



SKY AND SPACE GLOBAL LTD
AND CONTROLLED ENTITIES
ABN 73 117 770 475

APPENDIX 4D

REPORTING PERIOD

Interim financial period to 31 December 2018

PREVIOUS REPORTING PERIOD

Interim financial period to 31 December 2017

Half year information given to ASX under listing rule 4.2A.3

This information contained in this report should be read in conjunction with the most recent annual report.

RESULTS FOR ANNOUNCEMENT TO MARKET

	31-Dec-18	% change	31-Dec-17
Income	19,333	(60%)	48,918
(Loss) after income tax attributable to members*	(3,200,470)	37%	(5,077,312)
Net (loss) for the period attributable to members*	(3,200,470)	37%	(5,077,312)

No dividends have been paid or declared during the period.

*Includes one-off share-based payments expense of \$nil (2017: \$2.2m).

NET TANGIBLE ASSETS PER ORDINARY SHARE (cents)	0.70	0.60
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DETAILS OF SUBSIDIARIES

There were no changes to the control of subsidiaries in the period, and there were no gains or losses.

DIVIDENDS	n/a	n/a
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DIVIDENDS REINVESTMENT PLAN	n/a	n/a
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ASSOCIATED AND JOINT VENTURE ENTITIES	n/a	n/a
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FOREIGN ENTITIES ACCOUNTING STANDARD

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

AUDIT REPORT

The Group's independent auditors review report for the half year ended 31 December 2018 is unqualified, however an Emphasis of Matter paragraph is included in relation to the Group's ability to continue as a Going Concern. Refer to Note 2(c) of the interim financial report.



ABN 73 117 770 475
SKY AND SPACE GLOBAL LTD

INTERIM FINANCIAL REPORT

31 DECEMBER 2018

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SKY AND SPACE GLOBAL LTD

Condensed Consolidated Interim Financial Report 31 December 2018

Corporate Directory

Directors

Meir Moalem
Managing Director

Yonatan Shrama
Non- Executive Director

Di Fulton
Non-Executive Director and Chairman of the Audit and Risk Committee

Michael Malone
Non-Executive Chairman

Maya Glickman-Pariente
Non-Executive Director

Joint Company Secretary

Rachel Kerr
Steven Wood

Registered Office and Principal Place of Business

1202 Hay Street
Perth WA 6005
Tel: +61 8 6556 2400

Solicitors

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

Auditors

KPMG
Level 38, Tower Three
International Towers Sydney
300 Barangaroo Avenue
Sydney NSW 2000

Securities Exchange Listing

Sky and Space Global securities are listed on the Australian Securities Exchange (ASX)
Code 'SAS' for ordinary shares

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 2018

Directors' Report

Your directors submit the condensed interim financial report for the consolidated Group for the half-year ended 31 December 2018.

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	-
Maya Glickman-Pariente	Non-Executive Director	12 May 2016	-
Yonatan Shrama	Non-Executive Director	12 May 2016	-
Brett Mitchell	Executive Director	12 May 2016	31 October 2018
Peter Wall	Non-Executive Chairman	27 Oct 2015	3 December 2018
Michael Malone	Non-Executive Chairman	1 November 2018	-
Di Fulton	Non-Executive Director	4 December 2018	-

Operating Results

The consolidated loss for the Group after providing for income tax from continuing operations amounted to \$3,182,118 (2017: \$5,077,312).

Dividends Paid or Recommended

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

Review of Operations

Sky and Space Global continues to achieve significant milestones within the satellite communications industry. The Group has made inroads in securing more strategic partnerships and agreements with companies around the globe and remain on-track to launch the first batch of Pearls Satellites in mid-2019. SAS was also named 2018 Global Nano-satellite Company of the Year in the Frost & Sullivan 'Best Practice Awards'.

Capital Raising

In February 2019 the Company received signed binding commitments to raise \$12 million via a two-tranche share placement to sophisticated and professional investors at \$0.03 per share. The Company also plans to conduct a fully Underwritten Priority Offer to raise a further \$3 million, with the ability to accept up to \$1 million of oversubscriptions on the same terms, subject to shareholder approval. Together the Placement and the Priority Offer total a \$15 million minimum equity raise.

The first tranche of the Placement was received on 22 February 2019 totalling A\$7,815,107 and the second tranche of A\$4,184,893 is expected to be received in April 2019, following shareholder approval at a General Meeting of Shareholders. The Priority Offer of A\$3,000,000 is also expected to be completed in April 2019.

Sky and Space Global Chairman Michael Malone and Managing Director and CEO Meir Moalem, and other Directors will also invest a total of \$710,000 in the Placement, subject to shareholder approval, highlighting their support and confidence in the Company

Participants in the Placement will also receive one free attaching listed option for every Share issued, with an exercise price of \$0.05 and a 3-year expiry date from the date of issue.

The Company will apply for quotation of the free attaching options. Issue of the options is subject to receipt of shareholder approval at the Shareholder Meeting

New shares issued under the Placement will rank equally with the Company's existing ordinary shares on issue. Taylor Collison acted as Lead Manager and Lead Broker for the Placement.

Pearls Critical Design Review completed, project progresses to next stage

In October 2018, GomSpace completed the Critical Design Review (CDR) for the Pearl nano-satellites, allowing the commencement of the nano-satellites assembly and integration phase. GomSpace is a European based, Nasdaq listed contractor specialising in the construction and testing of bespoke nano-satellites. The completion of the CDR was a significant milestone as all hardware and software requirements presented by GomSpace, our aerospace construction partner, were approved by SAS. GomSpace is in a strong financial position after recently completing a rights issue to raise approximately AU\$38 million. This will support SAS's objective to complete the SAS Pearls construction which remains on track for 2019 and into 2020.

R&D supported by Polish government and tax rebate received from the UK tax authority

In October 2018, SAS secured a R&D grant, worth approximately A\$500,000 from the Polish government and the European Union. The R&D grant was awarded to initiate a project on Machine to Machine (M2M) devices and smart grid innovations. The project will provide network operators in remote locations better access to telecommunication connectivity.

Following that, during December 2018 SAS received a rebate of A\$888,819 (GBP497,171) from HMRC, the UK tax authority for the year to 30 June 2018. The R&D tax claim related to certain proportions of costs incurred by the Polish subsidiary of the company and a number of consultants of the UK company, amongst other qualifying costs. This amount, in addition to the expected rebate for the 6 months to 31 December 2018 is shown in the Income Tax line of the Consolidated Statement of Profit and Loss.

Commercial Partnership Agreements

GlobalSat Group

In November 2018, Sky and Space Global reached a landmark deal and signed a strategic distribution agreement with GlobalSat Group LLC for the provision of narrow-band telecommunications services to Latin America from the Pearl Constellation of nano-satellites. The Latin American market consists of 64 million people with limited or no access to mobile connectivity services, representing 10% of Latin American population and symbolising strong growth potential.

Strategic Partner Progress

China Great Wall Industry Corporation

Sky and Space Global signed a Memorandum of Understanding (MoU) with Chinese launch services provider, China Great Wall Industry Corporation (CGWIC) to explore the provision of nano-satellite launch services. The MoU also includes the possibility of broader collaborative projects and commercial relationships by leveraging existing CGWIC partnerships that extends into the greater China region.

The Organization of Eastern Caribbean States

Sky and Space Global signed a MoU with The Organization of Eastern Caribbean States (OECS), an international Inter-governmental Organization in the Eastern Caribbean. This symbolises the ability for SAS to leverage existing relationships for commercial operations in this region.

Penteon

Sky and Space Global signed a MoU with Penteon, a globally focused Internet of Things (IoT) engineering firm with over 150 years of technology and aerospace industry experience. SAS and Penteon will team up to explore how the SAS connectivity platform can be incorporated into current Penteon projects on industrial sensing solutions for locomotives, rail cars and track-side equipment.

Unizen Technologies

Sky and Space Global signed a MoU with Indian technology services company, Unizen Technologies, which uses satellite connectivity and provides managed services of IoT applications. Unizen specialises in hardware and application development for safety and mission critical systems, high availability systems, high speed data acquisition systems and multi-core platforms, such as smart metering and smart farming. SAS and Unizen Technologies will work together to see how Unizen Technologies can use SAS proprietary terminals as a backhaul, following Unizen's recent Nigerian contract win for the tracking of cattle.

Blue Power Group

Sky and Space Global signed a MoU with Blue Power Group, an international solar power technology company that provides smart energy solutions and services within several territories including Africa and also off-grid electrical installations in rural areas in Senegal and Cameroon. SAS and Blue Power Group will work together to improve Blue Power Group's service offering for border surveillance, farms, irrigation, road lighting, radars and amongst other things.

Globe Teleservices

Sky and Space Global signed a Reseller MoU with Globe Teleservices (GTS), an Indian-based international telecom services provider offering a comprehensive range of communication services, from wholesale data and voice to mobile video and Voice over Internet Protocol in Asia and Europe. SAS and GTS will explore how GTS will become a key reseller of the SAS Solution with the intent for GTS to include this in its offering and distribute communication services based upon the SAS Solutions.

BT LATAM Brasil

Sky and Space Global signed a MoU with BT LATAM Brasil, a South American company providing telecommunication and added services, such as enterprise satellite connections within the Brazilian region. The agreement stipulates a mutually agreed commitment by BT LATAM Brasil to satisfy a minimum number of devices and services.

Corporate**Board strengthened following the appointment of two experienced directors**

Towards the end of 2018, Sky and Space Global completed its search in bringing additional industry expertise to the Board by appointing two experienced directors, Michael Malone and Di Fulton.

iiNet founder and highly experienced company director, Michael Malone joined SAS in November 2018 as the new non-executive Chairman. Michael brings with him a wealth of experience and leadership qualities in the technology and telecommunications space. Ms. Di Fulton was appointed to the Board in early December 2018 as a non-executive Director and Chair of the Audit and Risk Committee. Di has very strong commercial and governance expertise making her an excellent fit for the role.

Industry Leadership

Sky and Space Global presented at a number of events during the 6 months to 31 December 2018 and made a number of successful demonstrations using the 3 Diamonds nan-satellites.

The events attended included:

Information and Communication Technologies (13 July 2018, Georgetown)

Sky and Space Global completed a demonstration of the 3 Diamonds telecommunications network capabilities at the Information and Communication Technologies conference in Georgetown, Guyana. The demonstration was a success as it led SAS to opening discussions with the Caribbean Telecommunications Union (CTU) regarding the provision of connectivity services to the Caribbean region.

World Satellite Business Week (10 – 14 September, Paris)

The Sky and Space Global Executive Team met with key industry professionals and media at the World Satellite Business Week in Paris.

AfricaCom (13 – 15 November 2018, Cape Town)

The Sky and Space Global Executive Team attended the AfricaCom conference in Cape Town, South Africa and successfully demonstrated its telecommunications network capabilities using the 3 Diamonds nano-satellites. The team presented to over 14,000 attendees via demonstrations, 1on1 meetings, panel discussions and presentations.

Financials

Use of Funds

During the reporting period, the Company predominately used funds for research and development initiatives, design review testing, product manufacturing and satellite construction, operational costs and working capital.

Cash Position

At 31 December 2018, the Company had cash at bank of approximately \$1.4m. Further information on the cashflows and financial position of the company can be found in the financial statements and accompanying notes.

Outlook

2019 is set to be a pivotal year for the Company, preparing for the launch our first batch of Pearl nano-satellites into space, and following this, starting to generate revenue from our existing customers from the numerous signed agreements that are already in place.

After Reporting Date Events**8 January 2019 – SAS secured two new MoUs**

Sky and Space Global signed a MoU with Extensia Bridge, a company providing connectivity services through different solution providers that utilise innovative technologies in remote areas across Africa. Following that, SAS signed a Reseller MoU with AfricaOnline, a licensed ISP in Ghana, which offers comprehensive products and services to the home and corporate markets.

16 January 2019 – SAS expanded its footprint in the US and South America after signing two more MoUs

Sky and Space Global signed a MoU with Brazilian company Arycom Capacidade Satelital Ltda, a provider of satellite voice and broadband data solutions. SAS also secured a Reseller MoU with US-based Cobbosseecontee Communication, LCC, a division of Carnegie Technologies, a global communications company that specialises in connectivity and convergence solutions for mobility, satellite, IoT, connected cars and other emerging technologies.

21 January 2019 – SAS boosted with another Reseller MoU and a Trial Service Agreement

Sky and Space Global signed a Reseller MoU with Global Telesat, a Spanish telecommunication company specialising in satellite Internet Provider services and electronic security worldwide but principally across Africa. SAS also secured a Trial Service Agreement with Telespazio Brasil, a leading provider of satellite services on the Brazilian market.

19 February 2019 – Capital Raise

In February 2019 the Company received signed binding commitments to raise \$12 million via a two-tranche share placement to sophisticated and professional investors at \$0.03 per share. The Company also plans to conduct a fully Underwritten Priority Offer to raise a further \$3 million, with the ability to accept up to \$1 million of oversubscriptions on the same terms, subject to shareholder approval. Together the Placement and the Priority Offer total a \$15 million minimum equity raise.

The first tranche of the Placement was received on 22 February 2019 totalling A\$7,815,107 and the second tranche of A\$4,184,893 is expected to be received in April 2019, following shareholder approval at a General Meeting of Shareholders. The Priority Offer of A\$3,000,000 is also expected to be completed in April 2019.

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 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 under section 307C of the Corporations Act 2001 is set out on page 10 for the half-year ended 31 December 2018.

This report is signed in accordance with a resolution of the Board of Directors.

A handwritten signature in black ink, appearing to read 'Meir Moalem', with a long horizontal stroke extending to the right.

Meir Moalem
Managing Director
Dated 26 February 2019



Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Sky and Space Global Limited

I declare that, to the best of my knowledge and belief, in relation to the review of Sky and Space Global Limited for the half-year ended 31 December 2018 there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- ii. no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

David Sinclair
Partner

Sydney

26 February 2019

SKY AND SPACE GLOBAL LTD
Condensed Consolidated Interim Financial Report 31 December 2018
Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the half year ended 31 December 2018

	31-Dec-18	31-Dec-17
	\$	\$
Revenue	-	632
Other income	19,333	48,286
Professional and consultancy fees	(1,710,602)	(709,106)
Marketing and travel expenses	(790,341)	(641,386)
Corporate expenses	(80,662)	(79,087)
Directors' fees	(342,943)	(354,750)
Employee benefits expense	(448,711)	(144,365)
Office and administration costs	(498,872)	(404,668)
Share based payments	-	(2,202,433)
Depreciation	(567,878)	(405,935)
Finance costs	(93,850)	(17,427)
Other expenses	(210,522)	(163,045)
Loss before income tax	(4,725,048)	(5,073,284)
Income tax benefit (expense)	1,542,930	(4,028)
Loss after income tax	(3,182,118)	(5,077,312)
Loss after income tax for the year attributable to:		
Member of the parent entity	(3,200,470)	(5,077,312)
Non-controlling interest	18,352	-
	(3,182,118)	(5,077,312)
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	42,597	161,047
Other comprehensive income (net of tax) for the period	42,597	161,047
Total comprehensive loss for the period	(3,139,521)	(4,916,265)
Total comprehensive loss attributable to:		
Members of the parent entity	(3,140,161)	(4,916,234)
Non-controlling interest	640	(31)
	(3,139,521)	(4,916,265)
Earnings per share for loss attributable to the ordinary equity holders of the parent:		
<i>From continuing operations</i>		
Basic loss per share (cents)	(0.17)	(0.31)
Diluted loss per share (cents)	(0.17)	(0.31)

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

Consolidated Statement of Financial Position

As at 31 December 2018

	Note	31-Dec-18 \$	30-Jun-18 \$
CURRENT ASSETS			
Cash and cash equivalents		1,422,751	8,888,289
Other receivables		1,351,115	1,232,513
Total Current Assets		2,773,866	10,120,802
NON-CURRENT ASSETS			
Plant and equipment	4	17,347,116	10,323,869
Intangible assets	5	6,736,839	4,211,064
Total Non-Current Assets		24,083,955	14,534,933
TOTAL ASSETS		26,857,821	24,655,735
CURRENT LIABILITIES			
Trade and other payables		7,017,946	1,632,079
Provision		100,698	113,307
Total Current Liabilities		7,118,644	1,745,386
TOTAL LIABILITIES		7,118,644	1,745,386
NET ASSETS		19,739,177	22,910,349
EQUITY			
Contributed equity	6	51,693,960	51,252,611
Performance shares	7a	-	-
Share based payment reserve	7c	-	473,000
Foreign currency translation reserve		175,512	133,555
Accumulated losses		(32,171,201)	(28,970,731)
Equity attributable to equity holders of the parent		19,698,271	22,888,435
Non-controlling interest		40,906	21,914
TOTAL EQUITY		19,739,177	22,910,349

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

SKY AND SPACE GLOBAL LTD
Condensed Consolidated Interim Financial Report 31 December 2018
Consolidated Statement of Changes in Equity

For the half year ended 31 December 2018

	Contributed Equity	Performance shares	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)
	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)
Issue of performance shares	-	-	-	-	-	-	-
Share based payment	-	-	-	-	-	-	-
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

	Contributed Equity	Performance shares	Share based payment reserve	Foreign currency translation reserve	Accumulated losses	Non- controlling interest	Total
	\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2017	30,580,628	1,648,484	3,435,257	(178,501)	(20,624,525)	462	14,861,805
Other comprehensive income for the period	-	-	-	161,047	-	(31)	161,016
Loss after income tax expense for the period	-	-	-	-	(5,077,312)	-	(5,077,312)
Total comprehensive loss for the period	-	-	-	161,047	(5,077,312)	(31)	(4,916,296)
Shares issued during the period (net of share issue costs)	(14,784)	-	-	-	-	-	(14,784)
Issue of performance shares	-	-	-	-	-	-	-
Share based payment	-	351,516	1,850,918	-	-	-	2,202,434
Transfer to issued capital	4,555,000	(2,000,000)	(2,555,000)	-	-	-	-
Balance at 31 December 2017	35,120,844	-	2,731,175	(17,454)	(25,701,837)	431	12,133,159

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

Consolidated Statement of Cash Flows

For the half year ended 31 December 2018

	31-Dec-18 \$	31-Dec-17 \$
<i>Cash flows from operating activities</i>		
Receipts from customers	-	632
Interest received	19,333	49,071
Payments to suppliers and employees	(4,050,201)	(2,566,421)
Net cash used in operating activities	(4,030,868)	(2,516,718)
<i>Cash flows from investing activities</i>		
Purchase of plant and equipment	(2,567,894)	(2,488,822)
R&D rebate	1,414,701	-
Payments for development expenditure	(1,997,426)	(1,091,038)
Net cash used in investing activities	(3,150,619)	(3,579,860)
<i>Cash flows from financing activities</i>		
Capital raising costs	(66,762)	(14,784)
Net cash provided by financing activities	(66,762)	(14,784)
Net increase in cash and cash equivalents held	(7,248,249)	(6,111,362)
Cash and cash equivalents at beginning of period	8,888,289	9,939,636
Foreign exchange movement in cash	(217,289)	215,781
Cash and cash equivalents at end of period	1,422,751	4,044,055

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 ('SAS' or the 'Company') and its controlled entities (collectively the 'Group') for the half-year ended 31 December 2018 were authorised for issue in accordance with a resolution of the directors on 21 February 2019.

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 principal activity of the Group is the construction of communications infrastructure based on nano-satellite technology and to 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.

NOTE 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES**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 2018.

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.

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 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 2018 annual financial report for the financial year ended 30 June 2018, 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.

a) Changes in Accounting Policy, Accounting Standards and Interpretations

In the half year ended 31 December 2018, the Company has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2018, including AASB 15 Revenue from Contracts with Customers and AASB 9 Financial Instruments. It has been determined by the Company that there is no material impact of the new and revised standards and interpretations on the current period or any prior period and therefore no change is necessary to Company accounting policies. The Group are currently undergoing an assessment of the adoption of AASB 16 Leases and its impact on the Group's financial statements and intends to apply the standard from 1 July 2019.

b) 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 2018.

c) 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 \$3,182,118 (31 Dec 2017 loss: \$5,077,312) during the half year ended 31 December 2018, net cash outflows from operational and investment activities of \$7,181,487 (31 Dec 2017 outflows: \$6,096,578), and a net working capital deficit of \$4,344,778 as at 31 December 2018 (30 June 2018: \$8,375,416 surplus).

The ability of the Group to continue as a going concern is principally dependent upon the ability of the Company to secure funds 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 for the period to 29 February 2020, which includes anticipated proceeds from fundraising activities, expected payments relating to the Group's planned satellite construction, delivery, testing and launch activities and initial revenue from customers relating to the successful deployment of the first batch of satellites. The directors are satisfied that the going concern basis of preparation of the interim financial report is appropriate, given the:

- Expected capital raising of minimum \$A15,000,000 subsequent to the end of the interim financial period via a two tranche Placement of \$A12,000,000 and a fully underwritten Priority Offer of A\$3,000,000. The first tranche of the Placement was received on 22 February 2019 totalling A\$7,815,107 and the second tranche of A\$4,184,893 is expected to be received in April 2019, following shareholder approval

at a General Meeting of Shareholders. The Priority Offer of A\$3,000,000 is also expected to be completed in April 2019.

- Company's history of raising capital as and when required; and
- expected timing of payments relating to the Group's key satellite construction and launch related agreements.

The reliance on 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

Included within the Income Tax benefit of \$1,542,930 in the Consolidated Statement of Profit and Loss for the period to 31 December 2018 is \$1,561,277 relating to R&D rebates. The breakdown of the R&D rebates is shown in the table below;

	31-Dec-18	31-Dec17
	\$	\$
- R&D rebate for the year to June 2018	888,819	-
- R&D rebate for the 6 months to December 2018	672,408	-
	1,561,277	-

The R&D rebates for the year to June 2018 and the year to June 2017 were both received in cash in the period to 31 December 2018 and together equal \$1,414,701, as is shown in the Consolidated Statement of Cashflows.

NOTE 4. PLANT AND EQUIPMENT

	31-Dec-18	30-Jun-18
	\$	\$
Office equipment		
- at cost	517,959	378,310
- accumulated depreciation	(137,467)	(79,665)
- foreign currency translation	6,252	9,169
	386,744	307,814
3 Diamonds Nano-Satellites		
- at cost	3,494,044	3,478,579
- accumulated depreciation	(1,545,381)	(1,051,009)
- foreign currency translation	30,651	175,078
	1,979,314	2,602,648
Pearl Constellation Nano-Satellites (under construction)		
- at cost	14,888,047	7,218,959
- accumulated depreciation	-	-
- foreign currency translation	93,011	194,448
	14,981,058	7,413,407

Plant and equipment movement:	31-Dec-18 \$	30-Jun-18 \$
Opening balance	10,323,869	4,089,749
Additions	7,604,670	6,993,039
Depreciation	(552,173)	(1,137,614)
Foreign currency translation	129,912	378,695
Reclassification to Intangible assets	(159,162)	-
	17,347,116	10,323,869

NOTE 5. INTANGIBLE ASSETS

	31-Dec-18 \$	30-Jun-18 \$
a) Development expenditure		
- opening balance	4,211,057	1,100,905
- additions	2,333,073	2,970,652
- foreign exchange currency translations	52,919	139,500
	6,597,049	4,211,057
b) Licences		
- reclassification	159,162	-
- amortisation	(21,735)	-
- foreign exchange currency translations	2,356	-
	139,783	-
c) Goodwill	7	7
Total	6,736,839	4,211,064

During the period development expenditure related to consultancy services performed for the design, construction and testing of the nano-satellites, space deployment cannisters, ground terminals, ground network and constellation system simulators in addition to in-house software development.

NOTE 6. CONTRIBUTED EQUITY

	31-Dec-18 NUMBER	30-Jun-18 NUMBER	31-Dec-18 \$	30-Jun-18 \$
Ordinary shares on issue, fully paid	1,845,939,128	1,840,439,128	51,693,960	51,252,611
	1,845,939,128	1,840,439,128	51,693,960	51,252,611

SKY AND SPACE GLOBAL LTD
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Reconciliation of movement in share capital

Date		No. Of Shares	Issue Price \$	Amount \$
1-Jul-18	Opening balance	1,840,439,128		51,252,611
20-Jul-18	Conversion of Milestone 3 Performance Rights for the Board	5,500,000	0.086	473,000
	Less: costs of issue			(31,651)
31-Dec-18	Closing balance	1,845,939,128		51,693,960
1-July-17	Opening balance	1,571,914,128		30,580,628
21-July-17	Conversion of Milestone 2 Performance Rights	17,500,000	0.086	1,505,000
21-July-17	Conversion of Milestone 2 Performance Rights	6,000,000	0.175	1,050,000
10-Oct-17	Conversion of Class C Performance Shares	100,000,000	0.020	2,000,000
16-Feb-18	Conversion of Milestone 3 Performance Rights for Employees	2,025,000	0.087	176,175
16-Feb-18	Conversion of Milestone 3 Performance Rights for the Board	12,000,000	0.086	1,032,000
16-Feb-18	Conversion of Milestone 3 Performance Rights Key Management Personnel	6,000,000	0.175	1,050,000
20-Mar-18	Placement to institutional and sophisticated investors	83,333,333	0.120	10,000,000
09-Apr-18	Share Purchase Plan	22,180,363	0.120	2,661,644
11-Apr-18	Share Purchase Plan – shortfall	19,486,304	0.120	2,338,356
	Less: Costs of issue			(1,141,192)
30-Jun-18	Closing balance	1,840,439,128		51,252,611

NOTE 7. SHARE BASED PAYMENTS
a) Issue of Performance Shares

The Company issued 300,000,000 performance shares to the SSG vendors as per the Heads of Agreement dated 30 November 2015 for its acquisition. The performance shares are divided into three classes of 100,000,000 shares each, where each class will convert into one ordinary share upon satisfaction of the relevant milestone as set out below and in accordance with the terms and conditions. Where the relevant milestone is not met, the performance shares on issue will convert into one share.

Class of Performance Share	Number of Performance Shares issued	Performance conditions	Milestone Date
Class A ²	100,000,000	SSG UK executes a launch contract for at least two nano-satellites within 18 months of Settlement ¹	13/11/2017
Class B ²	100,000,000	SSG UK completes the design and manufacture of a working nano-satellite together with the integration of requisites systems and communication capability, including a Launch Readiness Review and of the nano-satellite by its manufacturer to prove that the nano-satellite is fully validated and tested for launch within 24 months of Settlement ¹	13/05/2018

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Class of Performance Share	Number of Performance Shares issued	Performance conditions	Milestone Date
Class C ²	100,000,000	SSG UK successfully launches at least 2 nano-satellites and completes successful full-service testing of operating system to confirm delivery of voice and messaging data, including an In-Orbit Acceptance Review (IOAR) conducted by the nano-satellite manufacturer or a qualified independent third party to demonstrate that a communication payload is operating according to specifications, within 30 months of Settlement ¹	13/11/2018

¹Settlement being the date that the acquisition completed, 13 May 2016.

²The Class A, B and C Performance shares all converted to ordinary shares on 3 February 2017, 10 March 2017 and 10 October 2017 respectively.

Reconciliation of Performance Shares

Class of Performance Share	Issue date	Vesting date	Fair Value \$	Share Based Payment Expense at 31-Dec-18 \$	Performance Share Based Payment Reserve at 31-Dec-18 \$	Share Based Payment Expense at 31-Dec-17 \$	Performance Share Based Payment Reserve at 30-Jun-18 \$
Class A	18-May-16	03-Feb-17 ¹	0.02	-	-	-	-
Class B	18-May-16	10-Mar-17 ¹	0.02	-	-	-	-
Class C	18-May-16	25-Sep-17 ¹	0.02	-	-	351,515	-
				-	-	351,515	-

¹Re-assessed expected vesting date during the prior year.

b) Issue of Performance Rights
i) Issued to Board of Directors

The Company issued 52,500,000 Performance Rights on 19 December 2016, following shareholder approval at the Annual General Meeting on 30 November 2016.

The principal terms and conditions of the Performance Rights include, continuous service in their capacity as Director or Executive of the Company, within set milestones as follows:

Milestone	Number of Performance Rights issued	Performance conditions	Milestone Date
1	17,500,000	To vest on continuous service of the Related Party Performance Rights holder in their capacity as a Director or Executive of the Company, or in a role as otherwise agreed by the Board of the Company from the date the Company successfully re-listed on the ASX to 15 December 2016	15/12/2016
2	17,500,000	To vest upon successful launch and operation of the Company's initial 3 nano-satellites the "3 Diamonds"	30/04/2017
3	17,500,000	To vest on continuous service of the Related Party Performance Rights holder in their capacity as a Director or Executive of the Company, or in a role as otherwise agreed by the Board of the Company, from the date of issue of the Related Party Performance Rights to 31 December 2017	31/12/2017

Reconciliation of Performance Rights

Milestone	Issue date	Vesting date	Fair Value \$	Share Based Payment Expense at 31-Dec-18 \$	Share Based Payment Reserve at 31-Dec-18 \$	Share Based Payment Expense at 31-Dec-17 \$	Share Based Payment Reserve at 30-Jun-18 \$
1 ¹	19-Dec-16	15-Dec-16	0.0086	-	-	-	-
2 ²	19-Dec-16	21 Jul-17	0.0086	-	-	147,687	-
3 ³	19-Dec-16	31-Dec-17	0.0086	-	-	734,536	473,000
				-	-	882,223	473,000

¹Milestone 1 completed on 15 December and 17,500,000 performance rights converted to ordinary shares.

²Milestone 2 completed on 21 July 2017 and 17,500,000 performance rights converted to ordinary shares.

³Milestone 3 vested on 31 December 2017 and are yet to convert to ordinary shares.

ii) Issued to Key Management Personnel

As detailed in the Company's Notice of General Meeting on 15 February 2017, 18,000,000 performance rights were issued to key management personnel.

The principal terms and conditions of the performance rights include, continuous service as Director or Executive of the Company, within set milestones as follows:

Milestone	Number of Performance Rights issued	Performance Conditions	Milestone Date
1 ¹	6,000,000	To vest on continuous service of the Related Party Performance Rights holder in their capacity as a Director or Executive of the Company, or in a role as otherwise agreed by the Board of the Company from the date the Company successfully re-listed on the ASX to 15 December 2016	19/12/2016
2 ²	6,000,000	To vest upon successful launch and operation of the Company's initial 3 nano-satellites the "3 Diamonds"	21/07/2017
3 ³	6,000,000	To vest on continuous service of the Related Party Performance Rights holder in their capacity as a Director or Executive of the Company, or in a role as otherwise agreed by the Board of the Company, from the date of issue of the Related Party Performance Rights to 31 December 2017	31/12/2017

Reconciliation of Performance Rights to Key Management Personnel

Milestone	Issue date	Vesting date	Fair Value \$	Share Based Payment Expense at 31-Dec-18 \$	Share Based Payment Reserve at 31-Dec-18 \$	Share Based Payment Expense at 31-Dec-17 \$	Share Based Payment Reserve at 30-Jun-18 \$
1 ¹	23-Mar-17	19-Dec-16	0.175	-	-	-	-
2 ²	23-Mar-17	21-July-17	0.175	-	-	183,750	-
3 ³	23-Mar-17	31-Dec-17	0.175	-	-	682,686	-
				-	-	866,436	-

¹Milestone 1 completed on 23 March 2017 and 6,000,000 performance rights converted to ordinary shares.

²Milestone 2 completed on 21 July 2017 and 6,000,000 performance rights converted to ordinary shares.

³Milestone 3 vested on 31 December 2017 and are yet to convert to ordinary shares.

iii) Issued to Key Employees

As approved by shareholders on 1 April 2016, 4,050,000 performance rights were issued to key employees on 17 February 2017.

The principal terms and conditions of the performance rights include, continuous service of the holder in their capacity as an eligible employee of the Company, or in a role otherwise agreed by the Board of the Company, within set timeframes as follows:

Milestone	Number of Performance Rights issued	Performance Conditions	Milestone Date
1 ¹	2,025,000	To vest on continuous service of the holder in their capacity as an eligible employee of the Company, or in a role otherwise agreed by the Board of the Company to 1 June 2017	01/06/2017
2 ²	2,025,000	To vest on continuous service of the holder in their capacity as an eligible employee of the Company, or in a role otherwise agreed by the Board of the Company to 31 December 2017	31/12/2017

Reconciliation of Performance Rights to Key Employees

Milestone	Issue date	Vesting date	Fair Value \$	Share Based Payment Expense at 31-Dec-17 \$	Share Based Payment Reserve at 31-Dec-17 \$	Share Based Payment Expense at 31-Dec-17 \$	Share Based Payment Reserve at 30-Jun-18 \$
1 ¹	17-Feb-17	01-Jun-17	0.087	-	-	-	-
2 ²	17-Feb-17	31-Dec-17	0.087	-	-	102,259	-
				-	-	102,259	-

¹Milestone 1 completed on 1 June 2017 and 2,025,000 performance rights converted to ordinary shares.

²Milestone 2 completed on 31 December 2017 and are yet to convert to ordinary shares.

c) Summary of Share Based Payments

Summary of Performance Shares and Rights	Share Based Payments Expense at 31-Dec-18 \$	Performance Share and Share Based Payments Reserves at 31-Dec-18 \$	Share Based Payments Expense at 31-Dec-17 \$	Performance Share and Share Based Payments Reserves at 30-Jun-18 \$
Total Performance Share expense/reserve	-	-	351,515	-
Total Performance Rights expense/reserve	-	-	1,850,918	473,000
Total Share Based Payments Expense/Reserves	-	-	2,202,433	473,000

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 2018 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-18	30-Jun-18
	\$	\$
<1 year	48,191,903	31,302,366
1 - 5 years	58,216,436	68,837,111
	106,408,339	100,139,477

The above commitments predominantly relate to the completion of the construction and supply of the full Pearl Constellation of nano-satellites by GomSpace as previously announced by the Company and the launch of the first batch scheduled for Mid 2019 using Virgin Orbit's LauncherOne Vehicle. The satellite launch services agreement included several subsequent launches of the Group's nano-satellites, the cost of which has not been included in the commitments disclosed above due to material project delays by the launch provider. The commitments also relate to office leases, the completion of a network management simulator and launch and deployment services to be provided by D-Orbit.

NOTE 10. EVENTS SUBSEQUENT TO REPORTING DATE

8 January 2019	SAS secured two new MoUs
16 January 2019	SAS expanded its footprint in the US and South America after signing two more MoUs
21 January 2019	SAS boosted with another Reseller MoU and a Trial Service Agreement
19 February 2018	<p>In February 2019 the Company received signed binding commitments to raise \$12 million via a two-tranche share placement to sophisticated and professional investors at \$0.03 per share. The Company also plans to conduct a fully Underwritten Priority Offer to raise a further \$3 million, with the ability to accept up to \$1 million of oversubscriptions on the same terms, subject to shareholder approval. Together the Placement and the Priority Offer total a \$15 million minimum equity raise.</p> <p>The first tranche of the Placement was received on 22 February 2019 totalling A\$7,815,107 and the second tranche of A\$4,184,893 is expected to be received in April 2019, following shareholder approval at a General Meeting of Shareholders. The Priority Offer of A\$3,000,000 is also expected to be completed in April 2019.</p>

SKY AND SPACE GLOBAL LTD

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In the opinion of the directors of Sky and Space Global Ltd ("the Company"):

1. the condensed consolidated interim financial statements and notes on pages 11 to 23, are in accordance with the *Corporations Act 2001* including:
 - a) giving a true and fair view of the Group's financial position as at 31 December 2018 and of its performance for the half year ended on that date; and
 - b) complying with Australian Accounting Standard AASB134 Interim financial reporting and the Corporations Regulations 2001; and
2. 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.



Meir Moalem

Managing Director

Dated 26 February 2019



Independent Auditor's Review Report

To the shareholders of Sky and Space Global Limited

Conclusion

We have reviewed the accompanying **Half-year Financial Report** of Sky and Space Global Limited.

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 Sky and Space Global Limited is not in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the **Group's** financial position as at 31 December 2018 and of its performance for the half-year ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The **Half-year Financial Report** comprises:

- Consolidated Statement of Financial Position as at 31 December 2018
- Consolidated Statement of Profit or Loss and Other Comprehensive Income, Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flows for the half-year ended on that date
- Notes 1 to 10 comprising a summary of significant accounting policies and other explanatory information
- The Directors' Declaration.

The **Group** comprises Sky and Space Global Limited (the Company) and the entities it controlled at the half year's end or from time to time during the half-year.

Material uncertainty related to going concern – emphasis of matter

We draw attention to Note 2(c), "Going Concern" in the Half-year Financial Report. The conditions disclosed in Note 2(c), indicate a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern and, therefore, whether it will realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the Half-year Financial Report. Our conclusion is not modified in respect of this matter.

Responsibilities of the Directors for the Half-year Financial Report

The Directors of the Company are responsible for:

- the preparation of the Half-year Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- 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.

Auditor's responsibility for the review of the Half-year Financial Report

Our responsibility is to express a conclusion on the Half-year Financial Report based on our review. We conducted our review in accordance with *Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the Half-year Financial Report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2018 and its performance for the half-year ended on that date; and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Sky and Space Global Limited, *ASRE 2410* requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.



KPMG



David Sinclair
Partner

Sydney
26 February 2019