as per the most recent financial budgets. This is reliant on the following factors: gross margins, market share during the budget period and growth rate used to extrapolate cash flows beyond the budget period.

3 The Group has significantly progressed the development of the project during the financial year. The project involves the development of a geostationary satellite program with the first launch anticipated in 2016 financial year. The key assumptions on which management has based its valuation of the intangible satellite asset have reference to market factors (competition, demand), operational factors (launch, operation, life, co-ordination), financing factors and general economic environment factors.

Notes to the Half-Year Financial Statements (continued)

for the half-year ended 31 December 2014

9 IMPAIRMENT TESTING

Goodwill

Goodwill acquired through business combinations has been allocated to the teleport cash generating unit which is included in the Delivery of Satellite Services segment. The value-in-use calculations are based on discounted cash flow calculations. The discount rate utilised in the calculations is 13%.

The key assumption used was that the business will generate cash flows as per the most recent financial budgets. This is reliant on the following factors: gross margins, market share during the budget period and growth rate used to extrapolate cash flows beyond the budget period. Approved projected cash flows are considered for a period of five years. A terminal value has been calculated using the perpetuity growth model which accounts for the value of free cash flows expected to be generated by the teleport cash generating unit in the future.

Gross margins: They are based on average values achieved in the years preceding the start of the budget period.

Market share: Management expects the group's share of the satellite communications market to increase over the budget period.

Growth rate: The growth rates do not exceed the long term average for the industry.

As at 31 December 2014, Management assessed the recoverable amount of goodwill and determined based on value-in-use assessment and discounted forecast future cash flows. No write-down of the carrying amount of goodwill was necessary. The recoverable amount of this cash-generating unit was assessed by reference to the expected future cash flows.

Based on the result of the sensitivity analysis, the goodwill will be impaired if the forecast discount rate is increased to 19%.

Satellite Development Asset

The recoverable amount of the satellite development assets is \$484,586,000 as at 31 December 2014, has been determined based on a cost of equity calculation using cash flow projections from financial budgets approved by senior management. The projected cash flows have been updated to reflect the demand for satellite services. The discount rate applied to cash flow projections is 14% and cash flows for 15-year period are extrapolated.

Gross margins: They are based on forecast cost to be incurred during the operation life of the satellite that determined by the senior management.

Market share: Management expects the group's share of the satellite communications market to increase over the budget period.

Growth rate: The growth rates do not exceed the long term average for the industry.

Contraction and financing cost to complete: Based on the project team's current project estimates of all expected costs to complete including cost of finance.

As at 31 December 2014, it was concluded that the recoverable amount of satellite development assets did not exceed the discounted forecast future cash flows. As a result of this analysis, no write-down of the carrying amount of satellite development assets was necessary.

Based on the result of the sensitivity analysis, the satellite development assets will be impaired if the forecast discount rate is increased to 23%.

10 CONTINGENT ASSETS AND LIABILITIES

Contingent Liabilities

The Group entered into a contract with Lockheed Martin Corporation on 8 December 2011 for the purchase of a commercial satellite. Termination liabilities arising from the contract are contingent on the Company issuing a notice of termination or failing to satisfy contractual requirements. On 3 July 2013 the contract was amended such that termination liabilities are limited to US\$35.88 million. Going Concern on note 2 and Events after Balance Sheet Date on note 11 further outline NewSat current obligation relating to Lockheed Martin contract.

The Group entered into a contract with Arianespace on 8 December 2011 for the reservation of a launch period for the Jabiru-1 satellite. The contract was updated on 14 March 2012 to include further launch service specifications. Termination liabilities arising from the contract are contingent on the Company issuing a notice of termination or failing to satisfy contractual requirements. On 4 February 2014 the contract was amended such that termination liabilities are limited to US\$40.43 million.

The Company has received notification of a possible claim from an employee relating to its failure to seek shareholder approval with respect to an agreed issue of performance rights. The Company has obtained Counsel opinion and has agreed to seek Shareholders approval for the issue of the performance rights.

The Company has received claims from former employees for amounts the employees believe they are entitled to. NewSat is in current negotiations on this matter and does not believe it will be required to pay the amounts claimed.

Notes to the Half-Year Financial Statements (continued)

for the half-year ended 31 December 2014

11 EVENTS AFTER THE BALANCE SHEET DATE

Jabiru-1 project financing and arrangements with satellite manufacturer Lockheed Martin and launch vehicle provider Arianespace

NewSat announced on 27 January 2015 that Lockheed Martin had notified NewSat that it was in default of the contract for the construction of the Jabiru-1 satellite in respect of overdue payments of US\$21 million and had issued a termination notice in respect of such contract, which triggered an extended cure period during which the default may be remedied in conjunction with the Lenders.

On 26 February 2015 NewSat also received notification from Arianespace that they were reserving all rights and remedies with respect to US\$42.4 million in outstanding invoices.

NewSat and the ECA Lenders have substantially progressed discussions regarding how outstanding waiver conditions, including the requirement that NewSat raise further equity or mezzanine financing, may be best satisfied and project financing recommenced. To that end, NewSat and the Lenders have agreed to formalise a revised conditional waiver, to replace the conditional waiver granted in August 2014. NewSat and the Lenders expect to finalise this revised conditional waiver by mid to late March 2015.

Orbital Slots

As announced 23 January 2015, NewSat entered into an agreement with A.P. Kypros Satellites Limited in 2011 to grant sub - licenses to the Company with respect to satellites in eight (8) geostationary orbital slots located above the equator ("the original slot agreement"). The sub-license entitled the Company to locate satellites in each of these slots. The orbital slots were held by the Republic of Cyprus and licensed to Kyprosats. The Company was pleased to announce that it has entered into a replacement agreement with Kyprosats providing enhanced rights with respect to those contained in the original orbital slot agreement.

12 CASH AND CASH EQUIVALENTS

	31 December 2014	30 June 2014
	\$'000	\$'000
Cash and cash equivalents	21,440	45,545
	21,440	45,545

Cash and cash equivalents include term deposits held with financial institutions that either back letters of credit or guarantees to fund security obligations of certain operating leases the group has entered in to. At 31 December 2014 these deposits had a value of \$1,513,185 (30 June 2014: \$1,344,953).

As at 31 December 2014, US\$7.8 million was restricted by ECA (Export Credit Agencies) lenders for contingent events for Jabiru-1 project (30 June 2014: US\$25 million). Under the conditions of the waiver to covenant breaches approved by lenders and announced by NewSat on 25 August 2014, NewSat is able to access this restricted fund for the purpose of Jabiru-1 approved project costs, whilst other conditions associated with the waiver, including capital raising are undertaken.

Notes to the Half-Year Financial Statements (continued)

for the half-year ended 31 December 2014

13 INTEREST-BEARING LOANS AND BORROWINGS

		31 December 2014	30 June 2014
		\$'000	\$'000
INTEREST BEARING			
	Maturity		
Current			
Obligations under finance leases and hire purchase contracts	Dec-14 to Feb-19	28	56
ECA (Export Credit Agencies) Debt Facility - secured (a)	Jul-24	185,463	158,503
Convertible note - unsecured (b)	Feb-18	34,514	28,887
		220,005	187,446
Non-Current			
Obligations under finance leases and hire purchase contracts	Dec-14 to Feb-19	73	128
		73	128

(a) In February 2014, NewSat announced their financial close was reached with the Ex-Im Bank for US\$300.5 million and COFACE for US\$89.6 million, a total of US\$390.1 million of debt funding for the Jabiru-1 project. As at 31 December 2014, the Company has drawn down US\$140.2 million from Ex-Im Bank and US\$26.5 million from COFACE.

As at 31 December 2014, NewSat remained in technical breach of certain covenants. As previously announced NewSat has not yet satisfied all of the conditions associated with the waiver granted by Lenders in August 2014. This continued technical breach has also caused the US\$30 million convertible notes loan to be in technical default. Consequently all interest bearing loans continue to be classified as current liabilities at 31 December 2014. As disclosed in note 2 Basis of Preparation, NewSat and the Lenders remain in ongoing discussions concerning satisfactory execution of the outstanding waiver conditions.

(b) The parent entity issued 30,000 non interest-bearing convertible notes with a face value of US\$1,000 on 28 February 2013. On maturity date, the notes are repayable by payment of the face value plus a redemption premium of 3% per annum if there is sufficient free cash available and may be paid under the terms of the ECA funding. Otherwise, the notes will convert into US\$30,000,000 of equity valued at 85% of the average VWAP for the 20 trading days prior to maturity subject to a floor price of \$0.34 per share.

Following approval by shareholders on 23 August 2013, at any time prior to maturity the holder has the option to redeem by converting the notes into ordinary shares of the parent entity valued at 85% of the average VWAP for the 20 trading days prior to maturity subject to a floor price of \$0.34 per share. Partial redemption of the notes is not permitted. The noteholder's right to convert is subject to the company obtaining approval from the company's shareholders for the issue of shares upon conversion of the notes. The company can redeem the notes at any time prior to maturity by paying the face value plus a redemption price of 15% per annum of the face value.

On 27 June 2014, NewSat has entered into agreements with the note holder to amend certain terms and conditions of the convertible notes. These amendments are subject to conditions precedent. As at 31 December 2014, these conditions precedent were not satisfied and as a result the amended terms and conditions were not effective as at 31 December 2014. The convertible notes and associated options and warrants continue to be accounted for according to the terms of the 28 February 2013 agreement.

14 OTHER FINANCIAL LIABILITIES

	31 December 2014	30 June 2014
	\$'000	\$'000
Other Financial Liabilities	12,258	6,356
	12,258	6,356

NewSat has received US\$10 million in cash from Ever Tycoon Limited prior to 31 December 2014. Ever Tycoon Limited is a company associated with a director of NewSat. On 27 June 2014 agreement was reached on the terms and conditions associated with the advancement of these funds. This agreement was not effective as at 31 December 2014 given that certain material conditions precedent in the agreement had not been achieved. As such, these funds advanced from Ever Tycoon Limited have been recognised in current liabilities as an Other Financial Liability.

Notes to the Half-Year Financial Statements (continued)

for the half-year ended 31 December 2014

15 RELATED PARTY DISCLOSURE

Transactions and balances with key management personnel and their related parties:

(i) As at 31 December 2014, loan balance to CEO Adrian Ballantine is \$905,000 (\$915,000 at 30 June 2014).

(ii) The Company has entered into an arrangement for a US\$10 million unsecured short term loan with Ever Tycoon Limited prior to 30 June 2014, a related party of a director, Mr. Ching Chiat Kwong. The Company has fully drawn down US\$10 million as at 31 December 2014. The interest is charged at 11% per annum.

16 COMMITMENTS

Operating lease commitments – Group as lessee

The Group has entered into commercial property leases for office use. These leases have an average life of between 6 and 7 years. There are no restrictions placed upon the lessee by entering into these leases.

Future minimum rentals payable under non-cancellable operating leases as at 31 December 2014 are as follows:

	31 December 2014 \$'000	30 June 2014 \$'000
Within one year	384	376
After one year but not more than five years	1,063	1,259
More than five years	-	-
	1,447	1,635

Finance lease and hire purchase commitments – Group as lessee

The Group has finance lease and hire purchase contracts for various items of plant and equipment with a carrying amount of \$ 101,333 as at 31 December 2014 (30 June 2014: \$140,862) for both the Group and Company. These lease contracts have an average life of between 2 and 5 years. There are no restrictions placed upon the lessee by entering into these leases.

Future minimum rentals payable under non-cancellable finance leases as at 31 December 2014 are as follows:

	31 December 2014 \$'000	30 June 2014 \$'000
Within one year	28	59
After one year but not more than five years	89	104
Total minimum lease payments	117	163
Less amounts representing finance charges	(16)	(22)
Present value of minimum lease payments	101	141

Notes to the Half-Year Financial Statements (continued)

for the half-year ended 31 December 2014

16 COMMITMENTS (Continued)

Capital commitments

The Group has entered into contracts with the following third parties:

- Lockheed Martin Corporation on 8 December 2011 for the purchase of a commercial satellite;
- Arianespace S.A. on 2 March 2012 for the purchase of a commercial satellite launch vehicle;
- Kratos Integral Systems International on 2 May 2014 for the purchase of Satellite Control Systems;
- General Dynamics SATCOM on 30 June 2014 for the purchase of Ka-Band Communication Gateway Antenna Systems and a Ku-Band TCR Antenna System;
- GMV Innovating Solutions Inc, on 16 September 2014 for Flight Dynamics System;
- SAT Corporation on 31 October 2014 for Carrier Monitoring System;
- Cook Building and Development Pty Ltd on 2 December 2014 for Satellite Facilities at Adelaide.

These commitments are contingent on the Group completing each milestone embedded in each contract.

Commitments to these contractors and suppliers contracted for at reporting date but not recognised as liabilities are as follows:

	31 December 2014 \$'000	30 June 2014 \$'000
Within one year	124,971	154,703
After one year but not more than five years	4,847	31,092
	129,818	185,795

Other expenditure commitments

Commitments to various Contractors and Suppliers contracted for at reporting date but not recognised as liabilities are as follows:

	31 December 2014 \$'000	30 June 2014 \$'000
<i>Contractors and Suppliers</i>		
Within one year	18,224	14,512
After one year but not more than five years	35,010	6,107
After more than five years	77,336	-
	130,570	20,619

The Group is a re-seller of satellite bandwidth and has entered into long term contracts with satellite bandwidth providers to match recurring revenue streams from customer contracts and maintain stability of key supplier costs. The commitments will be settled progressively over the next years.

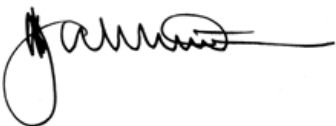
Directors' Declaration

In accordance with a resolution of the directors of NewSat Limited, I state that:

In the opinion of the directors:

- (a) the financial statements and notes of the consolidated entity:
 - (i) give a true and fair view of the financial position as at 31 December 2014 and the performance for the half-year ended on that date of the consolidated entity; and
 - (ii) comply with Accounting Standard AASB 134 *"Interim Financial Reporting"* and the *Corporations Regulations 2001*; and
- (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.

On behalf of the Board



Adrian Ballintine
Director and Chief Executive Officer
27 February 2015

To the members of NewSat Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of NewSat Limited, which comprises the consolidated balance sheet as at 31 December 2014, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are 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 Auditing 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 financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 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 NewSat Limited and the entities it controlled during the half-year, 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 other 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 requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration.

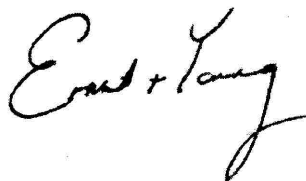
Conclusion

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 NewSat Limited is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 2 in the half-year financial report which indicates that there is significant uncertainty as to whether the Group will continue as a going concern as the Group is dependent on the satisfaction of waiver conditions and the ongoing support of Export Credit Agencies lenders. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.



Ernst & Young



Robert Dalton
Partner
Melbourne
27 February 2015