



Sky and Space Global Ltd
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30 April 2018

ASX Code: SAS

March 2018 Quarterly Activity Report

Highlights

- 3 *Diamonds* nano-satellites demonstration complete a number of telecommunication “world firsts” in the March quarter - including a successful financial transaction over a mobile phone
- 3 *Diamonds* confirmed as the World's smallest, fully operational communication satellites
- SAS Makes Aerospace History - Theory of Differential Drag Successfully Demonstrated– the 3 *Diamonds* are successful manoeuvred into target orbits without propulsion, using differential drag to manoeuvre the 3 *Diamonds*
- Commencement of operational tests with potential key telco and corporate customers in the Equatorial region
- Equatorial Constellation confirmed on schedule – First launch on track for 2019, and first material revenues expected from H2 2019
- Conversion of Bleepool to a binding contract as an initial customer for the Equatorial Constellation – worth a minimum of \$30m for the 5 year period of the contract
- 3 *Diamond* nano-satellites commence initial revenue generation from existing customers, following “operational status” designation
- SAS signed a series of strategic partnership agreements for entering new markets in Africa and Latin America and a 5-year binding agreement with Universal Cyberlinks
- Commencement of a \$15m capital raising - completed in April



Operational and Technical Success Continues – Telco & Aerospace World Firsts

SAS's 3 Diamonds and Equatorial Constellation “Pearls” Update

In the March Quarter SAS announced that the '3 Diamonds' were designated fully operational and have started to generate revenue from existing customers. The 3 Diamonds are currently being deployed in field testing with potential new customers with the aim of converting existing customers to binding contracts for the Equatorial Constellation.

The Equatorial Constellation of nano-satellites are in the final design review stage which is being run by the expert SAS team together with its contracted nano-sat construction partner Gomspace in Denmark. The first batch of approximately 20 Pearls are on track with their production schedule for construction in preparation for the first launch set for 2019.

The Company is now quickly progressing towards first deployment in 2019, following which the revenue generation phase of the business model will increase significantly.

3 Diamonds Designated Fully Operational – More World First Achievements & “Differential Drag”

The 3 Diamonds are now evenly spaced into their designed orbits, and were designated “fully operational” during the quarter. This follows 8 months of detailed proof of concept technical analysis and rigorous system testing across all core operational functionalities, including phone calls, instant messaging, voice recording, IOT data transfers, financial transactions and data store-and-forward between different locations, and between continents.

As announced during the past six months, SAS has achieved a number of “World Firsts” in the telecommunications and aerospace industries. These have included the incredible operational achievement of the successful use of “differential drag” to manoeuvre the 3 Diamonds into target orbits without any propulsion systems (for decades a theory in aerospace), and the other key milestones are summarised below:

- **World First mobile phone call conducted via a nanosatellite communications network**
- **World First Three-way Inter-Satellite Links between nanosatellites**
- **World First Texting and calls** over a nanosatellite network with a \$1 smartphone
- **World First Two-way instant messaging** facilitated by narrowband connectivity
- **World First Two-way voice recording (push-to-talk)** conducted via nanosatellites
- **World First Financial transaction performed by a nanosatellite** communication network

The performance of the SAS team to successfully achieve these critical technical milestones clearly demonstrates their world leading technical ability, which has now substantially de-risked the SAS operational platform and business plan since the launch of the 3 Diamonds in 2017.

The successful demonstration of a controlled formation flying of satellites with no propulsion and by using only differential drag is a testament to the outstanding technical capabilities of the SAS team.



Equatorial Constellation “Pearls” on Schedule for Launch 2019, First Material Revenues H2 2019

The Company is pleased to confirm that the final design, construction and launch of the first batch of Equatorial Constellation “Pearl” nano-satellites remains on schedule for 2019. The Company is planning to launch approximately 20-25 Pearls per quarter beginning early 2019, and expects to start generating material revenues from the new nano-satellites from H2 2019, even with the full constellation of 200 nano-satellites only partially deployed.

This is due to the ability of the SAS Equatorial Constellation narrowband communication platform to provide IoT, Machine-to-Machine (M2M), instant messaging and data store and forward services with less than 200 satellites. These IoT/M2M services will be available to clients once the first batch of Pearl nano-satellites have been launched into space and have become operational.

SAS Continues To Develop Commercial Market with More Strategic Partnerships

SAS signs field trial with Paratus Group for Point-of-Sale (POS) devices in Africa

In January 2018 SAS announced it had signed an agreement for a field trial to commence with the Paratus Group. This agreement will enable SAS to supply narrow band communication for thousands of POS (point of sale) devices on the Paratus network across Africa.

This is an important step for the SAS business model, as the financial services and transaction market in Africa is seen as a major potential revenue stream for the SAS business model. Independent research shows that >70% of mobile phone usage across the African continent is for financial transactions and money transfers.

POS is a Multi-Billion USD global target market and is growing at a fast rate. Deployment of POS is becoming widespread in Africa with a rate of 450 devices per 100,000 people in some countries.

Partnership with Globalsat Group to deliver M2M and IoT services in Central and South America

In February SAS announced it would commence testing of Machine-to-Machine (M2M) and Internet of Things (IoT) services in the Central and South American region in partnership with Globalsat Group LLC. The partnership will provide Sky and Space Global with access to a new market, while enabling Globalsat Group to expand its connectivity services.

Following this, SAS signed an Operational Evaluation Agreement to formalise the final steps towards providing commercial M2M and IoT services in Central and South America. All regulatory and government approvals for frequency usage are now in place to commence a detailed field trial with Globalsat, which will be run in the June quarter.



Under this agreement, Globalsat Group and SAS agreed the framework and detailed procedures for the operational evaluation of the SAS services compatibility with Globalsat Group's technology. The Operational Evaluation will be used as a basis for a commercial binding agreement, which will enable Globalsat Group to provide M2M and IoT services in remote locations using the SAS satellite communications network.

Incorporating PSTN connectivity into the SAS network – to any global landline or mobile number

During the quarter SAS announced that it has successfully tested a Public Switched Telephone Network (PSTN) gateway, a proprietary product developed by its team of software developers. The successful results of this test demonstrate the capability of the SAS communications network to provide connectivity to any phone user on the planet once the full constellation of nanosatellites is up and running. This will enable SAS to broaden its service portfolio and deliver more competitive services to its customers.

The test has been performed using the SAS Chatellite app, a satellite connectivity app enabling users to make calls and send texts using a nanosatellite communications network. With the PSTN gateway, the Chatellite app will be able to facilitate calls between different messaging apps and users as long as they are connected to a PSTN network.

A 5-year contract with Universal Cyberlinks allowing SAS to enter the Ghanaian telco services market

In March SAS signed a 5-year binding agreement with Universal Cyberlinks Ltd (“UCL”), a telecoms service provider headquartered in Ghana. The deal, a first for SAS in this major African market, validates the SAS commercial offering to telecommunication and communication infrastructure organisations and confirms UCL's confidence in the SAS technological capabilities.

As part of the 5-year contract UCL will use the coverage and connectivity services provided by SAS to advance a number of government funded projects in agriculture and public services. The first project focuses on building an Agriculture Value Chain (AVC) for Ghana's large Cocoa production industry, which is the second biggest in the world. The project will enable the Ministry of Agriculture and Cocobod (Cocoa Board) in Ghana to monitor the Cocoa production and supply across the country, covering more than 5,000 buying centres and checkpoints for tracking the movement and quality of the Cocoa produce.

Another major project that UCL will be involved with includes building a digital registry for the African Green Revolution Agriculture Consortium (AGRAC) which will allow the Consortium to manage the registrations of its over 143,000 existing and new members.



Binding agreement with Tagmeter - Entering the IOT Smart Meter Market

During the March quarter SAS signed a binding agreement with Tagmeter systems B.V. ("TagMeter"), a prepaid advanced metering system for electricity and water metering headquartered in the Netherlands.

As part of the agreement, SAS will integrate and test connectivity solutions to ensure full compatibility with the Tagmeter platform. The agreement validates the SAS commercial offering for the Machine to Machine (M2M) and Internet of Things (IOT) industries and confirms Tagmeter's confidence in the SAS technological capabilities. The testing is expected to pave the way to a commercial services contract.

Corporate Update

Space Industry Leadership

Following a busy 2017, SAS started the New Year with a strong presence at Satellite 2018, the world's biggest satellite industry conference in Washington DC (12th – 15th March). The conference was a great success, allowing the company to expand its pipeline of potential customers and to start forging further strategic industry partnerships.

During the event the SAS senior executives held more than 60 meetings with key industry players and potential customers, including some of the biggest organisations in space and telecommunications, some of which are key players in emerging markets. Additional meetings were held during the conference with commercial organisations and industry bodies such as the European Space Agency (ESA), the International Trade Union Confederation and many others.

Financial

SAS Announces \$15m Capital Raising - \$10m raised in heavily oversubscribed placement

On 13th March SAS announced that it has received binding commitments for a significantly oversubscribed Placement, and the Company completed a \$10,000,000 raising via a share placement to exempt 708 sophisticated and professional investors at 12 cents per ordinary share. The Placement was managed by the Merchant Opportunities Fund.

In addition, the Company launched a fully underwritten Share Purchase Plan to raise an additional \$5,000,000, to enable existing SAS shareholders to participate on the same terms and purchase up to \$15,000 per shareholder at 12 cents per ordinary share.



Outlook

SAS started 2018 strongly with a series of strategic partners across key markets in Africa and Latin America and continued to demonstrate world first achievements. Following the announcement that the 3 Diamonds have started to generate revenues, SAS is expecting revenues to materially ramp up in H2 2019 following the initial launches of the Pearls.

The Company looks ahead to the deployment of 'The Pearls' and continues to engage in talks with potential new commercial partners and customers for the Equatorial Constellation network once deployed from early 2019. It continues to disrupt the industry with its unique business model and technology offering and to make strides in driving digital inclusion in key markets across the world.

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About Sky and Space Global Ltd

Sky and Space Global Ltd is an ASX listed (SAS) "New Space" company with European and Israeli centres of Aerospace, Satellite and Telecommunications Software Industry Experts. SAS is a UK registered space company.

The Company's core business is to construct and operate a communications infrastructure based on nanosatellite technology and develop highly sophisticated software systems that will deploy, maintain orbit control and handle the communication network in space to provide a global coverage. The Company successfully launched its first three nanosatellites, the '3 Diamonds', into space in June 2017 and is preparing for the launch of the 200 Equatorial Constellation nanosatellites commencing in Q1 2019.

The Company's vision is to provide low cost, nanosatellite 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.

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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 2018

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
1.2 Payments for		
(a) research and development	(790)	(1,850)
(b) product manufacturing and operating costs	(775)	(2,158)
(c) advertising and marketing	(334)	(691)
(d) leased assets	-	-
(e) staff costs	(128)	(243)
(f) administration and corporate costs	(262)	(948)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	3	52
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	(2,286)	(5,837)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(86)	(162)
(b) businesses (see item 10)	-	-



Appendix 4C
Quarterly report for entities
subject to Listing Rule 4.7B

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)	(2,737)	(4,981)
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	(2,823)	(5,143)
3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	10,000	10,000
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	(335)	(342)
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	9,665	9,658
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	4,044	9,940
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(2,286)	(5,837)



Appendix 4C
Quarterly report for entities
subject to Listing Rule 4.7B

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)	(2,823)	(5,143)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	9,665	9,658
4.5	Effect of movement in exchange rates on cash held	405	387
4.6	Cash and cash equivalents at end of quarter	9,005	9,005

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	9,005	4,044
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)	9,005	4,044

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
271

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	63
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	391
9.2 Product manufacturing and operating costs	2,026
9.3 Advertising and marketing	119
9.4 Leased assets	-
9.5 Staff costs	92
9.6 Administration and corporate costs	258
9.7 Other (provide details if material)	-
9.8 Total estimated cash outflows	2,886



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: 30 April 2018

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.