

31 January 2017

ASX Code: SAS

December Quarter Activity Review

Highlights

- Substantial progress made ahead of Q2 2017 "3 Diamonds" launch, with Company's nano-satellites constructed and currently undergoing launch preparations
- Successful Placement completed from sophisticated and professional investors during the quarter totalling \$5.1m
- New customer secured, African based BeepTool for a portion of the bandwidth from the Company's 3 Diamonds
- Company well-funded ahead of launch, with approximately \$5.4 million cash at bank as at 31 December 2016
- 3 Diamonds on-track for launch aboard the ISRO's Polar Satellite Launch Vehicle (PSLV) in Q2 2017

Sky and Space Global Ltd (ASX: **SAS**, "**Sky and Space Global**" or the "**Company**") has today lodged its 4C and is pleased to provide a review of its progress for the three-month period ending 31 December 2016.

Strong Operational Progress Continued

3 Diamonds – Assembly Completed, Integration and Verification Testing Underway

Construction of the Company's 3 Diamonds nano-satellites has been completed on schedule. Following Assembly, the nano-satellites underwent an Integration and Verification process to rigorously evaluate all systems ahead of launch in Q2 2017. The extensive software and hardware testing process includes the full functional test of all subsystems to ensure systems are functioning as required, testing of ground control and hotspot user device satellite interfaces, and environmental testing of mechanical and thermal systems for launch approval.

The 3 Diamonds: Red, Green and Blue are undergoing testing in phases. The Red nano-satellite has already completed the entire process and has been designated as "Ready to Launch". Green and Blue are set to imminently complete the Integration and Verification process. All nano-satellites are expected to be designated as "Ready for Launch" by mid-February 2017, as planned.

In addition, the Company has entered an agreement with communications device manufacturer Ayecka Communications Systems to build prototype hotspots. This will allow SAS to test the 3 Diamonds network functionality and operating capabilities ahead of launch. Ayecka hotspots will allow any mobile device to connect to the SAS satellite network using WiFi and a dedicated application.

Following the completion of the testing processes, the nano-satellites will be securely transported to the launch site in India in preparation for launch in early Q2 2017.

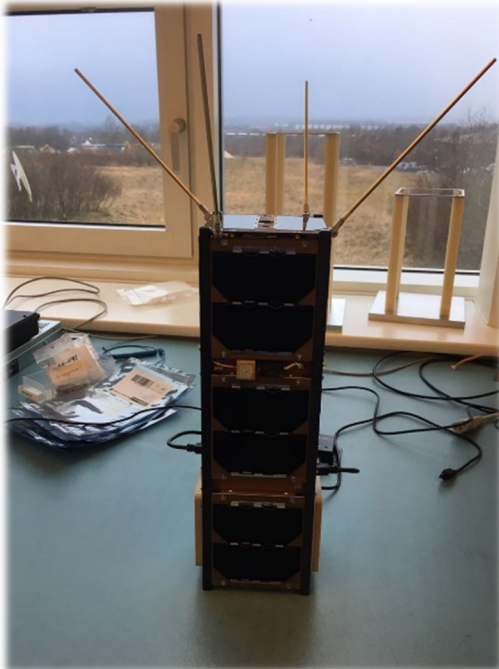


Image: Red Diamond Fully Assembled

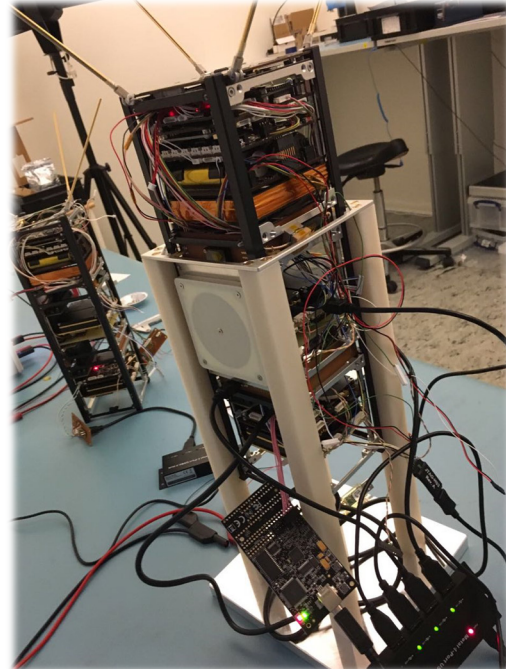


Image: Inter satellite testing in progress

New Customer Secured - BeepTool

The Company secured a commercial wholesale agreement with African based mobile payments, messaging and voice app, BeepTool LLC. The BeepTool app is used by over 800,000 customers across the African continent and globally.

BeepTool has agreed to purchase all the available communications bandwidth that it requires to fill its demand from Sky and Space Global's 3 Diamonds. The agreement represents Sky and Space Global's first entry into Africa's large mobile banking and financial services sector, expected to be a key demand driver for the Company. This agreement provides further commercial validation of SAS's nano-satellite offering as it confirms the Company's potential to generate early stage revenue from the 3 Diamonds. The agreement with BeepTool follows the signing of SAS's first wholesale customer, Sat-Space Africa Ltd.

Virgin Galactic MOU

Sky and Space Global continues to work closely with Virgin Galactic, with the parties signing a Memorandum of Understanding (MOU) during the quarter. The MOU is to investigate the technical and commercial potential of the Company's nano-satellite communications network providing connectivity to Virgin Galactic's LauncherOne carrier aircraft, *Cosmic Girl*.

The parties will collaborate to determine whether Virgin Galactic's modified 747-400 carrier aircraft can be made compatible with Sky and Space Global's space-based communication network.

This builds on the Company's previously announced plans to launch a portion of its full constellation of nano-satellites on Virgin Galactic's launch vehicle. SAS has already secured four dedicated missions on LauncherOne from mid-2018.

Corporate Update

Technology Innovation Award

Sky and Space Global received the 2016 Global Technology Innovation Award for Narrow-Band Nano-Satellite Connectivity Services from leading market research firm Frost & Sullivan.

Frost & Sullivan is a global consultancy firm with a presence in over 40 countries. Its Best Practice Awards recognises companies across a range of industries for leadership, innovation and strategic product development.

Previous winners of the Award include Cisco, AT&T, and ViaSat. SAS received the Award in recognition of its innovative and visionary nano-satellite technology, which has the potential to bring affordable communications connectivity services to remote locations across the equator.

Industry Leadership

In recognition of the status and expertise of the Company's leadership team, Sky and Space Global's management presented at multiple globally renowned space conferences during the quarter, including:

- **Reinventing Space, London:** Dedicated to the low-cost access and utilisation of space. Reinventing space was attended by representatives from the world's largest space organisations, including NASA and the UK Space Agency.
- **UK Space Mission 3 delegation, Silicon Valley:** Sponsored by the UK government, UK Space Mission 3 included 10 emerging satellite company entrepreneurs who visited Silicon Valley to gain quality contacts with technical partners.
- **NextSpace 2016 Investors' conference, Silicon Valley:** Sponsored by Raymond James and Milbank, the conference was a valuable presentation opportunity by SAS management. CEO Meir Moalem gave a presentation regarding SAS's values, vision and business model.
- **Satellite Finance Network, London:** Focused on the rapidly growing satellite industry, with a strong presence from the UK Government, national and international stakeholders.

New Video Launch

Providing an overview of the Company's vision and core values, Sky and Space Global released a video for shareholders and the public during the quarter. The video, titled "**Sky and Space Global – Making a Better World**" is available for viewing on the Company's YouTube channel on the following link: <https://www.youtube.com/watch?v=zNPjO0wAR9o>.

Issue of Performance Rights

The Board resolved to issue 18,000,000 Performance Rights to the Company's CTO, Meidad Pariente, as part of the executive management team equity incentive program in line with the performance shares issued to the Board following shareholder approval during the December quarter. These Performance Rights will be issued upon shareholder approval and the Company is currently finalising this Notice of Meeting. The Board has also resolved to issue approximately 4,000,000 Performance Rights under the current Performance Rights Plan to key company employees, these Performance Rights will be issued in the coming week.

A Class Performance Shares Milestone Reached

The Company would also like to confirm the conversion Milestone for the 100,000,000 A Class Performance Shares has been met, with the execution of the formal binding launch contract for the 3 Diamonds nano-satellites. The Company will convert the A Class Performance Shares into Ordinary Shares in the coming days and the underlying Ordinary Shares are subject to 24 months escrow from the date of reinstatement to official quotation, which expires on 31 May 2018.

Financial

Successful Capital Raise

Sky and Space Global completed a Placement of 60,000,000 ordinary shares at 8.5 cents each to sophisticated and professional investors during the quarter, raising \$5.1 million. The funds will allow the Company to advance the development of its proprietary inter-satellite software systems. In addition, it will be used to secure launch slots on Virgin Galactic's launch vehicle for the launch of a portion of the Company's equatorial constellation.

Following the capital raise, the Company had cash at bank of approximately \$5.4 million as at 31 December 2016. The Company is well-funded through to the launch of the 3 Diamonds nano-satellites in Q2 2017, and beyond.

Outlook

A key near-term milestone for the Company is the launch of the 3 Diamonds nano-satellites aboard the ISRO's PSLV, scheduled for early Q2 2017. With two customers already secured for the bandwidth that the nano-satellites can provide, Sky and Space Global's nano-satellite offering has been substantially de-risked.

The Company continues to work closely with Virgin Galactic and believes this relationship has the potential to result in future commercial contracts between the parties.

Sky and Space Global has commenced preparations for the launch of a full equatorial constellation of up to 200 nano-satellites from mid-2018. Following the launch of the 3 Diamonds, progress towards the launch of a full constellation will become a key strategic objective of the Company.

Sky and Space Global's CEO, Mr. Meir Moalem said:

"We are very pleased to have the assembly of our 3 Diamonds nano-satellites completed and we expect to have them designated as "Ready to Launch" in February 2017. We look forward to the launch of the 3 Diamonds in Q2 2017 aboard the ISRO's PSLV, providing the first commercial demonstration of our technology."

"Following this, we will be proceeding with preparations for the launch of up to 200 nano-satellites from mid-2018 to provide communications coverage for remote communities across the equator."

--Ends--

For further information, please contact:

Media

Ben Grubb
Media & Capital Partners
P: +61 414 197 508
E: ben.grubb@mcpartners.com.au

Sky and Space Global Ltd

Brett Mitchell
Executive Director - Australia
P: +61 8 9389 2000
E: brett@skyandspace.global

About Sky and Space Global Ltd

World Experts and Highly Disruptive Business Plan

Sky and Space Global Ltd owns 100% of Sky and Space Global (UK) Limited, a UK incorporated company with European and Israeli centres of Aerospace, Satellite and Software Industry Experts, plans to deploy nano-satellites constellations in orbit to provide global communication infrastructure and services to the telecommunications and international transport industries.

The Company is fully funded beyond the Q2 2017 launch of its "3 Diamonds" pilot network with the Indian Space Research Organization, following the completion of the Company's recent capital raisings.

The core Sky and Space Global business is to construct a communications infrastructure based on nano-satellite technology and develop the highly complex and sophisticated software systems that will deploy, maintain orbit control and handle communication code between each of the nano-satellites to give a global coverage.

Sky and Space Global aims to provide low cost, nano-satellite communication coverage on an anywhere to everywhere base with relatively low maintenance costs. Due to the experience and expertise of the founders in the aerospace industry, the business will be able to develop with inherent upgrading capabilities within short intervals, utilising their unique IP-nanosat software protocols.

Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

SKY AND SPACE GLOBAL LTD

ABN

73 117 770 475

Quarter ended ("current quarter")

31 DECEMBER 2016

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) research and development	(65)	(152)
(b) product manufacturing and operating costs	(644)	(1,195)
(c) advertising and marketing	-	-
(d) leased assets	-	-
(e) staff costs	(64)	(83)
(f) administration and corporate costs	(510)	(682)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	23	27
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(1,260)	(2,085)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	(4)
(b) businesses (see item 10)	-	-

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets (including development of nano-satellite and launch services)	(429)	(1,170)
2.2 Proceeds from disposal of:		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	-	-
2.6 Net cash from / (used in) investing activities	(429)	(1,174)

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	5,100	5,100
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	-	-
3.4 Transaction costs related to issues of shares, convertible notes or options	(333)	(333)
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	-	-
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
3.10 Net cash from / (used in) financing activities	4,767	4,767

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of quarter/year to date	2,262	3,852
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(1,260)	(2,085)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(429)	(1,174)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	4,767	4,767
4.5	Effect of movement in exchange rates on cash held	69	49
4.6	Cash and cash equivalents at end of quarter	5,409	5,409

5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	262
5.2	Call deposits	2,000
5.3	Bank overdrafts	-
5.4	Other (provide details)	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	2,262

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Current quarter \$A'000
471
-

Director and executive services fees and reimbursement of corporate expenses

7. Payments to related entities of the entity and their associates	Current quarter \$A'000
7.1 Aggregate amount of payments to these parties included in item 1.2	67
7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

Reimbursements of corporate, legal and administrative costs

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

NIL

9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	-
9.2 Product manufacturing and operating costs	(3,238)
9.3 Advertising and marketing	-
9.4 Leased assets	-
9.5 Staff costs	-
9.6 Administration and corporate costs	(274)
9.7 Other (provide details if material)	-
9.8 Total estimated cash outflows	(3,512)

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1 Name of entity	-	-
10.2 Place of incorporation or registration	-	-
10.3 Consideration for acquisition or disposal	-	-
10.4 Total net assets	-	-
10.5 Nature of business	-	-

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.



Sign here:
(Financial Controller)

Date: 31 January 2017

Print name: Rutchi Kaushal

Notes

1. The quarterly report provides a basis for informing the market how the entity’s activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.