



Sky and Space Global Ltd
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30 April 2019

ASX Code: SAS

Sky and Space March quarter business update

Q1 2019 overview:

- Heads of Agreement (HoA) signed with GomSpace to deliver newly designed 6U nanosatellites from the end of 2019, allowing Sky and Space to add global coverage for the growing demand in the IoT and M2M sectors, grow its potential customer base and enhance revenue opportunities with existing customers
- HoA also contemplates the execution of a new definitive Pearls Agreement by 8 May 2019 that, once signed, will replace the existing Pearls Agreement entered into in 2017 (as amended)
- Revenue opportunities increased as a result of the change to a global coverage constellation and additional service areas
- U.S. debt funding for launch (now planned for early-2020) progressing as planned
- Further progress has been made reducing operating expenditure, with A\$0.6 million of additional annualised savings implemented since 9 April; equating to a total saving of A\$2.0 million in annualised operating expenditure, with efficiency reviews ongoing with potential for future cost savings
- The Company's founders and Directors have recently agreed to a 50% reduction in their remuneration as part of the Company's cost saving initiatives
- Two MoUs signed with Arianespace SA and Rocket Lab to broaden launch opportunities and provide additional contingencies and options for launches
- MoU signed with Arycom Capacidade Satelital Ltd, a Brazilian company providing satellite voice and broadband data solutions
- Seven new Reseller Agreements signed, strengthening Sky and Space's progression to monetise its nanosatellites once launched into space
- Progressing the appointment of two new Australian resident non-executive Directors and completing negotiations of material agreements.

Sky and Space Global Ltd (**ASX: SAS, "Sky and Space Global" or "the Company"**) provides the following update covering recent operational and market developments alongside the release of its Appendix 4C for the three-month period ending 31 March 2019.

New 6U Agreement to be put in place with GomSpace

SAS and GomSpace signed a Heads of Agreement (HoA) on 9 April 2019 covering some of the principle terms for the provision and manufacture by GomSpace of an additional constellation of nanosatellites under a new agreement ("6U Agreement") and some of the principle terms for changes to the existing Pearls Agreement entered into in 2017 (as amended).

The companies have been progressing towards finalising their negotiations on the new 6U Agreement and the new Pearls Agreement within the 30 day period provided. Once the new 6U Agreement is signed with GomSpace, SAS will be able to address the increased demand to provide global Internet of Things (IoT) and Machine to Machine (M2M) services outside of the Equatorial region.

The new nanosatellites are intended to be launched into Global Coverage high inclination orbits, allowing full global coverage, providing SAS with the ability to:

- enter into new markets (including Australia, Russia, China, South Africa, Argentina, Canada)
- generate higher revenues with the added coverage capability
- reduce risk by using space proven hardware and technology.

SAS plans to use assets already developed for its Equatorial constellation (including proprietary software, concept of operations and network infrastructure) under the Pearls Agreement as part of the new 6U Agreement's Global Coverage constellation.

Should new definitive agreements not be finalised with Gomspace (by 8 May 2019, or such longer period as the parties may agree), it is likely that SAS will need to delay its operating strategy within the timeframe as currently planned.

Revenue opportunities increased as a result of change to Global Coverage constellation

The response to the new Global Coverage constellation for IoT and M2M services has been highly positive, with 16 of SAS' existing customers expressing their intent to increase the value of their existing contracts with SAS – including major telecommunication companies such as BT Telecom, Telespazio, Globe Teleservices, and Gondwana. Based on preliminary commercial discussions, new market opportunities are also opening with the potential for new revenue generating agreements.

Financial update

Negotiations with US debt financing for launch are progressing, with a term sheet being finalised.

In addition, the Company continues to make substantial progress reducing its operating expenditure, with a further A\$0.6 million in annualised savings implemented since 9 April; so far saving a total of A\$2.0 million in annualised operating expenditure. Efficiency reviews are ongoing with potential for future cost savings.

As part of the Company's cost savings initiatives, founders and Directors have agreed to a 50% reduction in their remuneration to support the Company's progression to launch.

Launch opportunities broadened with MoUs signed with Arianespace SA and Rocket Lab

SAS has signed MoUs with two additional launch partners to broaden its launch capabilities given the planned launch was delayed from mid-2019 to early-2020:

- Arianespace SA, a French-based satellite launch company, to evaluate Arianespace capabilities to launch 88 nanosatellites to Equatorial orbits, with the intention to enter into a Launch Services Agreement on or before 1 July 2019
- Rocket Lab, a US based satellite launch company, to assess whether Rocket Lab can meet SAS' technical, operational, commercial and scheduled launch requirements regarding a first launch during Q1 2020 and set the framework for additional multiple launch services.

MoU signed with Arycom Capacidade Satelital opens Brazil market opportunity

Arycom Capacidade Satelital is a Brazilian company and a provider of satellite voice and broadband data solutions serving the needs of customers on land, at sea and in the air. Headquartered in São Paulo, with offices in Rio de Janeiro, Miami and Atlanta, Arycom is a premier service provider of Inmarsat, Iridium and Globalstar, and global partner of Marlink.

Under the terms of the MoU, SAS and Arycom will work closely to explore how the SAS nanosatellite connectivity can be incorporated into Arycom's network and utilised to improve Arycom's offering in Brazil, a market of 400 million people.

Seven new Reseller Agreements signed, strengthening SAS' progression to monetise its nanosatellites once launched into space

Over the quarter (and soon after quarter end) SAS secured seven new Reseller Agreements that strengthen its progression to monetise its nanosatellites once launched into space. These Reseller Agreements will on a non-exclusive basis, resell, market, distribute and support SAS services and products:

- Extensia Bridge, a leader in the provision of connectivity services through different solution providers that utilise innovative technologies in remote areas across Africa
- AfricaOnline, a licensed corporate ISP in Ghana
- Cobbosseecontee Communications (a division of Carnegie Technologies) a global communications company headquartered in Texas, US, specialising in connectivity and convergence solutions for mobile, satellite, IoT, connected cars and other emerging technologies
- Global Telesat SL, a Spanish telecommunication company specialising in satellite IP services and electronic security worldwide
- Cendrawasih Teknologi Nusantara (CTN), a telecommunications provider servicing the Indonesian market of 260 million people

- Streamcode, a leading Telecom, Media and Technology (TMT) service provider headquartered in Singapore
- T-Systems South Africa (a subsidiary of Deutsche Telekom) delivering innovative ICT services that run clients' most critical ICT networks, applications and systems.

Progressing the appointment of two new Australian resident non-executive Directors and completing negotiations of material agreements

Following the resignation of SAS' two non-executive Australian Directors, and the subsequent impact of their resignation on the Company's ability to legally close the ~A\$7.4 million Second Tranche and Priority Offer capital raising required to fund the Company's ongoing operations and business plan, SAS requested to be placed into voluntary suspension.

The voluntary suspension is enabling SAS to finalise the appointment of two new Australian resident non-executive Directors with the requisite skills and experience, and also complete negotiations of material commercial and operational agreements to support the Company's ongoing operations and growth strategy.

Commenting on recent developments, Sky and Space Global's Managing Director and CEO, Mr. Meir Moalem said: "It is unfortunate that recent developments have affected our Company's progress. However, we have an exciting path ahead and due to hard work and determination, we believe we found the best path forward. The Board and management are very focused on delivering on the opportunities we see for the business, and look forward to updating the market in relation to future progress."

--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 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 a constellation of 200 more nanosatellites by 2020.

The Company's vision is to provide affordable communication coverage and services to anyone, anywhere, anytime with relatively low maintenance costs. This will enable Sky and Space Global to deliver cost-effective communications infrastructure and services to those who need it most and to disrupt 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 2019

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	-	-
(b) product manufacturing and operating costs	(1,081)	(3,771)
(c) advertising and marketing	(173)	(391)
(d) leased assets	(28)	(81)
(e) staff costs	(454)	(927)
(f) administration and corporate costs	(267)	(883)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	19
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	1,415
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(2,003)	(4,619)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(30)	(135)
(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)	(3,478)	(5,940)
(f) other non-current assets (capitalised development costs)	(1,511)	(3,508)
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	(5,019)	(9,583)
3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	7,815	7,815
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	(559)	(626)
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	(7,256)	(7,189)



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.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of quarter/year to date	1,423	8,888
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,003)	(4,619)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(5,019)	(9,583)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	7,256	7,189
4.5	Effect of movement in exchange rates on cash held	167	(51)
4.6	Cash and cash equivalents at end of quarter	1,824	1,824

5.	Reconciliation of cash and cash equivalents	Current quarter \$A'000	Previous quarter \$A'000
	at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts		
5.1	Bank balances	1,824	1,423
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)	1,824	1,423

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
274

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	(675)
9.3	Advertising and marketing	(74)
9.4	Leased assets	(27)
9.5	Staff costs	(650)
9.6	Administration and corporate costs	(232)
9.7	Other (provide details if material)	-
9.8	Total estimated cash outflows	(1,657)



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.

[lodged electronically without signature]

Sign here:
Managing Director

Date: 30 April 2019

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.