

28 April 2017

ASX Code: SAS

March 2017 Quarterly Activity Review

Highlights

- Assembly, Integration and Verification Testing of the 3 Diamonds completed during the quarter
- The 3 Diamonds launch program continues on-track, with the three nano-satellites being declared ready for launch
- The 3 Diamonds launch aboard the ISRO's Polar Satellite Launch Vehicle (PSLV) confirmed for late May 2017
- Key strategic and commercial agreements executed by the company, with Sky and Space Global signing MOU's with a number of new partners, including Globalsat Sky in Latin America, Bepetool, SocialEco and the US Department of Defence

Strong Operational Progress Continued

3 Diamonds nano-satellites testing complete, now ready for launch

Running to schedule, the 3 Diamonds nano-satellites were declared 'ready for launch' in February 2017. This followed the completion of the integration and verification testing phase at GomSpace, which included the full functional tests of all subsystems to ensure the systems were functioning as required.

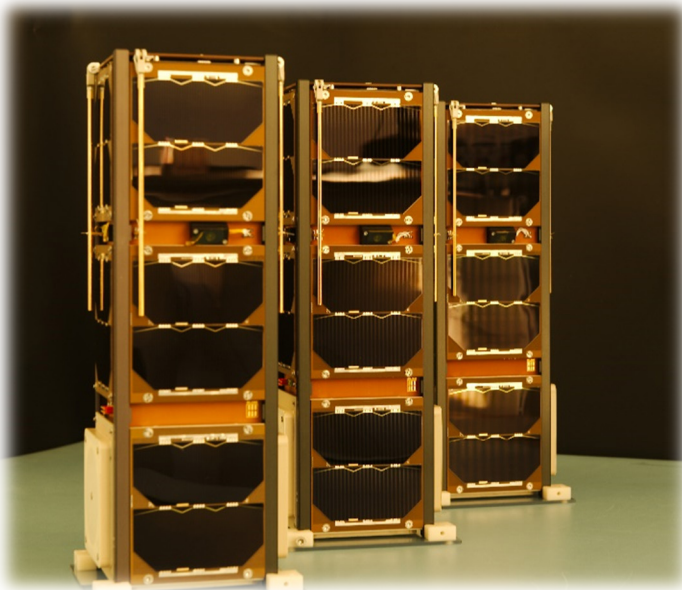


Image: The 3 Diamonds

The testing process of the 3 Diamonds - Red, Green and Blue - included the full functional tests of all subsystems to ensure the systems were functioning as required. The first three nano-satellites will form a pilot constellation and initial communications network that will provide a significantly cheaper platform for voice, data and instant messaging services.

Following this, the 3 Diamonds were ready to be transported to the Innovative Space Logistics B.V. (ISL) launch integrator facilities in Delft, the Netherlands, to be integrated into the 'Quadpack' launch pod. The integration of the nano-satellites into the launch pod was completed on 20th April 2017 ahead of the May launch.

A time lapse video shows the assembly of the Blue Diamond nano-satellite at the Aalborg manufacturing facility in Denmark. <https://www.youtube.com/watch?v=b6ixeywqO7E>

The 3 Diamonds will be shipped to the Indian Space Research Organisation's (ISRO) launch site at the Satish Dhawan Space Centre in Sriharikota, India, where they are currently scheduled for launch in late May 2017 (final date to be confirmed by ISRO).

Sky and Space's partner Sat-Space Africa secures new telco contracts

Last month, Sky and Space announced that its wholesale partner, Sat Space Africa, has secured customers looking to access the bandwidth from the first three mini-satellite units after they are launched into space later this year.

According to our estimates, the potential revenues from the new contracts range from around US\$500,000 per year to potential future revenues of circa US\$10 million to US\$35 million annually once the company's full constellation of nano-satellites is up and running.

Globalsat Sky and Space Global sign MoU for testing and offering satellite service in Latin America

In March 2017, Globalsat Group and Space Global announced a MOU (Memorandum of Understanding). Under the agreement, Globalsat Group will take part in early trials of the Sky and Space Global satellite system. The non-binding deal also involves working towards establishing a commercial agreement for providing services to end-users across Globalsat Groups' multi country footprint.

The MOU represents Sky and Space Global's first entry into the large equatorial South and Latin American market as well as providing strong customer validation from a leading American satellite communications provider.

New Agreement with US Department of Defence

In February 2017, Sky and Space Global signed a Cooperation Agreement for Sharing Space Situational Awareness Services with the Department of Defence (DoD) of the United States of America.

This marks the first contract of its kind for the company and the DoD and recognises the mutual objectives of both parties to ensure safe and peaceful space flight operations. The United States Strategic Command (USSTRATCOM) has been delegated authority by the US Secretary of Defence to provide space situational awareness services and information to Sky and Space Global, representing a significant validation of the expertise of the company's management team and their stature in the aerospace industry.

SocialEco MoU

Sky and Space Global signed a Memorandum of Understanding (MoU) with SocialEco, a London-based IT company that produces a \$1 smartphone, also with the vision to bring affordable, universal connectivity.

The MoU stipulates that SocialEco and Sky and Space Global will initially explore potential markets, products and commercial opportunities to bring together SocialEco's \$1 smartphone and Sky and Space Global's network coverage. A pilot scheme will see SocialEco's \$1 smartphone integrated with the Sky and Space Global app. The companies will then collaborate on the development of a new satellite smartphone and Sky and Space Global's nano-satellite communications network will be embedded into a dedicated version of SocialEco's smartphone.

This collaboration should help both parties to realise their aim of bringing coverage to billions of people in remote locations along the equatorial belt.

New commercial customer agreement secured with Bleepool

In January 2017, Sky and Space Global entered into an agreement with Bleepool Llc via a letter of intent for a portion of bandwidth of the "3 Diamonds" commencing later in 2017.

Bleepool is a mobile payments, messaging and voice app which is used by over 800,000 customers across Africa and globally.

According to the agreement, Bleepool will collaborate with Sky and Space on pilot program integrating Bleepool app with Sky and Space Global's communication bandwidth software systems.

The agreement signified further commercial validation of the company following the signing of its first commercial customer Sat-Space Africa in March last year.

Corporate Update

Technology Innovation Award

Having received the 2016 Global Technology Innovation Award for Narrow-Band Nano-Satellite Connectivity Services, as part of the Frost & Sullivan Best Practice Awards, Sky and Space Global attended the awards banquet in March 2017. This provided an opportunity for Sky and Space Global to present their vision and work to date to a large audience of other innovators in technology.

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

Sky and Space Global continued to be recognised as industry leaders in Q1 2017, with several profile raising activities. The management team have been busy hosting events and taking part in interviews.

- **Meet and Greet event** with CEO, Meir Moalem, Melbourne attracted a large number of participants and was a great opportunity for a face-to-face update for shareholders
- **Sky News Business Interview:** CEO Meir Moalem spoke to Sky Business about how Sky and Space Global is disrupting the telecoms market
- **Australian Financial Review Interview:** CEO Meir Moalem's interview with Australian Financial Review discussed Sky and Space Global's financial performance to date. The article placed the company as leaders of 'a new band of small cap backdoor-listed tech stocks outperforming on the Australian Securities Exchange

New Website Launch

Looking ahead to future activity, Sky and Space Global will be announcing the launch of a new, revamped website in the coming week, bolstering the brand and helping to raise the company's profile by making information more accessible and easily digestible.

Financial

Successful Capital Raise

Having raised \$5.1 million in Q4 2016, in the first quarter of 2017 Sky and Space Global used some of the funding for the testing and preparation of its satellites for the launch and to advance the development of its proprietary inter-satellite software systems.

As of 31st March 2017, the Company had cash at bank of approximately \$2.95 million and is well-funded beyond the launch of the 3 Diamonds nano-satellites in May 2017.

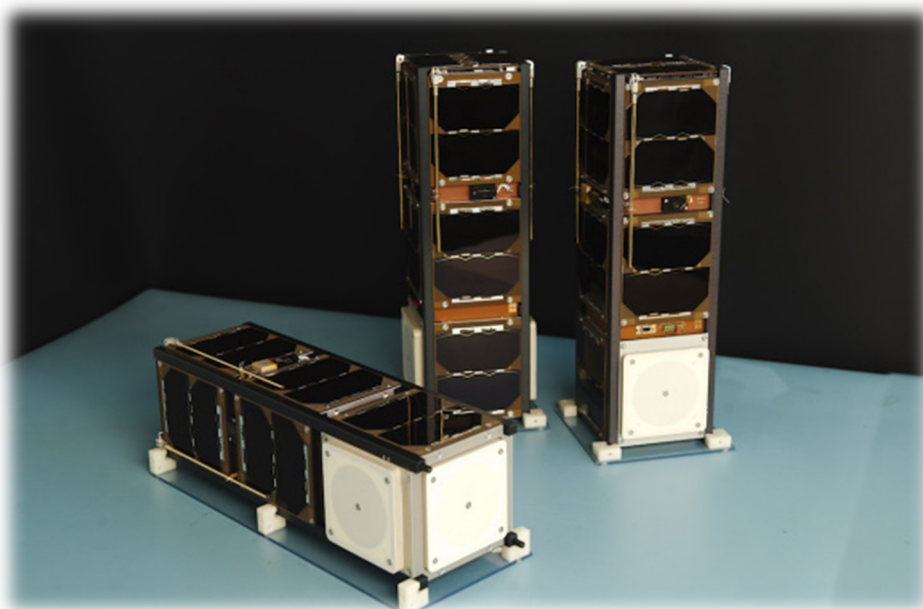


Image: The 3 Diamonds

Outlook

The biggest milestone for the company in Q2 will be the launch of the 3 Diamonds nano-satellites aboard the ISRO's PSLV, which is scheduled for the last week of May, 2017. The MOU with Globalsat Sky, Bleepool, SocialEco and the US Department of Defence provided further validation for the Sky and Space business model and the commercial opportunities for the company's partners and customers.

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 with the progress so far this year. In the first quarter of 2017 we signed MOU with new partners including Globalsat Sky in Latin America, Bleepool and SocialEco. Our technology and business model were further endorsed by the agreement with the US Department of Defence and the successful testing of our nano-satellites ahead of the launch in May. We are very excited about the 3 Diamonds launch and look forward to another successful quarter this year!"

--Ends--

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About Sky and Space Global Ltd

Sky and Space Global Ltd is an ASX listed (SAS) satellite company with European and Israeli centres of Aerospace, Satellite and Software Industry Experts.

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

The Company's mission is to provide low cost, nano-satellite communication coverage to anyone, anywhere with relatively low maintenance costs. This will enable Sky and Space Global to deliver cost-effective communications infrastructure and services to the telecommunications and international transport industries. Sky and Space Global Ltd owns 100% of Sky and Space Global (UK) Limited and is fully funded for all its activities through to the 3 Diamonds launch in May 2017.

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 MARCH 2017

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) research and development	(135)	(287)
(b) product manufacturing and operating costs	(558)	(1,726)
(c) advertising and marketing	-	-
(d) leased assets	-	-
(e) staff costs	(32)	(115)
(f) administration and corporate costs	(170)	(879)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	10	37
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	(885)	(2,970)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(4)	(8)
(b) businesses (see item 10)	-	-

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets (including development of nano-satellite and launch services)	(1,828)	(2,998)
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	(1,832)	(3,006)

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	429	5,529
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	(68)	(401)
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	361	5,128

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	5,409	3,852
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(885)	(2,970)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,832)	(3,006)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	361	5,128
4.5	Effect of movement in exchange rates on cash held	(103)	(54)
4.6	Cash and cash equivalents at end of quarter	2,950	2,950

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	2,950	5,409
5.2	Call deposits	-	-
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)	2,950	5,409

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
308
-

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	87
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	(1,267)
9.3 Advertising and marketing	-
9.4 Leased assets	-
9.5 Staff costs	-
9.6 Administration and corporate costs	(261)
9.7 Other (provide details if material)	-
9.8 Total estimated cash outflows	(1,528)

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:
Managing Director

Date: 28 April 2017

Print name: Meir Moalem

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.