



ABN 73 117 770 475
SKY AND SPACE GLOBAL LTD
(SUBJECT TO DEED OF COMPANY ARRANGEMENT)

APPENDIX 4D AND INTERIM FINANCIAL REPORT 31 DECEMBER 2019

Results for Announcement to the Market

for the half-year ended 31 December 2019

1

REPORTING PERIOD (item 1)

■ Report for the period ended:

31 December 2019

■ Previous corresponding period is half-year ended:

31 December 2018

2

RESULTS FOR ANNOUNCEMENT TO THE MARKET

■ Revenues from ordinary activities (item 2.1)

■ Loss from ordinary activities after tax attributable to members (item 2.2)

■ Loss from after tax attributable to members (item 2.3)

a. Dividends (items 2.4 and 5)

■ Interim dividend

■ Final dividend

■ Record date for determining entitlements to the dividend (item 2.5)

N/A

b. Brief explanation of any of the figures reported above necessary to enable the figures to be understood (item 2.6):

Revenue represents interest earned and grant income.

3

DIVIDENDS (item 6) AND RETURNS TO SHAREHOLDERS INCLUDING DISTRIBUTIONS AND BUY BACKS

Nil.

a. Details of dividend or distribution reinvestment plans in operation are described below (item 6):

Not applicable

Results for Announcement to the Market

for the half-year ended 31 December 2019

4 RATIOS		Current period	Previous corresponding period
a. Financial Information relating to 4b:		\$	\$
Earnings for the period attributable to owners of the parent		(11,292,520)	(3,200,470)
Net assets		(7,872,524)	1,864,639
Less: Intangible assets		478,171	-
Net tangible (liabilities)/assets		(8,350,695)	1,864,639
		No.	No.
Fully paid ordinary shares		2,502,467,657	2,175,014,261
		¢	¢
b. Net tangible (liability)/assets backing per share (cents) (item 3):		(0.334)	0.086

5 DETAILS OF ENTITIES OVER WHICH CONTROL HAS BEEN GAINED OR LOST DURING THE PERIOD: (item 4)	
a. Control gained over entities	
■ Name of entities (item 4.1)	N/A
■ Date(s) of gain of control (item 4.2)	N/A
b. Loss of control of entities	
■ Name of entities (item 4.1)	Nil
■ Date(s) of loss of control (item 4.2)	N/A
c. Contribution to consolidated profit (loss) from ordinary activities after tax by the controlled entities to the date(s) in the current period when control was gained / lost (item 4.3).	N/A
d. Profit (loss) from ordinary activities after tax of the controlled entities for the whole of the previous corresponding period (item 4.3)	N/A

6 DETAILS OF ASSOCIATES AND JOINT VENTURES: (item 7)		Current period	Previous corresponding period
■ Name of entities (item 7)	Nil		
■ Percentage holding in each of these entities (item 7)	N/A		
■ Aggregate share of profits (losses) of these entities (item 7)		N/A	N/A

Results for Announcement to the Market

for the half-year ended 31 December 2019

7 FOREIGN ENTITIES ACCOUNTING STANDARD: (Item 8)

Subsidiaries are incorporated in the UK, USA, Poland and Israel where International Financial Reporting Standards are applied to compile local Financial Reports.

8 The financial information provided in the Appendix 4D is based on the interim final report (attached), which has been prepared in accordance with Australian Accounting Standards.

9 The report is based on accounts which are have been reviewed not audited by the Company's independent auditor (item 9) and contain emphasis of matters outlined below:

- i) an emphasis of matter in relation to the Group's comparative figures, for which the auditor has issued an unqualified opinion (which is different to the predecessor auditor) primarily based on events subsequent to the 31 December 19 balance date which represent a change in accounting estimates for the year end 30 June 2019, and
- ii) An emphasis of matter in relation to material uncertainty regarding going concern, to which the auditors say The ability to continue as a going concern for at least the next twelve months will require the Company to achieve various requirements, as set out in Note 1(e), including undertake capital raisings post effectuation of the Deed of Company Arrangement. Should the Company be unable to achieve the requirements outlined in Note 1(e), it may be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts other than as stated in the financial report.



ABN 73 117 770 475
SKY AND SPACE GLOBAL LTD
(SUBJECT TO DEED OF COMPANY ARRANGEMENT)

INTERIM FINANCIAL REPORT

31 DECEMBER 2019

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Corporate Directory

Directors

Meir Moalem	CEO & Managing Director (resigned on 21 July 2020)
Maya Glickman-Pariente	Non-executive Director (resigned on 21 July 2020)
Yonatan Shrama	Non-executive Director (resigned on 21 July 2020)
Xavier Kris	Non-executive Director (appointed 21 July 2020)
Stephen Gorenstein	Non-executive Director (appointed 21 July 2020)
Silvio Salom	Non-executive Director (appointed 21 July 2020)

Company Secretary

Rachel Kerr (resigned on 9 March 2020)
Ian Pamensky (appointed on 9 March 2020)

Registered Office

283 Rokeby Road
Subiaco WA 6008
Tel: +61 8 9426 0666

Principal Place of Business

110 Bishopsgate
London
EC2N 4AY

Solicitors

Steinepreis Paganin
Level 4, The Read Buildings
16 Milligan Street
Perth WA 6000

Auditors

Moore Australia Audit (WA)
Level 15 Exchange Tower
2 The Esplanade
PERTH WA 6000

Securities Exchange Listing

Sky and Space Global securities are listed on the Australian Securities Exchange (ASX)
ASX code 'SAS' for ordinary shares
ASX code 'SASOC' or 'SASOD' for listed options

Share Registry

Computershare Investor Services Pty Ltd
Level 11
172 St Georges Terrace
Perth WA 6000

Website

www.skyandspace.global

SKY AND SPACE GLOBAL LTD

Condensed Consolidated Interim Financial Report 31 December 2019

Directors' Report

Your directors submit the condensed interim financial report for Sky and Space Global Limited (SAS or the Company) and its subsidiaries (collectively, the Group) for the half-year ended 31 December 2019.

Directors

The names of directors who held office during or since the end of the half-year:

Director	Title	Appointment Date	Resignation Date
Meir Moalem	Managing Director	12 May 2016	21 July 2020
Maya Glickman-Pariente	Non-Executive Director	12 May 2016	21 July 2020
Yonatan Shrama	Non-Executive Director	12 May 2016	21 July 2020
Xavier Kris	Non-Executive Director	21 July 2020	-
Stephen Gorenstein	Non-Executive Director	21 July 2020	-
Silvio Salom	Non-Executive Director	21 July 2020	-

Principal Activities

Sky and Space Global Limited is an ASX listed (SAS) satellite company regulated by the UK Space Agency with communications, satellite, and software industry expertise.

The Group's core business is to provide communications infrastructure and services based on nanosatellite technology and deploy highly sophisticated software systems that launch, maintain orbit, control, and manage global communication networks in space.

The parent company entered into administration on 6 April 2020 and administrators were appointed to undertake a preliminary review and assessment of the Group's operations with a view to determine the extent to which the Company could be recapitalised.

On 30 June 2020 the Administrators held a meeting of creditors where in it was resolved that the Deed of Company Arrangement ('DOCA') proposal presented by Laika Capital Partners Pty Ltd ('Laika') be executed by the Company.

The Company is taking the relevant steps to allow the effectuation of the DOCA subject to Shareholder approval, and recapitalisation of the Company, and following this, subject to ASX Approval, recommence trading on the exchange. However, there is no guarantee that the Company's securities will be reinstated on the ASX for quotation.

Upon recommencement of trading, the Group's plan is to deliver on the business plan summarised in the Outlook section below.

COVID-19

On 31 January 2020, the World Health Organisation ('WHO') announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (COVID-19 outbreak) and the risks to the international community as the virus spreads globally beyond its point of origin. Because of the rapid increase in exposure globally, on 11 March 2020, the WHO classified the COVID-19 outbreak as a pandemic.

The impact of the COVID-19 outbreak continues to evolve at the date of this report. The company is therefore uncertain as to the full impact that the pandemic will have on its financial condition, liquidity, and future results of operation during future years.

Management is actively monitoring the global situation and its impact on the Company's financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily

evolution of the COVID-19 outbreak and the global responses to curb the spread, the Company is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition or liquidity in future years.

Although the Company cannot estimate the length or gravity of the impact of the COVID-19 outbreak at this time, if the pandemic continues, it may have a material adverse effect on the Company's results of future operations, financial position, and liquidity in future years.

Operating Results

The consolidated loss for the Group after providing for income tax from continuing operations for the period ended 31 December 2019 amounted to \$11,282,474 (2018 loss: \$3,182,118)

Dividends Paid or Recommended

No dividends have been paid or declared for payment during the financial period.

Review of Operations

The Company is currently taking the relevant steps to allow the effectuation of the DOCA subject to Shareholder approval, and recapitalisation of the Company, and following this, subject to ASX Approval, recommence trading on the exchange.

Capital Raising

Upon effectuation of the DOCA, there will be a release of capital to the company, furthermore, the Company intends to raise additional capital under a prospectus to provide working capital for the company to meet its renewed business objectives.

Financials**Going concern**

The financial statements have been prepared on a going concern basis, please see note 2e for further explanation.

Use of Funds

During the reporting period, the Group predominately used funds for research and development initiatives, design review testing, operational costs and working capital.

Cash Position

At 31 December 2019, the Group had cash at bank of approximately \$1.79m. Further information on the cashflows and financial position of the company can be found in the financial statements and accompanying notes.

Outlook

The Company is currently taking the relevant steps to allow the effectuation of the DOCA subject to Shareholder approval, and recapitalisation of the Company, and following this, subject to ASX Approval, recommence trading on the exchange.

The Company's business operations going forward can be grouped into the following categories:

- (a) Professional Services: Software;
- (b) Professional Services: Infrastructure; and
- (c) Satellite Communication Services.

SAS will work to generate short, medium and long-term revenue opportunities to generate free cash flow. These operations will enable the Group to pursue a scalable, cost-effective business-to-business methodology in its future market activities.

The Group's new go-to-market plans have, to date, been welcomed by international space organisations seeking to leverage the Group's know-how to fast-track other new-space missions.

Professional Services: Software

In order to generate revenue in the short-term, the Group has commenced a campaign to engage with other organisations in the new-space industry in order to provide its technology as a service to third parties in order to fast-track their operational and commercial objectives.

These technologies to be provided under licence to third parties include:

- the SAS proprietary communication protocol with embedded encryption and cyber security features;
- state-of-the-art compression algorithms providing significant and material improvement on other comparable solutions; and
- the Group's unique micro-gateway technology allowing terminals to be converted into gateways through correct credentials and encryption keys.

The above components combined with other proprietary infrastructure have enabled the Group to develop space tested and proven capabilities for:

- data storage and forwarding between continents;
- realtime instant messaging (including voice and image attachments);
- realtime voice calls;
- financial transactions;
- IoT data transfer from sensors to customer servers; and
- worldwide S-band Spectrum monitoring and interference analysis.

The Group plans to enter into agreements with prospective partners for the development, licencing, testing, and associated third-party consulting associated with the above technologies.

This strategy should not only generate revenue but also establish and develop key business-to-business relationships and distribution channels for future revenue opportunities.

Professional Services: Infrastructure

The Group's infrastructure services will focus on leveraging the Group's existing satellite constellation, communication protocols, compression algorithms and micro-gateway

technology and inviting third parties to test their respective applications and products using the Group's existing infrastructure.

This is planned to be achieved through:

- making the existing constellation and software suite available to third parties for testing and simulation purposes; and
- providing the software platform as a service on a per transaction basis to third party nanosatellite operators.

This approach will deliver benefits to the Group such as:

- enabling the Group to monetise a pent-up demand from third parties to test their technologies prior to launching their own satellites;
- allowing third parties to accelerate the deployment of their services through a space-proven infrastructure; and
- acting as a test platform for prospective partners to assess the potential to engage the Group in the future.

Satellite Communication Services

The Group will continue with its plans to launch commercial nanosatellites to create a flagship constellation of nanosatellites with space proven capabilities and infrastructure (Direct Launch).

Whilst, initially, being more capital intensive than the Software and Infrastructure Services (as described above), the Direct Launch operations will aid SAS in facilitating its indirect launch programs which will involve the deployment of a regional service provision model with (i) third party telco and (ii) other satellite operators assisting the Group in fast tracking its constellation deployment.

The new nanosatellite constellation will seek to include further technological breakthroughs including the development of a multi-channel modem application which will enable greater terminal capture at each pass by increasing the number of channels; thereby increasing satellite utilisation rates.

After Reporting Date Events

13 January 2020	The Company announced the results of the Annual General Meeting held on 13 January 2020 with all resolutions put to shareholders being passed.
29 January 2020	The Company and GomSpace announced that they had agreed a full and final settlement and release of any potential claims and commitments in connection with the original Pearls agreement from 2017 (as amended).
31 January 2020	The Company issued 11,000 Ordinary Shares following the exercise of listed options (ASX Code: SASOD) by optionholders.
23 March 2020	The Company announced it had closed its Shortfall Offer under its non-renounceable pro-rate entitlement offer on 20 March 2020. There was no further shares issued under the Shortfall Offer.

7 April 2020	The Company announced that it had gone into voluntary administration and Voluntary Administrators were appointed of the Company on 6 April 2020.
1 July 2020	The Company held a meeting of creditors on 30 June 2020 and resolved that the Deed of Company Arrangement proposal by Laika Capital Partners Pty Ltd be executed by the Company.
28 October 2020	The Company and Virgin Orbit announced that it had executed a new agreement to terminate the previous A\$55 million Launch Services Agreement and enter into new strategic services and mutual reseller agreements to support future growth. Virgin Orbit will receive \$1m per annum for 3 years, plus 11,000,000 shares at A\$0.20 following effectuation of the DOCA, plus 7,000,000 three-year options exercisable at A\$0.40 each.

Environmental Issues

The group's operations are subject to various environmental laws and regulations under the relevant Governments' legislation. Full compliance with these laws and regulations is regarded as a minimum standard for all operations to achieve. There have been no significant known breaches by the group during the financial period.

Future Developments, Prospects and Business Strategies

The Company will continue to pursue its policy of enhancing the prospect of greater returns to its investors through further strategic investments during the next financial period. Further information, aside from those disclosed, about likely developments in the operations of the group and the expected results of those operations in future financial periods has not been included in this report, because disclosure of the information would be likely to result in unreasonable prejudice to the group.

Auditor's Independence Declaration

The lead auditor's independence declaration for the period ended 31 December 2019 has been received and can be found on page 9 of the financial report.

This report is made in accordance with a resolution of Directors. These financial statements were authorised for issue on 6 November 2020 by the Directors of the Company.



Xavier Kris
Executive Director
Dated 6 November 2020

**AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF SKY AND SPACE GLOBAL LTD**

As auditor for the review of Sky and Space Global Ltd for the half-year ended 31 December 2019, I declare that, to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements as set out in *the Corporations Act 2001* in relation to the review, and
- b) no contraventions of any applicable code of professional conduct in relation to the review.



NEIL PACE
PARTNER



MOORE AUSTRALIA AUDIT (WA)
CHARTERED ACCOUNTANTS

Signed at Perth on the 6th day of November 2020.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the half year ended 31 December 2019

	Note	31-Dec-19 \$	31-Dec-18 \$
Revenue			-
Other income		50,676	19,333
Operating costs		(5,788,200)	-
Professional and consultancy fees		(2,200,933)	(1,710,602)
Marketing and travel expenses		(220,492)	(790,341)
Corporate expenses		(74,680)	(80,662)
Directors' fees		(135,765)	(342,943)
Employee benefits expense		(2,075,889)	(448,711)
Office and administration costs		(329,085)	(498,872)
Depreciation and amortisation		(81,951)	(567,878)
Finance costs		(227,615)	(93,850)
Other expenses		(250,211)	(210,522)
Loss before income tax		(11,334,145)	(4,725,048)
Income tax benefit	3	51,671	1,542,930
Loss after income tax		(11,282,474)	(3,182,118)
Loss after income tax for the year attributable to:			
Member of the parent entity		(11,292,520)	(3,200,470)
Non-controlling interest		10,046	18,352
		(11,282,474)	(3,182,118)
Other comprehensive income for the period			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on the translation of foreign operations		55,485	42,597
Other comprehensive income (net of tax) for the period		55,485	42,597
Total comprehensive loss for the period		(11,226,989)	(3,139,521)
Total comprehensive loss attributable to:			
Members of the parent entity		(11,237,236)	(3,140,161)
Non-controlling interest		10,247	640
		(11,226,989)	(3,139,521)
Earnings per share for loss attributable to the ordinary equity holders of the parent:			
<i>From continuing operations</i>			
Basic loss per share (cents)		(0.52)	(0.17)
Diluted loss per share (cents)		(0.52)	(0.17)

The accompanying notes form part of these condensed consolidated interim financial statements.

Consolidated Statement of Financial Position

As at 31 December 2019

	<i>Note</i>	31-Dec-19 \$	30-Jun-19 \$
CURRENT ASSETS			
Cash and cash equivalents		1,791,032	1,935,055
Other receivables		451,052	3,015,659
Total Current Assets		2,242,084	4,950,714
NON-CURRENT ASSETS			
Plant and equipment	4	676,492	215,362
Intangible assets	5	-	-
Total Non-Current Assets		676,492	215,362
TOTAL ASSETS		2,918,576	5,166,076
CURRENT LIABILITIES			
Trade and other payables		4,932,519	1,545,099
Interest-bearing loans and borrowings	6	2,092,210	1,570,152
Current tax liabilities		58,746	115,950
Lease liability		245,166	-
Employee benefits		43,622	70,236
Total Current Liabilities		7,372,263	3,301,437
NON-CURRENT LIABILITIES			
Trade and other payables	9	3,000,000	-
Lease liability		418,837	-
Total Non-Current Liabilities		3,418,837	-
TOTAL LIABILITIES		10,791,100	3,301,437
NET ASSETS / (LIABILITIES)		(7,872,524)	1,864,639
EQUITY			
Contributed equity	7	62,610,576	61,078,478
Foreign currency translation reserve		185,132	129,848
Accumulated losses		(70,720,326)	(59,385,534)
Equity attributable to equity holders of the parent		(7,924,618)	1,822,792
Non-controlling interest		52,094	41,847
TOTAL EQUITY / (DEFICIENCY)		(7,872,524)	1,864,539

The accompanying notes form part of these condensed consolidated interim financial statements.

SKY AND SPACE GLOBAL LTD
Condensed Consolidated Interim Financial Report 31 December 2019
Consolidated Statement of Changes in Equity

For the half year ended 31 December 2019

	Contributed Equity \$	Foreign currency translation reserve \$	Accumulated losses \$	Non-controlling interest \$	Total \$
Balance at 30 June 2019	61,078,478	129,848	(59,385,534)	41,847	1,864,639
Transition impact from implementation of AASB 16	-	-	(42,272)	-	(42,272)
Balance at 1 July 2019	61,078,478	129,848	(59,427,806)	41,847	1,822,367
Other comprehensive income for the period	-	55,284	-	201	55,485
Loss after income tax benefit for the period	-	-	(11,292,520)	10,046	(11,282,474)
Total comprehensive loss for the period	-	55,284	(11,292,520)	10,247	(11,226,989)
Shares issued during the period (net of share issue costs)	1,532,098	-	-	-	1,532,098
Balance at 31 December 2019	62,610,576	185,132	(70,720,326)	52,094	(7,872,524)

	Contributed Equity \$	Share based payment reserve \$	Foreign currency translation reserve \$	Accumulated losses \$	Non- controlling interest \$	Total \$
Balance at 1 July 2018	51,252,611	473,000	133,555	(28,970,731)	21,914	22,910,349
Other comprehensive income for the period	-	-	41,957	-	640	42,597
Loss after income tax expense for the period	-	-	-	(3,200,470)	18,352	(3,182,118)
Total comprehensive loss for the period	51,252,611	473,000	175,512	(32,171,201)	40,906	19,770,828
Shares issued during the period (net of share issue costs)	(31,651)	-	-	-	-	(31,651)
Transfer to issued capital	473,000	(473,000)	-	-	-	-
Balance at 31 December 2018	51,693,960	-	175,512	(32,171,201)	40,906	19,739,177

The accompanying notes form part of these condensed consolidated interim financial statements.

Consolidated Statement of Cash Flows

For the half year ended 31 December 2019

	31-Dec-19	31-Dec-18
	\$	\$
<i>Cash flows from operating activities</i>		
Interest received	646	19,333
Payments to suppliers and employees	(4,579,969)	(4,050,201)
Income tax paid	(20,710)	-
Interest costs paid	(126,023)	-
Net cash used in operating activities	(4,726,056)	(4,030,868)
<i>Cash flows from investing activities</i>		
Purchase of plant and equipment	-	(2,567,894)
R&D rebates and grants received	2,704,103	1,414,701
Payments for development expenditure	-	(1,997,426)
Net cash used in investing activities	2,704,103	(3,150,619)
<i>Cash flows from financing activities</i>		
Proceeds from issue of shares and options	1,637,267	-
Capital raising costs	(9,110)	(66,762)
Net proceeds from borrowings	691,724	-
Repayment of borrowings	(366,012)	-
Net cash provided by financing activities	1,953,869	(66,762)
Net increase in cash and cash equivalents held	(68,084)	(7,248,249)
Cash and cash equivalents at beginning of period	1,935,055	8,888,289
Foreign exchange movement in cash	(75,939)	(217,289)
Cash and cash equivalents at end of period	1,791,032	1,422,751

The accompanying notes form part of these condensed consolidated interim financial statements.

NOTE 1. CORPORATE INFORMATION – SKY AND SPACE GLOBAL LTD

The consolidated financial statements of Sky and Space Global Ltd and its controlled entities (collectively the 'Group') for the half-year ended 31 December 2019 were authorised for issue in accordance with a resolution of the directors on 6 November 2020. Sky and Space Global Limited (the 'Company' or the 'parent') is a for-profit company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Stock Exchange. The nature of the operations and principal activities of the Group are described in the Directors' Report.

NOTE 2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES**a) Statement of Compliance**

These condensed consolidated interim financial statements are general purpose financial statements prepared in accordance with AASB 134 Interim Financial Reporting and the Corporations Act 2001, and with IAS 34 Interim Financial Reporting. They do not include all the information required for a complete set of annual financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual consolidated financial statements as at and for the year ended 30 June 2019.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standard Board ("IASB"). Material accounting policies adopted in the preparation of these financial statements are presented below and they have been consistently applied unless otherwise stated.

b) Basis of Preparation

The condensed consolidated financial statements have been prepared on an accruals basis and are based on historical cost, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted. The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and in accordance with the legislative instrument amounts in the consolidated interim financial statements have been rounded off to the nearest dollars, unless otherwise stated.

The financial statements have been prepared on the going concern basis of accounting, which assumes the continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. This is a change from the financial statements at 30 June 2019 which were prepared on a basis other than going concern. Please see note 2e for further details.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Group's 2019 annual financial report for the financial year ended 30 June 2019, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

c) Changes in Accounting Policies, Accounting Standards and Interpretations

The Group has adopted all new and amended Australian Accounting Standards and Australian Accounting Standards Board (AASB) interpretations that are mandatory for the current reporting period and relevant to the Group, which excluding the impact of AASB 16 Leases, did not have a significant impact on the Group's half-year financial report. Effective 1 July 2019, the Group adopted AASB 16 Leases, which introduced a single, on-balance sheet accounting model for lessees. As a result, the Group has recognised "right of use (ROU) assets" representing its rights as the lessee to use the underlying assets and lease liabilities representing its obligations to pay for the use of the assets over time. The implementation of this standard has resulted in the Group updating all of the relevant internal policies to ensure ongoing compliance with AASB 16.

AASB 16

The Group has applied the modified retrospective approach to existing operating leases on transition with no restatement of the comparative prior year information and the cumulative effect of initial application recognised in accumulated losses at 1 July 2019. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases. The Group elected to use the recognition exemptions for lease contracts that have a lease term of 12 months or less ('short-term leases') and lease contracts for which the underlying asset is of low value ('low-value assets').

As a result of the change in accounting policy, the Group recognised the following transition adjustment (increase/(decrease)):

	1-Jul-19	31-Dec-19
	\$	\$
Assets		
Right-of-use asset - cost	717,256	717,256
Right-of-use asset – accumulated depreciation	(167,360)	(239,085)
Total Assets	<u>549,896</u>	<u>478,171</u>
Liabilities		
Lease liability	<u>592,168</u>	<u>664,003</u>
Equity		
Retained earnings	(42,272)	(42,272)
Loss after income tax	-	(143,560)
Total Equity	<u>(42,272)</u>	<u>(185,832)</u>

Reconciliation of lease liability adjustments and impacts for the period

The reconciliation between lease commitments as at 30 June 2019 and the transition lease liability adjustment is presented as follows:

	\$
Operating lease commitments disclosed as at 30 June 2019	178,857
Adjustment to reflect going concern basis	590,385
Less short-term leases not recognised as a liability	(132,208)
Less effect of discounting payments in the calculation of the lease liability	<u>(44,866)</u>
Lease liability recognised as at 1 July 2019	<u>592,168</u>

Nature of effect of adoption of AASB16

The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except short-term leases and leases of low-value assets. A right-of-use asset was recognised based on the carrying amount as if the standard had always been applied. A lease liability was recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

Summary of new accounting policies*Right-of-use assets*

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right of use assets are subject to impairment.

Lease Liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low value

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low-value. Lease payments on short term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

d) Estimates

The preparation of the interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amount of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these interim financial statements, significant judgements made by management in applying the Company's accounting policies and key sources of estimation

uncertainty were the same as those that were applied to the consolidated financial statements as at and for the year ended 30 June 2019.

The estimated liability recorded as at 31 December 2019 in relation to the Virgin Orbit agreement has increased in comparison to that estimated as at 30 June 2019 based on the terms of settlement of the contract disclosed in note 9 and variations to other contracts concluded subsequent to 31 December 2019.

e) Financial report prepared on a going concern basis

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

The Group incurred a loss from continuing operations of \$11,282,474 (31 Dec 2018 loss: \$3,182,118) during the half year ended 31 December 2019, net cash outflows from operational and investment activities of \$2,021,953 (31 Dec 2018 outflows: \$7,181,487), and a net working capital deficit of \$5,130,179 as at 31 December 2019 (30 June 2019: \$1,649,277 surplus).

The ability of the Group to continue as a going concern is principally dependent upon the ability of the Company to secure funds from capital raisings and manage its contractual and discretionary cash outflows in line with available funds to enable the Group to meet both its current obligations and its committed future expenditure, as disclosed at note 9 to the interim financial report.

Management has prepared a cash flow forecast, which includes anticipated proceeds from effectuation of the DOCA, receipt of research and development tax claim from UK authorities, receipt of other grants from European grant providers and conversion or restructure of existing loans. The directors are satisfied that the going concern basis of preparation of the interim financial report is appropriate, on the basis of:

- Effectuation of the DOCA and subsequent capital raisings post effectuation;
- Completed settlement agreement with GomSpace in January 2020;
- Completed settlement agreement with Virgin Orbit in October 2020 terminating the previous A\$55m contract;
- Company's history of receiving research and development tax claims and grants; and
- The ability of the Company to negotiate successfully with key suppliers to delay or renegotiate committed future expenditure if required due to funds constraints.

The ability of the Company to raise sufficient funds to enable it to successfully launch the Group's nano-satellites and to meet its contractual expenditure commitments, represents a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern. Should the Company be unable to continue as a going concern it may be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts different to those stated in the financial statements. The interim financial report of the Company does not include any adjustments relating to the recoverability and classification of asset carrying amounts or to the amount and classification of liabilities that might result should the Company be unable to continue as a going concern and meet its debts and liabilities as and when they fall due.

NOTE 3. INCOME TAX

	31-Dec-19 \$	31-Dec-18 \$
R&D rebate for the current year	-	672,408
R&D rebate for the prior year	-	888,819
Tax charge for the current year	(37,382)	(18,297)
Tax charge for the prior year	89,053	-
	51,671	1,542,930

NOTE 4. PLANT AND EQUIPMENT

	Office Equipment \$	3 Diamonds \$	Pearls* \$	6Us* \$	Right-of-use \$	Total \$
Cost						
Balance at 1 July 2019	389,851	3,729,722	7,413,407	-	-	11,532,980
Additions	164,824	-	863,821	77,961	-	1,106,606
Reclassification to intangible assets	-	(187,922)	-	-	-	(187,922)
Effect of movements in foreign exchange rates	8,141	24,331	104,425	-	-	136,897
Balance at 30 June 2019	562,816	3,566,131	8,381,653	77,961	-	12,588,561
Balance at 1 July 2019	562,816	3,566,131	8,381,653	77,961	717,256	13,305,817
Additions	-	-	-	-	-	-
Effect of movements in foreign exchange rates	11,160	-	-	-	-	11,160
Balance at 31 December 2019	573,976	3,566,131	8,381,653	77,961	717,256	13,316,977
Accumulated depreciation and impairment losses						
Balance at 1 July 2018	82,038	1,127,074	-	-	-	1,209,112
Depreciation	113,974	943,401	-	-	-	1,057,375
Reclassification to intangible assets	-	(28,761)	-	-	-	(28,761)
Effect of movements in foreign exchange rates	1,122	41,156	-	-	-	42,278
Impairment loss	150,320	1,483,261	8,381,653	77,961	-	10,093,195
Balance at 30 June 2019	347,454	3,566,131	8,381,653	77,961	-	12,373,199
Balance at 1 July 2019	347,454	3,566,131	8,381,653	77,961	167,360	12,540,559
Depreciation	10,226	-	-	-	71,725	81,951
Effect of movements in foreign exchange rates	17,975	-	-	-	-	17,975
Balance at 31 December 2019	375,655	3,566,131	8,381,653	77,961	239,085	12,640,485
Carrying amounts						
At 1 July 2018	307,813	2,602,648	7,413,407	-	-	10,323,868
At 30 June 2019	215,362	-	-	-	-	215,362
At 31 December 2019	198,321	-	-	-	478,171	676,492

*Assets under construction.

NOTE 5. INTANGIBLE ASSETS

	Licences \$	Development costs \$	Total \$
Cost			
Balance at 1 July 2018	-	4,211,064	4,211,064
Reclassification from plant and equipment	187,922	-	187,922
Additions	36,584	9,507,292	9,543,876
Effect of movements in foreign exchange rates	2,648	59,413	62,061
Balance at 30 June 2019	227,154	13,777,769	14,004,923
Balance at 1 July 2019	227,154	13,777,769	14,004,923
Additions	-	-	-
Effect of movements in foreign exchange rates	-	-	-
Balance at 31 December 2019	227,154	13,777,769	14,004,923
Accumulated amortisation and impairment losses			
Balance at 1 July 2018	-	-	-
Amortisation	94,962	-	94,962
Reclassification from plant and equipment	28,761	-	28,761
Effect of movements in foreign exchange rates	(33,603)	-	(33,603)
Impairment loss	137,034	13,777,769	13,914,803
Balance at 30 June 2019	227,154	13,777,769	14,004,923
Balance at 1 July 2019	227,154	13,777,769	14,004,923
Amortisation	-	-	-
Effect of movements in foreign exchange rates	-	-	-
Balance at 31 December 2019	227,154	13,777,769	14,004,923
Carrying amounts			
At 1 July 2018	-	4,211,064	4,211,064
At 30 June 2019	-	-	-
At 31 December 2019	-	-	-

NOTE 6. INTEREST BEARING LOANS AND BORROWINGS

	31-Dec-19	30-Jun-19
	\$	\$
Telefox Ltd	1,620,760	1,570,152
CSS Alpha (BVI) Limited	471,450	-
	2,092,210	1,570,152

In May 2019 the Company executed an unsecured convertible loan of USD\$1.1m with Telefox Ltd ('Telefox'). The loan bears interest monthly at the rate of 2%, unless converted. The maturity date is 16 May 2020. On 5 May 2020, the Company entered into a Heads of Agreement with Laika Capital Partners Pty Ltd to repay an agreed amount of USD\$0.664m(A\$0.898m) upon effectuation of the DOCA. The balance of the loan will be issued into a new convertible note with the ability for Telefox to convert the debt to equity 4 months after recommencement of trading on the ASX. The loan from 5 May 2020 will bear an interest rate of 10% per annum.

In September 2019 the Company executed a short-term convertible loan of USD \$550,000 with CSS Alpha (BVI) Limited ('CSS') with an interest rate is 2% per month. The Company repaid USD \$250,000 in the quarter ended 31 December 2019. The repayment date of the loan is 29 February 2020. On 21 May 2020, the Company entered into a Heads of Agreement with Laika Capital Partners Pty Ltd to repay an agreed amount of USD\$0.233m(A\$0.324m) upon effectuation of the DOCA. The balance of the loan will be issued into a new convertible note with the ability for CSS to convert the debt to equity 4 months after recommencement of trading on the ASX. The loan from 21 May 2020 will bear an interest rate of 10% per annum.

NOTE 7. CONTRIBUTED EQUITY

	31-Dec-19	30-Jun-19	31-Dec-19	30-Jun-19
	NUMBER	NUMBER	\$	\$
Ordinary shares on issue, fully paid	2,502,467,657	2,175,014,261	62,610,576	61,078,478
	2,502,467,657	2,175,014,261	62,610,576	61,078,478

Reconciliation of movement in share capital

Date		No. Of Shares	Issue Price	Amount
			\$	\$
1-Jul-19	Opening balance	2,175,014,261		61,078,478
27-Dec-19	Entitlement Offer	327,453,396	0.005	1,637,267
	Less: costs of issue			(105,169)
31-Dec-19	Closing balance	2,502,467,657		62,610,576
1-July-18	Opening balance	1,840,439,128		51,252,611
20-July-18	Conversion of Milestone 3	5,500,000	0.086	473,000
	Performance Rights for the Board			
22-Feb-19	Share issue	260,503,568	0.03	7,815,107
8-May-19	Share issue	9,999,999	0.03	300,000
21-May-19	Share issue	58,571,566	0.03	1,757,151
	Less: Costs of issue			(519,391)
30-June-19	Closing balance	2,175,014,261		61,078,478

NOTE 8. OPERATING SEGMENTS

For management purposes, the Group is organised into business units based on its products and services, and it has been determined that for the period ended 31 December 2019 the Group has one reportable segment, being that of the deployment of nano-satellite constellations for global communication infrastructure. The significant assets are based outside of Australia.

NOTE 9. COMMITMENTS AND CONTINGENCIES

Commitments for which no provisions were included in the financial statements are as follows:

	31-Dec-19 \$	30-Jun-19 \$
<1 year	-	9,064,680
1 - 5 years	-	148,544,986
	-	157,609,666

The contractual commitments in 2019 related to the completion of the design, engineering, construction and supply of the 6U nano-satellites by GomSpace, the completion of a network management simulator, deployment services to be provided by D-Orbit and four launches of nano-satellites by Virgin Orbit's LauncherOne Vehicle.

In January 2020 the Company and GomSpace announced that they had agreed a full and final settlement and release of any potential claims and commitments in connection with the original Pearls agreement from 2017 (as amended).

In October 2020, the Company and Virgin Orbit announced that they had executed a new agreement to terminate the previous A\$55 million Launch Services Agreement and enter into new strategic services and mutual reseller agreement to support future growth. Virgin Orbit will receive \$1m per annum for 3 years, plus 11,000,000 shares at A\$0.20 following effectuation of the DOCA, plus 7,000,000 options with an expiry date three-years after issue exercisable at A\$0.40 each.

The Company has reviewed its remaining suppliers and services contracts relating to its planned future nano-satellite construction and launch activities as at the date of this report. The Company is confident that they do not give rise to substantial purchase obligations beyond the amounts recorded as liabilities as at 31 December 2019.

The commitments in the table shown above are nil because of the impact of the matters noted above.

NOTE 10. EVENTS SUBSEQUENT TO REPORTING DATE

13 January 2020	The Company announced the results of the Annual General Meeting held on 13 January 2020 with all resolutions put to shareholders being passed.
29 January 2020	The Company and GomSpace announced that they had agreed a full and final settlement and release of any potential claims and commitments in connection with the original Pearls agreement from 2017 (as amended).
31 January 2020	The Company issued 11,000 Ordinary Shares following the exercise of listed options (ASX Code: SASOD) by optionholders.

NOTE 10. EVENTS SUBSEQUENT TO REPORTING DATE (CONT.)

23 March 2020	The Company announced it had closed its Shortfall Offer under its non-renounceable pro-rate entitlement offer on 20 March 2020. There was no further shares issued under the Shortfall Offer.
7 April 2020	The Company announced that it had gone into voluntary administration and Voluntary Administrators were appointed of the Company on 6 April 2020.
1 July 2020	The Company held a meeting of creditors on 30 June 2020 and resolved that the Deed of Company Arrangement proposal by Laika Capital Partners Pty Ltd be executed by the Company.
28 October 2020	The Company and Virign Orbit announced that it had executed a new agreement to terminate the previous A\$55 million Launch Services Agreement and enter into new strategic services and mutual reseller agreements to support future growth. Virgin Orbit will receive \$1m per annum for 3 years, plus 11,000,000 shares at A\$0.20 following effectuation of the DOCA, plus 7,000,000 three-year options exercisable at A\$0.40 each.

Directors' Declaration

The Directors' of the Company declare that in their opinion:

1. The condensed consolidated financial statements and notes on pages 10 to 22, are in accordance with the *Corporations Act 2001* and:
 - a) comply with Accounting Standards and the Corporations Regulations 2001;
 - b) are in accordance with International Financial Reporting Standards, as stated in Note 2a to the financial statements; and
 - c) give a true and fair view of the consolidated group's financial position as at 31 December 2019 and of its performance for the half year ended on that date.
2. The Directors have been given the declaration required by section 295A of the Corporations Act 2001.
3. The ongoing solvency of the Company is dependent on the effectuation of the DOCA and related proposed capital raisings. Subject to the successful capital raisings, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors, pursuant to s303(5) of the Corporations Act.



Xavier Kris

Executive Director

Dated 6 November 2020

**INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF SKY AND SPACE GLOBAL LTD****Report on the Half-Year Financial Report****Conclusion**

We have reviewed the accompanying half-year financial report of Sky and Space Global Ltd (the company) and its controlled entities (the consolidated entity or group), which comprises the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, the consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

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

- i. giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and of its performance for the half-year ended on that date; and
- ii. complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001.

Emphasis of Matter – Comparative Figures

The previous auditor, KPMG, issued an adverse opinion in relation to the financial position of the Group as at 30 June 2019 and the financial performance of the Group for the year then ended. The basis for their adverse opinion was that the financial report did not include a provision for contract termination clauses contained within various supplier and services contracts which were assessed to represent onerous contracts. Had the Group accounted for the provision in accordance with AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*, an expense would have been recorded in the consolidated statement of profit or loss and other comprehensive income for an amount estimated to be approximately \$118 million with the recognition of a current liability for the same amount.

Subsequent to 30 June 2020, a number of the supplier and services contracts referred to by KPMG have been either terminated or renegotiated, as referred to in Note 1(d) and Note 9 of the half year financial report, such that the estimated liability under those contracts has now been determined and recorded as an estimate in the half year financial report as at 31 December 2019. Any remaining contracts have been reviewed by us and as a result we are satisfied that no material additional liabilities, in addition to that recorded as at 31 December 2019, should arise pursuant to the termination or renegotiation of the contracts.

In our opinion, the adjustment to the amounts provided in respect of liabilities arising from the supplier and services contracts referred to above represents a change in accounting estimates and not a correction of errors. A change in accounting estimate is accounted for prospectively by including it in profit or loss in the period of change, unlike a correction or prior period errors which would require a restatement of comparative financial information.

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF SKY AND SPACE GLOBAL LTD (CONTINUED)

Emphasis of Matter – Comparative Figures (continued)

Our audit report in relation to the comparative financial information is unqualified, which differs from the opinion issued by the predecessor auditor in respect of the statement of financial position as at 30 June 2019, primarily for the reasons that subsequent information we have been able to obtain has enabled us to conclude that the provision recorded as at 31 December 2019 for such liabilities relating to the contracts referred to above is appropriate and that changes in these liabilities recognised since 30 June 2019 represent a change in accounting estimates which are appropriate to recognise in the statement of profit or loss and other comprehensive income for the half year ended 31 December 2019.

Our opinion is not modified in respect of this matter.

Emphasis of Matter – Material Uncertainty Regarding Going Concern

Without modification to our conclusion expressed above, we draw attention to Note 1(e) of the half year financial report, which states that the financial statements have been prepared on a going concern basis. The ability to continue as a going concern for at least the next twelve months will require the Company to achieve various requirements, as set out in Note 1 (e), including undertaking capital raisings post effectuation of the Deed of Company Arrangement. Should the Company be unable to achieve the requirements outlined in Note 1(e), it may be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts other than as stated in the half year financial report.

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 (including Australian Accounting Interpretations) and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF SKY AND SPACE GLOBAL LTD (CONTINUED)

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 Standards on Review Engagements ASRE 2410: Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including:

- a) giving a true and fair view of the company's financial position as at 31 December 2019 and 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.

As the auditor of the company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the company, would be in the same terms if provided to the directors as at the time of this auditor's review report.



NEIL PACE
PARTNER



MOORE AUSTRALIA AUDIT (WA)
CHARTERED ACCOUNTANTS

Signed at Perth this 6th day of November 2020.