



Sky and Space Global Ltd
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CEO Letter to Shareholders

Dear Shareholders,

As we approach the end of the 2019 financial year, I wanted to take the opportunity to thank you for your ongoing support, as we reacted to a growing demand for Internet-of-Things (IoT) and Machine-to-Machine (M2M) services by quickly pivoting our initial satellite and launch programme from an Equatorial coverage to a Global coverage.

As the space sector becomes more and more appealing to companies, I am proud that Sky and Space Global is at the forefront of the new global commercial space industry. We are doing things that no-one else has done before, and have progressed at a very rapid pace over the past few months. The foundations we have now put in place, and are putting the final touches on, will ultimately make Sky and Space Global a dominant player in the space market with a strong and attractive global business.

At the forefront of nanosatellite technology development

Recent company newsflow has unfortunately not focused on the significant technology inroads we have achieved, and I would like to highlight just a few in this letter.

By leveraging our innovative standard in the build of the original Pearls nanosatellites for the Equatorial constellation, we have been developing an algorithm that will enable our nanosatellites to autonomously manoeuvre by sharing information and making group decisions to keep the constellation up and running and avoid collisions with other space objects.

We have identified two manufacturing candidates for the build of our ground terminals, providing connectivity for end users. These terminals will meet our stringent requirements that include enduring harsh environmental conditions, consuming low power, be lightweight and portable, and meet our specified performance in a secure and safe manner.

Necessity is the mother of invention, and our software company in Poland is proving this every day. Our requirement for a very efficient communication system has resulted in advanced algorithms for data compression and transfer that are at the forefront of technology and current capabilities, and we continue to challenge ourselves even further.

Agreement signed with GomSpace for Global Coverage fleet of nanosatellites

This Monday we announced the signing of a definitive agreement with GomSpace for the provision and manufacturing by GomSpace of an additional fleet of nanosatellites ("6U Agreement") to support our new Global Coverage fleet, allowing full global coverage and underpinning Sky and Space Global's ability to:

- Enter 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.

In addition, Sky and Space Global and GomSpace have agreed to finalise negotiations regarding changes to the existing Pearls nanosatellites manufacturing agreement within 30 days (or such longer period as the parties may agree). We will keep you informed of further developments.

Potential revenue opportunities increased with Global Coverage

The response to the new Global Coverage fleet of nanosatellites for IoT and M2M services has been highly positive:

- 16 of Sky and Space Global's existing customers have expressed their intent to increase the value of their existing contracts – including major telecommunication companies such as BT Telecom, Telespazio, Globe Teleservices, and Gondwana
- New market opportunities are also opening with the potential for new revenue generating agreements with 6 new Memorandums of Understanding (MoUs) and 4 new Reseller Agreements signed.

Although currently there are no revenues from these MOUs and Reseller Agreements, we expect future potential revenues to be generated from them once full commercial contracts have been signed and the Global Coverage fleet of nanosatellites has been launched.

All of these MoUs and Reseller Agreements are the result of hard work by our product, marketing and sales team. We will keep progressing on the commercial front, turning client leads into opportunities, opportunities into agreements, and following the launch of our 1st batch, turning these agreements into revenues.

Expected launch in early-2020

With the changes to the business plan outlined above, the expected launch of our first batch of nanosatellites was delayed from mid-2019 to early-2020. Having signed two MoUs with Arianespace SA and Rocket Lab, we are broadening our launch opportunities while reducing the risk of being dependant on a single launch provider to realise our business plan.

Focused on the Company's financial position to support progress to launch

Negotiations with US debt financing for launch are progressing, with discussions on a term sheet at an advanced stage.

In addition, the Company continues to make substantial progress reducing its operating expenditure since 9 April 2019, saving a total of A\$2 million in annualised operating expenditure. As part of the Company's cost savings initiatives, the Company's founders and directors decided to reduce their remuneration by 50%, setting a personal example and showing a vote of confidence in the Company. Founders and Directors have also invested \$300,000 as approved at the Shareholder Meeting on 8 April.

Joining the senior team in a consulting capacity, Sky and Space Global recently appointed Ian Pamensky, an ASX-experienced CFO, as Finance Consultant to ensure the Company is appropriately resourced with strong financial oversight.

Board update

The process for appointing two Australian directors with the requisite skills and experience to support the Company and the shareholders' best interests continues to move forward, and we will keep our shareholders informed when appointments are made.

The bigger picture

While it's human nature to focus on specifics like the nanosatellites, agreements, launch plans, and so on, it's important that things are put into perspective. Sky and Space Global's team of engineers, space experts, programmers and product marketing specialists have achieved a lot in a very short time, positioning our unique technology and value proposition at the forefront of the global space industry.

We are managing and running over 20 different projects – from nanosatellite development, manufacturing and testing; ground control systems and ConOps; constellation simulator; collision avoidance algorithms; ground terminals; advanced communication protocols; launch support; product development and management; marketing and sales efforts and activities; IT systems and infrastructure; spectrum coordination and registration; commercial partnerships initiation and more.

Delivering world-first technology

As outlined above, we have been very busy putting in place the foundations necessary to become a successful global commercial nanosatellite company and a satellite communication service provider that sets new standards in the global space industry through technological innovation. Our new Global Coverage has rapidly increased the potential revenue opportunities available to the Company. We are progressing to launch in 2020, and to providing commercial satellite communication services and generating revenues.

I would like to once again thank you for your continued support, and look forward to providing further updates.

Yours sincerely,

Meir Modlem
Managing Director & CEO