Sky and Space Global Ltd

ABN 73 117 770 475

ANNUAL FINANCIAL REPORT
30 JUNE 2019

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Corporate Directory

Directors

Meir Moalem
CEO & Managing Director

Maya Glickman-Pariente
Non-Executive Director

Yonatan Shrama
Non-Executive Director

Company Secretary

Rachel Kerr

Registered Office

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West Perth WA 6005
Tel: +61 8 6556 2400

Principal Place of Business

110 Bishopsgate
London
EC2N 4AY

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 Ltd securities are listed on the Australian Securities Exchange (ASX)

ASX Code 'SAS' for ordinary shares
ASX Code "SASOC" for listed options

Share Registry

Computershare Investor Services Pty Limited
Level 11, 172 St Georges Terrace
Perth WA 6000

Website
www.skyandspace.global

Directors' Report

The Directors present their report on Sky and Space Global Ltd ("the Company") and its controlled entities ("Group") for the financial year ended 30 June 2019.

Directors
The names of Directors in office at any time during or since the end of the financial year are:

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 October 2015	3 December 2018
Michael Malone	Non-Executive Chairman	1 November 2018	8 April 2019
Di Fulton	Non-Executive Director	4 December 2018	8 April 2019

Company Secretary
Company Secretary, Steven Wood resigned on 28 February 2019, the date on which the former Company Secretary, Rachel Kerr, returned in a full-time capacity.

Principal Activities
Sky and Space Global Ltd is an ASX listed (SAS) nano-satellite, space technology company with European and Israeli centres of aerospace, satellite and software industry experts.

The Group's core business is to construct and operate a communications infrastructure based on nano-satellite technology and develop highly sophisticated software systems that will deploy, maintain orbit control and handle the communication network in space to provide global coverage. The Company successfully launched its first three nano-satellites, the '3 Diamonds', into space in June 2017 and now has more than two years of space proven heritage de-risking deployment, operations and the business model.

The Company is preparing for the launch of a constellation 8 6U nano-satellites in Q4 2020 to provide global coverage to the growing IoT Sector.

The Group's longer-term plan is to provide low cost, nano-satellite communication coverage to anyone, anywhere in the Equatorial region with relatively low maintenance costs through a constellation known as the 'Pearls'. This will enable Sky and Space Global to deliver cost-effective communications infrastructure and services to the telecommunications and international transport industries.

Operating Results
Due to a decision by the Directors that the going concern assumption is not appropriate for the preparation of these accounts, an impairment loss was incurred. This decision is explained in more detail in notes 2b, 2c and 2d.

The consolidated loss of the Group amounted to $30,395,707 (2018: loss $8,323,983). The consolidated loss is higher in 2019 than in 2018 predominantly due to an impairment loss in 2019 of $24,037,042 (2018: $nil).

Dividends Paid or Recommended
No dividends have been paid or declared for payment during, or since, the end of the financial period.

Directors' Report

Review of Operations

Corporate

Sky and Space Global (SAS) is proceeding towards the launch of its first 8 commercial 6U nano-satellites to provide global coverage to the IoT market, once it has completed a capital raising. Having identified the fast-growing demand for IoT and M2M services, the Company has extended its initial satellite and launch programme from an Equatorial coverage constellation to include a Global coverage constellation and secured a number of key reseller agreements and distribution partnerships during the period.

Financing

In July 2018 SAS received a GBP 289,000 (approximately AU$500,000) R&D claim from HM Revenue & Customs in respect of the qualifying R&D costs. A further GBP 497,171 (approximately AU$870,000) was received from HM Revenue & Customs in December 2018 and GBP 1,425,382 (approximately AU$2,600,000) in October 2019.

In February and March 2019, the Company raised $9.8 million from a share placement and priority offer. A further US$1.1 million was secured in May 2019 through a convertible loan agreement with independent, third-party Israeli finance provider, Telefox Ltd, providing significant working capital to support the Company's near-term objectives.

To meet funding requirements as it progresses towards the launch of the first batch of its 6U nano-satellites, subsequent to year end, SAS released a prospectus on 11 November 2019 detailing a Non-Renounceable Entitlement Issue for shareholders to subscribe for 1 Share for every 1 Share held at an issue price of $0.005 per new Share together with 1 free attaching option exercisable at $0.015 expiring on or before 31 May 2021 (New Options) for every 4 Shares subscribed for and issued totalling up to 2,175,014,261 Ordinary Shares (Entitlement Issue) to raise $10,875,071.

In addition to the Entitlement Issue, the Prospectus also includes details on a Placement to sophisticated investors on the same terms as the Entitlement Issue of up to 1,000,000,000 Shares at an issue price of $0.005 and with up to 250,000,000 free-attaching New Options to raise an additional $5,000,000, subject to receipt of Shareholder approval at the meeting to be held on Monday 16 December 2019 (Placement Offer).

SAS is currently finalising appointments for two Australian-based non-executive directors to bring additional industry expertise to the board. The Company had cash at bank of $1.9 million as at 30 June 2019 (2018: $8.9m). On 21 November the Company received an interim stop order from the Australian Securities and Investments Commission (ASIC) in relation to its prospectus dated 11 November 2019. The Company expects that the stop order will be lifted post lodgement of this report and resolution of the concerns raised by ASIC.

Going concern

The financial statements have not been prepared on a going concern basis due to the lack of certainty in the ability of the Company to raise A$15.8m through an entitlement offer and placement offer, as announced by the Company after the year end. In preparing the financial statements on a basis other than that of going concern, the Company has continued to apply the requirements of Australian Accounting Standards taking into account that the entity is not expected to continue as a going concern. This is explained in more detail in note 2c.

2019 Review

In May 2019, SAS reached three years since listing on the ASX with over 50 potential future customers signed. Growth of the Company's operations over the last year saw an increase in highly skilled SAS employees, now totalling approximately 50 staff, to support current and future nanosatellite operations. The Company has 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.

During the period, the company continued to make considerable progress in distribution partnerships and reseller agreements targeting new markets and potential new revenue streams as highlighted below, which continues to prove that there is a very strong demand for our services.

Directors' Report

Expanded footprint in Latin America
In November 2018, SAS signed a strategic distribution agreement with Pan-American mobile satellite servicer Globalsat Group LLC for the provision of its connectivity services including machine to machine (M2M) and internet of things (IoT) to Latin America from the Pearl Constellation of nanosatellites.

In January 2019, SAS secured a Trial Service Agreement with Telespazio Brasil S/A, a leading provider of satellite services on the Brazilian market. Under the agreement, Telespazio Brasil will conduct trials using certain SAS solutions and evaluate their existing nano-satellite based communication network.

Reseller agreements with key strategic partners
Multiple reseller agreements were completed during the period, including a reseller contract with Indonesian telecommunications service provider, Cendrawasih Teknologi Nusantara (CTN), remote telemetry solutions provider Advanced TMS and small satellite connectivity solutions provider SGV Satlink Corporation that saw continued growth of post launch distribution networks and revenue channels in Q2 2019. The agreements mean engaged parties will market, distribute and support SAS services and products on a non-exclusive basis.

Trial agreement explores use of IoT and narrow band applications in Africa
In March 2019, SAS signed a trial agreement MTN Nigeria, part of the MTN Group, Africa's leading mobile telecommunications company serving over 52 million subscribers. Under the agreement, SAS and MTN Nigeria will examine the potential for collaborative projects using Internet of Things and narrow band applications across multiple fields in the growing African market.

After Reporting Date Events

26 August 2019	The Company released a Notice of Meeting for shareholder approval of a placement to raise AU$15m to sophisticated and professional investors. This placement has subsequently been replaced with the current Non-Renounceable Entitlement Issue for $10.8m and Placement for $5m as detailed in the Review of Operations.
17 September 2019	Sky and Space Global (UK) Ltd secured a US$550,000 short term loan from CSS Alpha (BVI) Limited, receiving US$473,938 after the deduction of associated fees. Interest accrues at 2% per month, the maturity date is 17 May 2020 and the loan is secured against US$600,000 of the amount due from UK tax authorities.
27 September 2019	The Company announced the results of the General Meeting held on 27 September 2019 with all resolutions put to shareholders being passed.
10 October 2019	Sky and Space Global (UK) Ltd announced the receipt of £1,425,382 in relation to the R&D tax rebate for the year ended 30 June 2019.
11 November 2019	Entitlement Issue Prospectus released detailing a Non-Renounceable Entitlement Issue for $10.8m and Placement for $5m detailed in the Review of Operations.
21 November 2019	The Company received an interim stop order from the Australian Securities and Investments Commission (ASIC) in relation to its prospectus dated 11 November 2019. The Company expects that the stop order will be lifted post lodgement of this report and resolution of the concerns raised by ASIC.

Apart from these matters, no other matters or circumstances have arisen since 30 June 2019 that has significantly affected, or may significantly affect the group's operations, the results of those operations, or the group's state of affairs in future financial periods other than those already disclosed by the Company.

Change in Nature and Scale of Operations
In May 2019 the Company signed a new 6U agreement with GomSpace to deliver newly designed 6U nano-satellites which will provide global coverage to the growing IoT market, increasing the potential customer base of the Company and enhancing the revenue opportunities. The longer-term vision of the Company remains the Pearls nano-satellite constellation that will provide 24/7 coverage over the equatorial region.

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.

Directors' Report

Future Developments, Prospects and Business Strategies
Subject to the completion of a successful capital raising following the lodgement of the financial statements, 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 year. The Company plans for the commercial service of the 6U nano-satellites to commence in Q4 2020. The Company will progress the manufacturing process for the Pearls after appropriate financing has been secured. 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.

Information on Directors and Secretary
Names, qualifications, experience, and special responsibilities of current directors and company secretary.

Name:	**Meir Moalem** (Appointed a director on 12 May 2016)
Title:	Managing Director
Experience and qualifications	A jet fighter pilot, Lt. Col (Res.) of the IAF, has over 20 years of experience in management, R&D and operation of state-of-the-art projects in Space Systems and Unmanned Aerial Systems, among those acting as a deputy sq. commander and leading the MEIDEX experiment on Space Shuttle Columbia (STS-107) as the project manager for Israel's first astronaut flight, Managing Israel's satellite projects (such as Ofeq, Tecsar) and more. Meir has a B.Sc. in Physics and computer sciences (with honours) and an M.A. from the Diplomacy and National Security executive program (with honours). Currently he is working on his PhD in national security and space programs in Tel Aviv University, Israel. Meir also received the Israel National Defence award in 2009
Other current directorships	None
Former directorships (last 3 years)	None
Interest in shares	Meir Moalem – 303,333,333 ordinary Shares MultiModis M.M.Ltd. (IL) – 22,333,334 ordinary Shares
Interest in options	Meir Moalem – 3,333,333 options exercisable at $0.05 each expiring 21 May 2022 MultiModis M.M.Ltd. (IL) – 3,333,334 options exercisable at $0.05 each expiring 21 May 2022

Name:	**Maya Glickman-Pariente** (Appointed a director on 12 May 2016)
Title:	Non-Executive Director
Experience and qualifications	Highly experienced and regarded as a global industry leader, Maya Glickman-Pariente is Sky and Space Global (UK) Ltd.'s Chief Constellation Officer and will lead the team on satellite mission analysis, mission control software development, and operations management. Maya is MASTER STK certified and was a Senior Satellite Engineer of communications satellite with wide experience in satellite operations. Maya was part of the AMOS-3 development team, LEOP and IOT missions as well as the AMOS-1 end of life mission team. She designed and optimized several large scale constellations for earth observation and communication use, and was involved in the assembly, integration and testing of "Duchifat-1", the first Israeli Nano-satellites. Maya has a B.Sc. in Aerospace Engineering and M.E in System Engineering, both from the Technion University, Aerospace faculty, and is also a graduate of the 2004 ISU summer session program in Adelaide, Australia. Recently, Maya was nominated Associate Chair of the space engineering department in the International Space University summer session program 2016.

Directors' Report

Other current directorships	None
Former directorships (last 3 years)	None
Interest in shares	Maya Glickman-Pariente – Nil Meidad Pariente (Husband) – 301,666,666 ordinary Shares Spacecialist Ltd. (IL) – 18,000,000 ordinary Shares
Interest in options	Meidad Pariente (Husband) – 1,666,666 options exercisable at $0.05 each expiring 21 May 2022

Name:	**Yonatan Shrama** (Appointed a director on 12 May 2016)
Title:	Non-Executive Director
Experience and qualifications	Yonatan has over 13 years of experience in business development and entrepreneurship in automotive technology systems, medical equipment and high technology security equipment. Yonatan has extensive experience in managing teams and processes. Yonatan is currently the chairman of Enigmo, a Cyber company, and VP Bizdev at Spacecialist.
Other current directorships	None
Former directorships (last 3 years)	None
Interest in shares	Yonatan Shrama – 301,666,666 Ordinary Shares Yonatan Shanan Ltd – 17,000,000 Ordinary Shares
Interest in options	Yonatan Shrama – 1,666,666 Options exercisable at $0.05 each expiring 21 May 2022

Remuneration Report (Audited)

The remuneration report, which has been audited, outlines the director and senior management/executives ("key management personnel") remuneration arrangements for the Company for the financial year ended 30 June 2019, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

Remuneration Policy
The objective of the Group's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders and conforms with the market best practice for delivery of reward. The Board of Directors (the "Board") ensures that executive reward satisfies the following key criteria for good reward governance practices:
- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage / alignment of executive compensation
- transparency

The reward framework is designed to align executive reward to shareholders' interests. The Board have considered that it should seek to enhance shareholders' interests by:
- having economic profit as a core component of plan design
- focusing on sustained growth in shareholder wealth, consisting of growth in share price and delivering constant or increasing return on assets as well as focusing the executive on key non-financial drivers of value
- attracting and retaining high calibre executives

Additionally, the reward framework should seek to enhance executives' interests by:
- rewarding capability and experience
- reflecting competitive reward for contribution to growth in shareholder wealth
- providing a clear structure for earning rewards in accordance with best practice corporate governance, the structure of non-executive director and executive remuneration are separate

Directors' Report

Compensation packages are currently fully fixed, being an early stage business with no variable compensation or short or long-term performance-based incentives.

The Board's policy for determining the nature and amount of remuneration for key management personnel of the group is as follows:

- The remuneration policy, setting the terms and conditions for the key management personnel, was developed and approved by the Board
- All key management personnel receive a base salary (which is based on factors such as length of service and experience) and may include other benefits (including superannuation, fringe benefits, options and performance incentives)
- The Board reviews key management personnel packages annually by reference to the Group's performance, executive performance and comparable information from industry sectors

Until the Company begins to generate revenue, the Board do not believe there is a basis to assess key management personnel packages based on performance-based indices like on turnover growth, return on capital and changes in operating income.

The Board may, however, exercise its discretion in relation to approving incentives, bonuses and options. Any changes must be justified by reference to measurable performance criteria.

The policy is designed to attract the highest calibre of executives and reward them for performance that results in long-term growth in shareholder wealth.

Key management personnel are also entitled to participate in the employee share and option arrangements. All remuneration paid to key management personnel is valued at the cost to the Company and expensed. Shares given to key management personnel are valued as the difference between the market price of those shares and the amount paid by key management personnel. Options are valued using the Black-Scholes or similar methodology.

Non-executive director remuneration
The Board policy is to remunerate Non-Executive Directors at market rates for time, commitment and responsibilities. The Board determines payments to the Non-Executive Directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required.

The chairman's fees have been and will be determined independently to the fees of other non-executive directors based on comparative roles in the external market. The chairman was and will not be present at any discussions relating to determination of his own remuneration. Non-executive directors did not receive share options or other incentives as part of their remuneration during the reporting period.

ASX listing rules require that the aggregate non-executive director remuneration shall be determined periodically by a general meeting.

To align directors' interests with shareholder interests, the Directors are encouraged to hold shares in the Company and have in the past been issued with options and performance rights.

Executive remuneration
The consolidated entity and company aim to reward executives with a level and mix of remuneration based on their position and responsibility, which is both fixed and variable.

The executive remuneration and reward framework has four components:

- base pay, consultancy and non-monetary benefits
- short-term performance incentives
- share-based payments
- other remuneration such as superannuation and long service leave

The combination of these comprises the executive's total remuneration.

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, are reviewed annually by the Remuneration Committee, based on individual and business unit performance, the overall performance of the consolidated entity and comparable market remuneration.

Directors' Report

At 30 June 2019 and during the financial year to 30 June 2019 the executive remuneration consisted of fixed remuneration only, being an early stage business.

Consolidated entity performance and link to remuneration
The company's remuneration policy seeks to reward staff members for their contribution to achieving significant milestones but there is no direct link between remuneration paid and growth in the company's share price or financial performance.

Services from remuneration consultants
During the current financial year, the Board did not engage the services of remuneration consultants.

In the future the Board and/ or Remuneration committee will consider the use of remunerations consultants, primarily to review the amount and elements of the key management personnel remuneration and provide recommendations in relation thereto and to provide other services including:

- summarising the key terms and conditions of each contract for services to enable the remuneration committee to assess whether the terms and conditions are consistent across different parts of the business;
- advice in relation to the embodiment of risk in the assessment of performance for the vesting of remuneration awards; and
- expatriate compliance services.

Key Management Personnel
The contracts for service between the Company and key management personnel are on a continuing basis, the terms of which are not expected to change in the immediate future. Upon retirement key management personnel are paid employee benefit entitlements accrued to date of retirement. Any options not exercised before or on the date of termination lapse.

All directors had contracts in place with the Group during the financial period as detailed below:
Mr Meir Moalem, Managing Director

- Letter of Appointment dated 21 March 2016 effective from acquisition of Sky and Space Global (UK) Ltd
  - Fee from 1 July 2017 to 30 April 2019 was A$18,000 per month, from 1 May 2019 this fee was reduced to A$9,000 per month
- Director Agreement with Sky and Space Global (UK) Ltd
  - Fee from 1 July 2017 to 30 April 2019 was US$2,750 per month, from 1 May 2019 this fee was reduced to US$1,375 per month
- Consultancy Agreement dated 1 December 2015 with Sky and Space Global (UK) Ltd
  - Fee from 1 July 2017 to 31 December 2018, the date the agreement was terminated, was US$16,500 per month
- Consultancy Agreement dated 1 January 2019 with Sky and Space Global (Israel) Ltd
  - Fee from 1 January 2019 to 30 April 2019 was US$16,500 per month, from 1 May 2019 this fee was reduced to US$8,250

Mrs Maya Glickman-Pariente, Non-Executive Director

- Letter of Appointment dated 21 March 2016 effective from acquisition of Sky and Space Global (UK) Ltd
  - Fee from 1 July 2017 to 30 April 2019 was A$4,000 a month, from 1 May 2019 this fee was reduced to A$2,000 a month
- Consultancy Agreement dated 1 December 2015 with Sky and Space Global (UK) Ltd
  - Fee from 1 July 2017 to 31 December 2018, the date the agreement was terminated, was US$16,500 per month
- Consultancy Agreement dated 1 January 2019 with Sky and Space Global (Israel) Ltd
  - Fee from 1 January 2019 to 30 April 2019 was US$16,500 per month, from 1 May 2019 this fee was reduced to US$8,250

Mr Yonatan Shrama, Non-Executive Director

- Letter of Appointment dated 21 March 2016 effective from acquisition of Sky and Space Global (UK) Ltd
  - Fee from 1 July 2017 to 30 April 2019 was A$4,000 a month, from 1 May 2019 this fee was reduced to A$2,000 a month
- Director Agreement with Sky and Space Global (UK) Ltd
  - Fee from 1 July 2017 to 30 April 2019 was US$2,750 per month; from 1 May 2019 this fee was reduced to US$1,375 per month
- Consultancy Agreement dated 1 December 2015 with Sky and Space Global (UK) Ltd

Directors' Report

  - Fee from 1 July 2017 to 31 December 2018, the date the agreement was terminated, was US$16,500 per month
- Consultancy Agreement dated 1 January 2019 with Sky and Space Global (Israel) Ltd
  - Fee from 1 January 2019 to 30 April 2019 was US$16,500 per month, from 1 May 2019 this fee was reduced to US$8,250

Mr Meidad Pariente
- Director Agreement with Sky and Space Global (UK) Ltd
  - Fee from 1 July 2017 to 30 April 2019 was US$2,750 per month; from 1 May 2019 this fee was reduced to US$1,375 per month
- Consultancy Agreement dated 1 December 2015 with Sky and Space Global (UK) Ltd
  - Fee from 1 July 2017 to 31 December 2018, the date the agreement was terminated, was US$16,500 per month
- Consultancy Agreement dated 1 January 2019 with Sky and Space Global (Israel) Ltd
  - Fee from 1 January 2019 to 30 April 2019 was US$16,500 per month, from 1 May 2019 this fee was reduced to US$8,250

Details of Remuneration
2019 - Compensation of Key Management Personnel Remuneration

	Cash			
	Short-term benefits			
Directors	**Salary & Fees**	**Consultancy services**	**Superannuation**	**Total**
Meir Moalem	257,339	270,371	-	527,710
Brett Mitchell*	58,000	-	-	58,000
Peter Wall**	20,000	-	-	20,000
Michael Malone***	31,636	-	-	31,636
Di Fulton#	21,147	-	2,009	23,156
Yonatan Sharma	103,278	260,590	-	363,867
Maya Glickman-Pariente	44,000	261,814	-	305,814
KMP				
Meidad Pariente	59,318	270,441	-	329,759
Total	**594,718**	**1,063,216**	**2,009**	**1,659,943**

** Resigned 31 October 2018*
*** Resigned 3 December 2018*
**** Appointed 1 November 2018 and resigned 8 April 2019*
 # Appointed 4 December 2018 and resigned 8 April 2019

2018 - Compensation of Key Management Personnel Remuneration

	Cash		Non-cash		
	Short-term benefits				
Directors	**Salary & Fees**	**Consultancy services**	**Equity**	**Share based Payments**	**Total**
Meir Moalem	260,911	269,464	1,689,333	-	2,219,708
Brett Mitchell	216,000	-	387,000	188,881	791,881
Peter Wall	50,000	-	86,000	41,973	177,973
Yonatan Sharma	88,997	265,540	1,574,667	-	1,929,204
Maya Glickman-Pariente	48,000	270,036	-	-	318,036
KMP					
Meidad Pariente	42,790	270,036	2,700,000	-	3,012,826
Total	**706,698**	**1,075,076**	**6,437,000**	**230,854**	**8,449,628**

All Directors have contracts with the Company.

Directors' Report

Shareholdings of Key Management Personnel

Details of equity instruments (other than options and rights) held directly, indirectly or beneficially by KMP and their parties are as follows.

2019

Directors	Opening Balance 1 July 18	Granted as Compensation	Performance Shares/Rights Converted	Net Other Changes1	Closing Balance 30 June 19
Meir Moalem	319,000,000	-	-	6,666,667	325,666,667
Brett Mitchell*	19,000,000	-	4,500,000[3]	-	23,500,000##
Peter Wall**	6,000,000	-	1,000,000[3]	-	7,000,000##
Michael Malone***	-		-		-##
Di Fulton#	-		-		-##
Yonatan Shrama	317,000,000	-	-	1,666,666	318,666,666
Maya Glickman-Pariente[i]	-	-	-	-	-
KMP					
Meidad Pariente	318,000,000	-	-	1,666,666	319,666,666
Total	**979,000,000**	**-**	**5,500,000**	**9,999,999**	**994,499,999**

* *Resigned 31 October 2018*
** *Resigned 3 December 2018*
*** *Appointed 1 November 2018 and resigned 8 April 2019*
\# *Appointed 4 December 2018 and resigned 8 April 2019*
\#\# *Closing balance at the date of resignation*
1 Net other changes are as a result of shares allotted on share issues and other movement due to changes in directors and directors' related entities.
i Maya Glickman-Pariente is the wife of Meidad Pariente.
3. Note Brett Mitchell and Peter Wall converted 4,500,000 and 1,000,000 performance rights respectively.

2018

Directors	Opening Balance 1 July 17	Granted as Compensation	Performance Shares/Rights Converted	Net Other Changes[1]	Closing Balance 30 June 18
Meir Moalem	276,333,333	-	42,666,667	-	319,000,000
Brett Mitchell	14,500,000	-	4,500,000[3]	-	19,000,000
Peter Wall	5,000,000	-	1,000,000[3]	-	6,000,000
Yonatan Shrama	275,666,667	-	41,333,333	-	317,000,000
Maya Glickman-Pariente[i]	-	-	-	-	-
KMP					
Meidad Pariente	276,000,000	-	42,000,000	-	318,000,000
Total	**847,500,000**	**-**	**131,500,000**	**-**	**979,000,000**

i Maya Glickman-Pariente is the wife of Meidad Pariente.
3. Note Brett Mitchell and Peter Wall converted 4,500,000 and 1,000,000 performance rights respectively after 30 June 2018 balance date.

Options Holdings of Key Management Personnel

Details of options held directly, indirectly or beneficially by KMP and their related parties are as follows:

2019

Directors	Opening Balance 1 July 18	Granted as Compensation	Options Converted	Net Other Changes[1]	Closing Balance 30 June 19
Meir Moalem	-	-	-	6,666,667	6,666,667
Brett Mitchell*	-	-	-	-	-##
Peter Wall**	-	-	-	-	-##
Michael Malone***	-	-	-	-	-##
Di Fulton#	-	-	-	-	-##
Maya Glickman-Pariente	-	-	-	-	-
Yonatan Shrama	-	-	-	1,666,666	1,666,666
KMP					
Meidad Pariente	-	-	-	1,666,666	1,666,666
Total	**-**	**-**	**-**	**9,999,999**	**9,999,999**

* *Resigned 31 October 2018*
** *Resigned 3 December 2018*
*** *Appointed 1 November 2018 and resigned 8 April 2019*

Directors' Report

 # Appointed 4 December 2018 and resigned 8 April 2019
Closing balance at the date of resignation
[1] Net other changes are as a result of shares allotted on share issues and other movement due to changes in directors and directors' related entities.

2018
There were no options held by the Board or Key Management Personnel during the 2018 financial year.

Performance Shareholdings of Key Management Personnel
There were no performance shareholdings and rights granted during the 2019 financial year nor held by the Board or Key Management Personnel at the end of the 2019 financial year.

In the financial year ended 2018 the performance shareholdings and rights held directly, indirectly or beneficially by KMP and their related parties are as follows:

Directors	Opening Balance 1 July 17	Granted as Compensation	Performance Shares Converted	Net Other Changes	Closing Balance 30 June 18
Meir Moalem	30,000,000	-	(30,000,000)	-	-
Brett Mitchell	-	-	-	-	-
Peter Wall	-	-	-	-	-
Maya Glickman-Pariente	-	-	-	-	-
Yonatan Shrama	30,000,000	-	(30,000,000)	-	-
KMP					
Meidad Pariente	30,000,000	-	(30,000,000)	-	-
Total	**90,000,000**	**-**	**(90,000,000)**	**-**	**-**

Performance Rights of Key Management Personnel
Details of performance right and rights held directly, indirectly or beneficially by KMP and their related parties are as follows:

2019

Directors	Opening Balance 1 July 18	Granted as Compensation	Options Exercised	Net Other Changes	Closing Balance 30 June 19
Meir Moalem	-	-	-	-	-
Brett Mitchell	4,500,000	-	-	(4,500,000)	-
Peter Wall	1,000,000	-	-	(1,000,000)	-
Maya Glickman-Pariente	-	-	-	-	-
Yonatan Shrama	-	-	-	-	-
KMP					
Meidad Pariente	-	-	-	-	-
Total	**5,500,000**	**-**	**-**	**(5,500,000)**	**-**

2018

Directors	Opening Balance 1 July 17	Granted as Compensation	Options Exercised	Net Other Changes	Closing Balance 30 June 18
Meir Moalem	12,666,667	-	-	(12,666,667)	-
Brett Mitchell	9,000,000	-	-	(4,500,000)	4,500,000
Peter Wall	2,000,000	-	-	(1,000,000)	1,000,000
Maya Glickman-Pariente	-	-	-	-	-
Yonatan Shrama	11,333,333	-	-	(11,333,333)	-
KMP					
Meidad Pariente	12,000,000	-	-	(12,000,000)	-
Total	**47,000,000**	**-**	**-**	**(41,500,000)**	**5,500,000**

End of Remuneration Report

Directors' Report

Meetings of Directors

The Directors attendances at Board meetings held during the period were:

	Board Meetings	
	Number eligible to attend	Number attended
Meir Moalem	8	8
Michael Malone	7	7
Di Fulton	7	7
Brett Mitchell	0	0
Peter Wall	0	0
Maya Glickman-Pariente	8	7
Yonatan Shrama	8	7

The Company does not have a remuneration or nomination committee ("Committees"), due to the current size of the Company and its operations. Until the situation changes the Board of Sky and Space Global will carry out any necessary Committee functions. The Board undertakes this role with the assistance of any external advice which may be required from time to time.

The audit committee met twice during the year, on 21 February 2019 and 21 March 2019. Currently the Group does not have an audit committee but will look to re-establish the committee once new Directors have joined the Board.

Corporate Governance

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of Sky and Space Global Ltd support and have adhered to the principles of sound corporate governance. The Board recognises the recommendations of the Australian Stock Exchange Corporate Governance Council and considers that the Company is in compliance with those guidelines which are of importance to the commercial operation. During the financial period, shareholders continued to receive the benefit of an efficient and cost-effective corporate governance policy for the Company. The Corporate Governance Policies are available on the Company's website
https://www.skyandspace.global/corporate/corporate-governance/

The Company has not had two Australian resident non-executive directors since the resignations of Mr Michael Malone and Ms Di Fulton in April 2019. This resulted in the voluntary suspension of the Company from the ASX on 9 April 2019. Prior to the commencement of trading two Australian resident non-executive directors will be appointed to join the Board.

Options

At the date of this report the Company has 329,075,133 listed options on issue (ASX: SASOC). The listed options are exercisable at $0.05 each and expire on 21 May 2022.

Indemnifying Officers or Auditor

During or since the end of the financial period, the Company has given an indemnity or entered into an agreement to indemnify, or paid or agreed to pay insurance premiums as follows:
The Company has paid premiums to insure all of the Directors of the Company as named above, the Company secretary and all executive officers of the Company against any liability incurred as such by a director, secretary or executive officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the notice of the liability and the amount of the premium. The Company has not indemnified the auditor or paid any insurance premium on behalf of the auditor.

Proceedings on behalf of Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not a party to any such proceedings during the period.

Directors' Report

Non-audit Services
The Board of Directors is satisfied that the provision of non-audit services during the period is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The Directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- All non-audit services are reviewed and approved by the Board of Directors prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- The nature of the service provided do not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

During the period, there were no fees paid or payable for non-audit services by KPMG and its related practices.

Auditor appointment
KPMG were appointed as Auditor of the Group on 30 November 2018.

Rounding off
The Company is a kind referred to in instrument 2016/191 issued by the Australian Securities and Investment Commission, relating to the "rounding off" of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with that class order to the nearest dollar.

Auditor's Independence Declaration
The lead auditor's independence declaration for the period ended 30 June 2019 has been received and can be found on page 16 of the financial report.

This report is made in accordance with a resolution of Directors. These financial statements were authorised for issue on 3 December 2019 by the Directors of the Company.

Meir Moalem
Managing Director
Dated 3 December 2019

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

To the Directors of Sky and Space Global Ltd

I declare that, to the best of my knowledge and belief, in relation to the audit of Sky and Space Global Ltd for the financial year ended 30 June 2019 there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

David Sinclair

Partner

Sydney

3 December 2019

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2019

	Note	30 June 19 $	30 June 2018 $
Revenue		-	649
Other income	5	20,411	71,454
Professional and consultancy fees		(2,898,898)	(1,739,213)
Marketing expenses		(555,243)	(757,960)
Travel and subsistence costs		(677,656)	(685,761)
Corporate expenses		(160,714)	(145,421)
Directors' fees		(596,726)	(704,066)
Employee benefits expense		(2,151,689)	(415,125)
Office and administration costs		(1,018,087)	(923,245)
Share based payments		-	(2,202,433)
Depreciation	12	(1,057,375)	(1,137,614)
Amortisation	13	(94,962)	-
Impairment loss	9	(24,037,042)	
Finance costs		(35,151)	(24,271)
Other expenses		(510,073)	(136,118)
Loss before income tax (restated*)		**(33,773,205)**	**(8,799,124)**
Income tax benefit (restated*)	6	3,377,498	475,141
Loss after income tax		**(30,395,707)**	**(8,323,983)**
Loss after income tax for the year attributable to:			
Member of the parent entity		(30,414,804)	(8,346,206)
Non-controlling interest		19,097	22,223
		(30,395,707)	**(8,323,983)**
Other comprehensive income for the year			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on the translation of foreign operations		(2,871)	311,285
Other comprehensive income (net of tax) for the year		**(2,871)**	**311,285**
Total comprehensive loss for the year		**(30,398,578)**	**(8,012,698)**
Total comprehensive loss attributable to:			
Members of the parent entity		(30,418,511)	(8,034,150)
Non-controlling interest		19,933	21,452
		(30,398,578)	**(8,012,698)**
Earnings per share for loss attributable to the ordinary equity holders of the parent:			
From continuing and discontinued operations			
Basic loss per share (cents)	8	(1.56)	(0.49)
Diluted loss per share (cents)	8	(1.56)	(0.49)

*Refer to Note 4(c).

The accompanying notes form part of these financial statements

Consolidated Statement of Financial Position

As at 30 June 2019

	Note	30 June 19 $	30 June 2018 $
CURRENT ASSETS			
Cash and cash equivalents	*10*	1,935,055	8,888,289
Other receivables	*11*	3,015,659	1,232,513
Total Current Assets		**4,950,714**	**10,120,802**
NON-CURRENT ASSETS			
Plant and equipment	*12*	215,362	10,323,869
Intangible assets	*13*	-	4,211,064
Total Non-Current Assets		**215,362**	**14,534,933**
TOTAL ASSETS		**5,166,076**	**24,655,735**
CURRENT LIABILITIES			
Trade and other payables	*15*	1,545,099	1,632,079
Interest-bearing loans and borrowings	*16*	1,570,152	-
Current tax liabilities		115,950	45,356
Employee benefits		70,236	67,951
Total Current Liabilities		**3,301,437**	**1,745,386**
TOTAL LIABILITIES		**3,301,437**	**1,745,386**
NET ASSETS		**1,864,639**	**22,910,349**
EQUITY			
Contributed equity	*17*	61,078,478	51,252,611
Share based payment reserve	*18(a)*	-	473,000
Foreign currency translation reserve	*18(b)*	129,848	133,555
Accumulated losses		(59,385,534)	(28,970,731)
Equity attributable to equity holders of the parent		**1,822,792**	**22,888,435**
Non-controlling interest	22	41,847	21,914
TOTAL EQUITY		**1,864,639**	**22,910,349**

The accompanying notes form part of these financial statements

Consolidated Statement of Changes in Equity

For the year ended 30 June 2019

CONSOLIDATED GROUP	Contributed Equity	Performance Shares	Share Based Payment Reserve	Foreign Currency Translation Reserve	Accumulated losses	Non-Controlling Interest	Total
	$	$	$	$	$	$	$
Balance at 30 June 2018	**51,252,611**	**-**	**473,000**	**133,555**	**(28,970,731)**	**21,914**	**22,910,349**
Foreign currency translation	-	-	-	(3,707)	-	836	(2,871)
Loss after income tax expense for the year	-	-	-	-	(30,414,803)	19,097	(30,395,706)
Total comprehensive loss for the year	**-**	**-**	**-**	**(3,707)**	**(30,414,803)**	**19,933**	**(30,398,577)**
Shares issued during the year (net of share issue costs)	9,352,867	-	-	-	-	-	9,352,867
Transfer to issued capital	473,000	-	(473,000)	-	-	-	-
Balance at 30 June 2019	**61,078,478**	**-**	**-**	**129,848**	**(59,385,534)**	**41,847**	**1,864,639**
Balance at 30 June 2017	**30,580,628**	**1,648,484**	**3,435,257**	**(178,501)**	**(20,624,525)**	**462**	**14,861,805**
Foreign currency translation	-	-	-	312,056	-	(771)	311,285
Loss after income tax expense for the year	-	-	-	-	(8,346,206)	22,223	(8,323,983)
Total comprehensive loss for the year	**-**	**-**	**-**	**312,056**	**(8,346,206)**	**21,452**	**(8,012,698)**
Shares issued during the year (net of share issue costs)	13,858,808	-	-	-	-	-	13,858,808
Issue of performance shares	-	351,516	-	-	-	-	351,516
Share based payment	-	-	1,850,918	-	-	-	1,850,918
Transfer to issued capital	6,813,175	(2,000,000)	(4,813,175)	-	-	-	-
Balance at 30 June 2018	**51,252,611**	**-**	**473,000**	**133,555**	**(28,970,731)**	**21,914**	**22,910,349**

The accompanying notes form part of these financial statements

Consolidated Statement of Cash Flows

For the year ended 30 June 2019

	Note	30 June 19 $	30 June 2018 $
Cash flows from operating activities			
Receipts from customers		-	649
Interest received		20,411	72,239
Payments to suppliers and employees		(8,280,571)	(4,761,168)
Income tax paid		(5,862)	(21,926)
Net cash used in operating activities	*24*	**(8,266,022)**	**(4,710,206)**
Cash flows from investing activities			
Purchase of plant and equipment		(1,322,235)	(6,971,077)
R&D rebates and grants received		1,442,775	-
Payments for development expenditure		(9,375,556)	(2,977,288)
Net cash used in investing activities		**(9,255,016)**	**(9,948,365)**
Cash flows from financing activities			
Proceeds from issue of shares and options		9,872,258	15,000,000
Net proceeds from borrowings		1,427,411	-
Capital raising costs		(544,747)	(1,141,192)
Net cash provided by financing activities		**10,754,922**	**13,858,808**
Net decrease in cash and cash equivalents held		**(6,766,116)**	**(799,763)**
Cash and cash equivalents at beginning of year		8,888,289	9,939,636
Foreign exchange movement in cash		(187,118)	(251,584)
Cash and cash equivalents at end of year	*10*	**1,935,055**	**8,888,289**

The accompanying notes form part of these financial statements

Notes to the Financial Statements

1. CORPORATE INFORMATION

The consolidated financial statements of Sky and Space Global Ltd and its controlled entities (collectively, the "Group") for the year ended 30 June 2019 were authorised for issue in accordance with a resolution of Directors on 3 December 2019. Sky and Space Global Ltd (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 nature of the operations and principal activities of the Group are described in the Directors' Report. Information on the Group's structure is provided in Note 14. Information on other related party relationships is provided in Note 21.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Statement of Compliance

The consolidated financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board ("AASB") and the Corporations Act 2001 as appropriate for 'for-profit' entities.

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 Standards 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.

b) Basis of Preparation

The financial statements have been prepared on a basis other than going concern, which includes, where appropriate, writing down the Company's assets to their recoverable amount. The financial statements have been prepared on this basis due to the lack of certainty in the ability of the Company to raise A$15.8m through an entitlement offer and placement offer, as announced by the Company after the year end, as well as other key uncertainties noted in note 2c. In preparing the financial statements on a basis other than going concern, the Company has continued to apply the requirements of Australian Accounting Standards taking into account that the entity is not expected to continue as a going concern.

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3. The financial report is presented in Australian dollars except where otherwise indicated.

c) Other than going concern

The financial report has been prepared on a basis other than going concern given the circumstances detailed below.

The Group incurred a loss from continuing operations of $30,395,707 (2018: loss $8,323,983) during the year ended 30 June 2019, net cash outflows from operational and investment activities of $17,521,038 (2018: outflows $14,658,571), and had a net working capital surplus of $1,649,277 as at 30 June 2019 (2018: surplus $8,375,416).

The ability of the Group to return to and maintain the going concern basis of preparation is principally dependent upon the ability of the Group 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 20 to the financial report. The ability to return to the going concern basis is particularly dependent on:

- The ability of the Company to raise A$15.8m through an entitlement offer and placement offer, as announced by the Company after the year end. There is insufficient certainty that the full $15.8m will be raised, especially given that the entitlement issue is not underwritten and the recent history of unsuccessful capital raising;
- The receipt of R&D tax claims and government grants;
- The successful launch of a constellation of 8 6U satellites and receipt of prepayments from customers related to ground terminals; and
- The ability of the Company to negotiate successfully with key suppliers to delay or renegotiate committed future expenditure if required due to funds constraints.

Notes to the Financial Statements

In order to fulfil longer term commitments and continue the current business plan additional funding would be required beyond 12 months from the report date sign off.

If the necessary funds are not raised the Company will need to reassess its business objectives including, but not limited to, further deferring the manufacture and launch of satellites, limiting operational costs, seeking alternative additional funding and, if required, entering a caretaker mode of operations until the required funding is secured.

Given the circumstances detailed above, the Directors have concluded that the other than going concern basis is appropriate for the preparation of the financial statements.

d) Impact of not adopting the going concern basis of accounting on measurement of assets
Certain assets have been impaired as those assets cannot generate any future economic benefits to recover their carrying amounts, assuming the other than going concern basis:
- The carrying value of trade and other receivables has been impaired by A$29,045;
- The carrying value of the plant and equipment has been impaired by A$10,093,194; and
- The carrying value of intangible assets has been impaired by A$13,914,803.

The accounting policies adopted are consistent with those of the previous financial year except for changes specified related to preparation of the financial statements not on a going concern basis.

Comparative information has not been restated.

e) Principles of Consolidation
The consolidated financial statements comprise the financial statements of Sky and Space Global Ltd ("the Company") and its subsidiaries as at 30 June 2019.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:
- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:
- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income ("OCI") are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it: de-recognises the assets (including goodwill) and liabilities of the subsidiary; de-recognises the carrying amount of any non-controlling interests; de-recognises the cumulative translation differences recorded in equity; recognises the fair value of the consideration received; recognises the fair value of any investment retained; recognises any surplus or deficit in profit or loss; and reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

Notes to the Financial Statements

f) Current and Non-Current classification

The group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period; or
- A Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.
A liability is current when it is:

- Expected to be settled in normal operating cycle;
- Held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The group classifies all other liabilities as non-current.
Deferred tax assets and liabilities are classified as non-current assets and liabilities.

g) Intangible Assets

Intangible assets acquired as part of a business combination or asset acquisition, other than goodwill, are initially measured at their fair value at the date of acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. The gains and losses recognised in profit or loss arising from the de-recognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The amortisation method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Research and software development costs
Research costs are expensed as incurred. Development expenditures constitute costs relating to the design and development of software for satellites. The design costs are integral to the software being developed and therefore the design and development costs are recognised together as one intangible asset under the heading software development costs. These costs are recognised as an intangible asset where the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale;
- Its intention to complete and its ability and intention to use or sell the asset;
- How the asset will generate future economic benefits;
- The availability of resources to complete the asset; and
- The ability to measure reliably the expenditure during development.

Following initial recognition of the software development costs as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete, and the asset is available for use. It is amortised over the period of expected future benefit. Amortisation is recorded in administrative expenditure. During the period of development, the asset is assessed for impairment annually.

The estimated useful lives range as follows

Licences	-	1-5 years
Software development costs	-	3-5 years

h) Income Tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in the deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax benefit is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries and associates operate and generate taxable income. The current income tax benefit includes the amount due to the company in relation to the R&D claim filed by Sky and Space Global (UK) Limited in respect of qualifying R&D costs.

Notes to the Financial Statements

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group.
Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

i) Impairment of Non-Financial Assets

At each reporting date, the Group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of profit or loss.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. Fair value less costs of disposal is assessed based on the best information available to reflect the amount that an entity could obtain, at the end of the reporting period, from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting costs of disposal. Value in use is the present value of the future cash flows expected to be derived from an asset or a cash-generating unit. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease. When an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior periods. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

j) Employee Benefits

A provision is made for the Group's liability for employee benefits arising from services rendered by employees to reporting date. Employee benefits that are expected to be settled within one period have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs.

The Group has an auto-enrolment pension scheme for UK employees. Contributions are charged to the statement of profit and loss in the period they are payable.

Notes to the Financial Statements

k) Foreign Currency Translation

Functional and Presentation Currency
Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Australian dollars, which is the Company's functional and presentation currency.

Transactions and Balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit and loss and other comprehensive income, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit and loss, within finance costs. All other foreign exchange gains and losses are presented in the statement of profit or loss on a net basis within other income or other expenses.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Transaction differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

Group companies
On consolidation, the assets and liabilities of foreign operations are translated into Australian dollars at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation purposes are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

l) Segment Reporting

An operating segment is a component of the consolidated group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the consolidated group's other components.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors.

m) Cash and Cash Equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

n) Revenue from contracts with customers

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control over a good or service to a customer.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

o) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset, or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Notes to the Financial Statements

Cash flows are presented in the consolidated statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

p) Contributed Equity

Issued and paid up capital is recognised at the fair value of the consideration received by the group. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the proceeds received.

q) Share Based Payments

Share based compensation relating to share options are recognised at fair value. The fair value of the options is recognised as an employee benefit expense in the statement of profit or loss and other comprehensive income, with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted, which includes any market performance conditions and the impact of any non-vesting conditions but excludes the impact of any service and non-market performance vesting conditions.

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

Upon exercise of share options, the proceeds received net of any directly attributable transaction costs are allocated to share capital.

r) Plant and Equipment

Plant and equipment are stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of plant and equipment over their expected useful lives as follows:

Office equipment	3-5 years
Nano-Satellite equipment	3-5 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the group. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

s) Financial instruments

Recognition and measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price. Impairment provisions are recognised based on the expected credit loss model, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable.

Classification and subsequent measurement

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Notes to the Financial Statements

Financial liabilities are classified as measured at amortised cost or FVTPL. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. All financial instruments in the group are measured at amortised cost.

Derecognition
The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

t) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

u) Government Grants

Government grants are recognised when there is a reasonable assurance that the grant will be received, and all attached conditions will be compiled with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

Notes to the Financial Statements

v) Rounding of Amounts

The Company is a kind referred to in instrument 2016/191 issued by the Australian Securities and Investment Commission, relating to the "rounding off" of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with that class order to the nearest dollar.

w) Earnings per Share

Basic earnings per share
Basic earnings per share is calculated by dividing the net profit or loss after income tax attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial period, adjusted for bonus elements in ordinary shares issued during the period.

Diluted earnings per share
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary share and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

x) Parent entity financial information

The financial information for the parent entity, Sky and Space Global Ltd, disclosed in Note 26 has been prepared on the same basis as the consolidated financial statements, except as set out below:

Investments in subsidiaries, associates and joint venture entities
Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the financial statements of Sky and Space Global Ltd.

Investments in subsidiaries have been impaired this year due to the accounts not being prepared on a going concern basis, see note 26 for further details.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the group.

a) Income Taxes

The group has carried forward tax losses which have not been recognised as deferred tax assets as it is not considered sufficiently probable that these losses will be recouped by means of future profits taxable in the relevant jurisdictions.

b) Impairment

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use.

c) Software development costs

Work performed by certain employees and consultants relates specifically to the development and design of the nano-satellite technology and is therefore capitalised once the criteria set out in Note 2(g) is met. Management continue to review and assess the work performed by these employees and consultants and review the asset for impairment annually.

4. APPLICATION OF NEW AND REVISED ACCOUNTING STANDARDS

a) New or revised standards and interpretations that are first effective in the current reporting period

The Group has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ("AASB") that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Group during the financial year.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Notes to the Financial Statements

b) Accounting standards issued but not yet effective

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective and have not been adopted by the group for the annual reporting period ending 30 June 2019, are set out below.

Reference	Title	Summary	Application date for reporting periods beginning or after	Application date for Company in financial year end
AASB 16	Leases	AASB 16 was issued in February 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change. The Group plans to adopt this Standard retrospectively with the cumulative effect of initially applying the Standard recognised at the date of initial application. The Group estimates that the net impact on the statement of financial position at 30 June 2019 and the statement of profit or loss for the year ended 30 June 2019 will be immaterial. The right of use asset and lease liability to be recognised is expected to be between $394,350 and $477,033.	1 January 2019	30 June 2020
AASB interpretation 23	Uncertainty over Income Tax Treatments	Interpretation 23 provides new guidance on the application of AASB 112 Income Taxes in situations where there is uncertainty over the appropriate income tax treatment of a transaction or class of transactions, and about whether a treatment will be accepted by a tax authority. Interpretation 23 applies to income taxes within the scope of AASB 112 only, which are those based on profits, such as, company tax. Taxes that are not based on profits (for example GST) are outside the scope of this Interpretation. Interpretation 23 should be applied consistently to the recognition of both current and deferred taxes. The Group plans to adopt this standard and expects that there will be no material impact on the financial statements following adoption on 1 July 2019.	1 January 2019	30 June 2020

The group has applied the following standards and amendment for the first time for their annual reporting period commencing 1 July 2018:

- AASB 9 Financial Instruments
- AASB 15 Revenue from Contracts with Customers
- AASB 2016-5 Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions
- AASB 2017-3 Amendments to Australian Accounting Standards - Clarifications to AASB 4
- AASB 2017-5 Amendments to Australian Accounting Standards - Effective Date of Amendments to AASB 10 AND AASB 128 and Editorial Corrections
- AASB Interpretation 22 Foreign Currency Transactions and Advance Consideration

The adoption of these amendments did not have any impact on the amounts recognised in prior periods and did not affect the current period.

Notes to the Financial Statements

c) Restatement

In the consolidated statement of profit or loss and other comprehensive income for the year ended 30 June 2018 a research and development rebate of $502,002 was presented as a separate line entitled "research and development rebate". This amount has been reclassified to now be shown within the income tax benefit for the year ended 30 June 2018 in order to comply with AASB 112 Income Taxes. The year ended 30 June 2018 income tax benefit is therefore now an income tax benefit of $475,141 rather than an expense of $26,861 as presented in the 2018 annual report. Consequential changes and restatements have also been made to note 6 and note 24 below. There has been no change in the net loss after income tax for 2018.

5. OTHER INCOME

	30 June 19 $	30 June 18 $
Interest received	20,411	71,454
	20,411	**71,454**

6. INCOME TAX EXPENSE

	30 June 19 $	30 June 18 (Restated*) $
a) The major components of income tax expense comprise:		
Current income tax expense	(67,059)	(26,861)
Current year R&D rebate	2,544,938	502,002
Changes in estimate related to prior years R&D rebate	899,619	-
Income tax benefit reported in the statement of profit or loss	**3,377,498**	**475,141**
b) The prima facie tax on loss before income tax is reconciled to the income tax benefit as follows:		
Accounting loss before tax from continuing operations	(33,773,205)	(8,799,124)
At Australia's statutory income tax rate of 27.5% (2018: 27.5%)	(9,287,631)	(2,419,759)
Add: Tax effect of:		
Non-allowable items - Others	164,628	624,939
Non-allowable items - Impairment loss	6,607,172	-
Less: Tax effect of:		
Current year R&D rebate	(2,544,938)	(502,002)
Prior year R&D rebate	(899,619)	-
Current year non-deductible R&D expense	1,426,245	1,346,970
Effect of tax rates in foreign jurisdictions	537,410	436,224
Tax benefit through equity not recognised	(9,564)	(36,780)
DTA/DTL not recognised	628,799	75,267
Income tax benefit	(3,377,498)	(475,141)
c) Deferred tax		
Deferred Tax Assets not recognised, the benefits will only be realised if the conditions for deductibility set out in Note 2(h) occur		
Tax Losses	8,640,408	6,250,310
Temporary Differences	(4,058,858)	(2,297,558)
Total	4,581,550	3,952,752

The Parent entity has tax losses that arose in Australia of $14,519,904 (2018: $11,436,154) that are available for offsetting against future taxable profits of the parent company.

*Refer to Note 4(c).

Notes to the Financial Statements

7. AUDITORS' REMUNERATION

	30 June 19 $	30 June 18 $
Remuneration of the auditors of the group:		
Audit fees and review of financial reports – group auditor	99,525	49,000
Audit fees and review of financial reports – subsidiaries auditor	117,616	27,781
	217,141	**76,781**

Group auditor in the year to June 2019 was KPMG Australia, in the year to June 2018 the group auditor was Bentleys. Subsidiaries auditor in the year to June 2019 was KPMG UK, in the year to June 2018 the subsidiaries auditor was Kreston Reeves.

8. EARNINGS PER SHARE

	30 June 19 $	30 June 18 $
Basic loss per share (cents)	(1.56)	(0.49)
Diluted loss per share (cents)	(1.56)	(0.49)
Reconciliation of earnings to profit or loss		
(Loss) used in calculating basic and diluted EPS	(30,414,804)	(8,346,206)
	Number	**Number**
Weighted average number of ordinary shares and potential ordinary shares		
Weighted average number of ordinary shares used in calculating basic and diluted EPS	1,945,150,170	1,706,378,535

9. IMPAIRMENT

	Note	30 June 19 $	30 June 2018 $
Impairment of Plant and Equipment	*12*	10,093,194	-
Impairment of Intangible assets	*13*	13,914,803	-
Impairment of Trade and other receivables	*11*	29,045	-
		24,037,042	-

Please see note 2d for the reasons for the impairment.

10. CASH AND CASH EQUIVALENTS

	30 June 19 $	30 June 18 $
Cash at bank	1,935,055	8,888,289
	1,935,055	**8,888,289**

11. TRADE AND OTHER RECEIVABLES

	30 June 19 $	30 June 18 $
Other receivables*	2,513	22,096
Prepayments**	239,022	457,255
Deposit paid	63,735	83,570
R&D tax rebate receivable***	2,544,934	515,523
GST receivable	165,455	154,069
	3,015,659	**1,232,513**

* Other receivables of A$18,083 have been impaired in the year, please see note 2d for the reasons for impairment.

Notes to the Financial Statements

** Includes prepayment of interest of A$104,677. Prepayments of A$10,962 have been impaired in the year, please see note 2d for the reasons for impairment.

*** R&D tax rebate receivable at 30 June 2019 relates to the research and development tax credit submitted to UK tax authorities for the 2019 financial year. The refund was received subsequent to year end.

12. PLANT AND EQUIPMENT

			Assets under construction		
	Office Equipment $	**3 Diamonds $**	**Pearls $**	**6Us $**	**Total $**
Cost					
Balance at 1 July 2017	56,555	2,250,637	1,797,614	-	4,104,806
Additions	321,755	1,227,942	5,421,345	-	6,971,042
Effect of movements in foreign exchange rates	11,542	251,143	194,448	-	457,133
Balance at 30 June 2018	389,852	3,729,722	7,413,407	-	11,532,981
Balance at 1 July 2018	**389,852**	**3,729,722**	**7,413,407**	**-**	**11,532,981**
Additions	164,824	-	863,821	77,961	1,106,606
Reclassification to intangible assets	-	(187,922)	-	-	(187,922)
Effect of movements in foreign exchange rates	8,141	24,331	104,425	-	136,897
Balance at 30 June 2019	**562,817**	**3,566,131**	**8,381,653**	**77,961**	**12,588,561**
Accumulated depreciation and impairment losses					
Balance at 1 July 2017	15,057	-	-	-	15,057
Depreciation	64,608	1,073,006	-	-	1,137,614
Effect of movements in foreign exchange rates	2,373	54,068	-	-	56,441
Balance at 30 June 2018	82,038	1,127,074	-	-	1,209,112
Balance at 1 July 2018	**82,038**	**1,127,074**	**-**	**-**	**1,209,112**
Depreciation	113,974	943,401	-	-	1,057,375
Reclassification to intangible assets	-	(28,761)	-	-	(28,761)
Effect of movements in foreign exchange rates	1,122	41,156	-	-	42,278
Impairment loss	150,320	1,483,261	8,381,653	77,961	10,093,195
Balance at 30 June 2019	**347,454**	**3,566,131**	**8,381,653**	**77,961**	**12,373,199**
Carrying amounts					
At 1 July 2017	41,498	2,250,637	1,797,614	-	4,089,749
At 30 June 2018	**307,814**	**2,602,648**	**7,413,407**	**-**	**10,323,869**
At 30 June 2019	**215,362**	**-**	**-**	**-**	**215,362**

The Pearls and 6U nano-satellites are assets under construction and costs to date predominantly relate to design work except for some long lead assets purchased for the first batch of the Pearls. All satellite plant and equipment has been impaired in full and certain office equipment assets have also been impaired, please see note 2d for the reasons for impairment.

Notes to the Financial Statements

13. INTANGIBLE ASSETS

	Licences $	Development costs* $	Total $
Cost			
Balance at 1 July 2017	-	1,100,912	1,100,912
Additions	-	2,970,652	2,970,652
Effect of movements in foreign exchange rates	-	139,500	139,500
Balance at 30 June 2018	-	4,211,064	4,211,064
Balance at 1 July 2018	**-**	**4,211,064**	**4,211,064**
Additions	36,584	9,507,292	9,543,876
Reclassification from plant and equipment	187,922	-	187,922
Effect of movements in foreign exchange rates	2,648	59,413	62,061
Balance at 30 June 2019	**227,154**	**13,777,769**	**14,004,923**
Accumulated amortisation and impairment losses			
Balance at 1 July 2017	-	-	-
Amortisation	-	-	-
Effect of movements in foreign exchange rates	-	-	-
Balance at 30 June 2018	-	-	-
Balance at 1 July 2018	**-**	**-**	**-**
Amortisation	94,962	-	94,962
Reclassification from plant and equipment	28,761	-	28,761
Effect of movements in foreign exchange rates	(33,603)	-	(33,603)
Impairment loss	137,034	13,777,769	13,914,803
Balance at 30 June 2019	**227,154**	**13,777,769**	**14,004,923**
Carrying amounts			
At 1 July 2017	-	1,100,912	1,100,912
At 30 June 2018	**-**	**4,211,064**	**4,211,064**
At 30 June 2019	**-**	**-**	**-**

*During the year, consultancy services were performed for the design of the nano-satellites and for the design, construction and testing of the orbit systems and in-house software development. These development activities meet the relevant accounting principles as noted in Note 3(c) and were capitalised accordingly as Development costs.

All intangible assets have been impaired in full, please see note 2d for the reasons for impairment.

Notes to the Financial Statements

14. CONTROLLED ENTITIES

	Country of Incorporation	Percentage Owned %* 30 June 19	30 June 18
Parent Entity:			
Sky and Space Global Ltd	Australia		
Subsidiaries of Sky and Space Global Limited			
Sky and Space Global (UK) Limited	UK	100	100
Burleson Energy Holding Inc	USA	100	100
Burleson Energy Inc	USA	100	100
Burleson Energy Limited Partnership	USA	100	100
Burleson Energy General LLC**	USA	-	100
Burleson Energy Limited LLC**	USA	-	100
Subsidiaries of Sky and Space Global (UK) Limited			
Sky and Space (Poland) Software Ltd	Poland	75	75
Sky and Space (Israel) Ltd	Israel	100	100

** Percentage of voting power in proportion to ownership*

**Burleson Energy General LLC and Burleson Energy Limited LLC were dissolved in the year.

15. TRADE AND OTHER PAYABLES

	30 June 19 $	30 June 18 $
Current		
Trade payables	862,452	1,060,437
Accruals	313,100	464,956
Other payables	369,547	106,686
	1,545,099	**1,632,079**

Refer to Note 25 for details on management of financial risk.

16. Interest-bearing loans and borrowings

	30 June 19 $	30 June 18 $
USD $1.1m loan	1,570,152	-

In May 2019 the Company executed an unsecured USD $1.1million (AU $1.57m) convertible loan from an independent, third-party Israeli finance provider, Telefox Ltd. The loan shall be senior to and will have priority over any other debt and shall be repaid prior to any other debt. The maturity date is May 2020. Initial interest has been prepaid, at 2% per month for the first 5 months. Following this 5-month period the outstanding loan amount shall bear interest monthly at the rate of 2%, unless converted. The conversion price per share is equal to 5% less than the average of the closing prices of the SAS shares on the Australian Securities Exchange over the 5 trading days immediately prior to the date of the conversion notice.

Notes to the Financial Statements

17. CONTRIBUTED EQUITY

	30 June 2019		30 June 2018	
	NUMBER	**$**	**NUMBER**	**$**
Ordinary shares on issue, fully paid	2,175,014,261	61,078,478	1,840,439,128	51,252,611
	2,175,014,261	**61,078,478**	**1,840,439,128**	**51,252,611**

Reconciliation of movement in share capital

Date		No. Of Shares	Issue Price $	Amount $
1-July-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
22-Feb 19	Share issue*	260,503,568	0.03	7,815,107
8-May 19	Share issue*	9,999,999	0.03	300,000
21-May 19	Share issue*	58,571,566	0.03	1,757,151
	Less: Costs of issue			(519,391)
30-Jun-19	**Closing balance**	**2,175,014,261**		**61,078,478**

Date		No. Of Shares	Issue Price $	Amount $
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	2,025,000	0.087	176,175
16-Feb-18	Conversion of Milestone 3 Performance Rights	12,000,000	0.086	1,032,000
16-Feb-18	Conversion of Milestone 3 Performance Rights	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**

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held.

At the shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands. Ordinary shares have no par value.

*- As part of each of these share issues the free attaching options were issued on a 1 for 1 basis. These options were issued and listed on 21 May 2019 and exercisable at $0.05 each expiring 21 May 2022.

Capital risk management

The group's objective when managing capital is to safeguard their ability to continue as a going concern, so that they can continue to provide returns to shareholders and benefits to other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the group may issue new shares, issue new share options, repay existing debt or take on additional debt.

Consistent with others in the industry, the group manages its capital by assessing the group's financial risk and adjusts its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels and share issues.

There have been no changes in the strategy adopted by management to control the capital of the group since the prior period. The group is not subject to any externally imposed capital requirements.

Notes to the Financial Statements

18. RESERVES

	30 June 19 $	30 June 18 $
a) Share based payment reserve		
Opening balance	473,000	3,435,257
Transfer to issued capital	(473,000)	(2,962,257)
	-	**473,000**
b) Foreign currency translation		
Opening balance	133,555	(178,501)
Currency translation differences arising	(3,707)	312,056
	129,848	**133,555**

The movement in share-based payment reserve relates to the conversion 5,500,000 performance rights converted on 20 July 2018. The share based payment charge relating to this conversion was recognised in previous years.

Exchange differences arising on translation of the foreign controlled entities are taken to the foreign currency translation reserve as described in Note 2(k). The reserve is recognised in profit and loss when the net investment is disposed of.

19. OPERATING LEASES

Future minimum lease payments
At 30 June 2019 the future minimum lease payments under non-cancellable leases were payable as follows;

	30 June 19 $	30 June 18 $
Less than one year	178,857	496,429
Between one and five years	-	718,058
More than five years	-	-
	178,857	1,214,487

All amounts above relate to Group leases of office facilities. During the year the lease expense recognised in profit or loss was $575,926 (2018: $238,369).

20. COMMITMENTS, CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Commitments for which no provisions were included in the financial statements are as follows:

	30 June 19 $	30 June 18 $
< 1 year	9,064,680	31,302,366
1 - 5 years	148,544,986	68,837,111
	157,609,666	**100,139,477**

These contractual commitments relate primarily to the completion of the design, engineering, construction and supply of the 6U and Pearl nano-satellites by GomSpace, the completion of a network management simulator, deployment services to be provided by D-Orbit and four launches of nano-satellites by Virgin Orbit's LauncherOne Vehicle. The amounts due within one year reduced compared to 30 June 2018 due to the change in business plan, resulting in renegotiation of the GomSpace agreement and the delay to the construction of the Pearls constellation.

Other than the matters disclosed in note 19 and above, the Group has no other contractual expenditure commitments, contingent assets or contingent liabilities.

Notes to the Financial Statements

21. RELATED PARTY TRANSACTIONS

a) Compensation of Key Management Personnel

	30 June 19 $	30 June 18 $
Short-term employee benefits	1,659,943	1,781,774
Share-based payment transactions	-	6,667,854
	1,659,943	8,449,628

The amounts disclosed in the table are the amounts recognised as an expense during the reporting period related to key management personnel.

b) Transactions with Director related entities

Directors and officers, or their personally-related entities, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities.
Details of the transactions including amounts accrued but unpaid at the end of the period are as follows:

Entity	Relationship	Nature of transactions	Transactions Full Year 30 June 19 $	Balances at 30 June 19 $	Transactions Full Year 30 June 18 $	Balances at 30 June 18 $
Sibella Capital Pty Ltd	(i)	Reimbursements made to Sibella for corporate administration costs and charges for director fees	58,056	-	216,689	-
MGC Pharmaceuticals Ltd	(ii)	Reimbursements made to / (Amounts owing to) MXC for corporate administration costs	2,826	-	15,450	(2,044)
Steinepreis Paganin Lawyers and Consultants	(iii)	Reimbursements made to / (Amounts owing to) Steinepreis Paganin for corporate legal costs	7,650	-	15,855	(1,183)
Multimodis M.M. Ltd	(iv)	Reimbursements made to / (Amounts owing to) Multimodis for corporate travel costs and charges for director and consultancy fees	527,710	(37,248)	530,375	(594)
Spacecialist Ltd	(v)	Reimbursements made to / (Amounts owing to) Spacecialist for corporate travel costs and charges for director and consultancy fees	635,573	(29,417)	630,862	(3,009)
Chieftain Securities Pty Ltd	(vi)	Charges from Chieftain Securities for corporate and capital raising fees	22,630	-	526,680	-
Regeneration Pharma Ltd	(vii)	Recharges owing from Regen for corporate administrative costs	-	-	(3,097)	-
TNT Mines Ltd	(viii)	Recharges owing from TNT for corporate administrative costs	-	-	(662)	-
Yonatan Shanan Ltd	(ix)	Reimbursements made to / (Amounts owing to) Yonatan for corporate travel costs	363,867	(29,417)	354,537	(1,188)

Notes to the Financial Statements

Entity	Relationship	Nature of transactions	Transactions Full Year 30 June 19 $	Balances at 30 June 19 $	Transactions Full Year 30 June 18 $	Balances at 30 June 18 $
		and charges for director and consultancy fees				
PHI Capital	(x)	Recharges made to PHI Capital for travel costs and charges for director fees	32,035	-	-	-

i) Sibella Capital Pty Ltd ('Sibella') is a company associated with Mr Brett Mitchell.
ii) MGC Pharmaceuticals ('MXC') is a company associated with Mr Brett Mitchell.
iii) Steinepreis Paganin ('Steinpag') is a company associated with Mr Peter Wall.
iv) Multimodis M.M. Ltd ('Multimodis') is a company associated with Mr Meir Moalem.
v) Spacecialist Ltd ('Spacecialist') is a company associated with Ms Maya Glickman-Pariente.
vi) Chieftain Securities Pty Ltd ('Chieftain') is a company associated with Mr Brett Mitchell.
vii) Regeneration Pharma Ltd ('Regen') is a company associated with Mr Brett Mitchell.
viii) TNT Mines Ltd ('TNT') is a company associated with Mr Brett Mitchell.
ix) Yonatan Shanan Ltd ('Yonatan') is a company associated with Mr Yonatan Shrama.
x) PHI Capital is a company associated with Mr Michael Malone.

The terms and conditions of these transactions were no more favourable than those available, or which might reasonably be expected to be available, in similar transactions with non-director related entities on an arm's length basis

c) Transactions with related subsidiaries

Note 14 provides information about the Group's structure, including details of the subsidiaries and the holding company. The following table provides the total amount of transactions that have been entered into with related parties for the revenant year.

Entity	Loans advanced to related parties $	Purchases from related parties $	Amounts owed from related parties $	Amounts owed to related parties $
Transactions with Sky and Space Global Ltd:				
Sky and Space Global (UK) Ltd	14,880,953	-	36,597,038	-
Burleson Energy Holding Inc	6,011	-	13,951,857	-
Transactions with Sky and Space Global (UK) Limited:				
Sky and Space (Poland) Software Ltd	-	2,603,889	-	488,722
Sky and Space (Israel) Ltd	-	3,315,151	-	677,875

All amounts owed to and from related subsidiaries net to zero on consolidation.

Loans between SAS UK and SAS Poland and SAS Israel are denominated in USD ($) and GBP (£); they are non-interest bearing (except between SAS UK and SAS Poland which incurs an interest rate of 6% compounded semi-annually), unsecured and are repayable upon reasonable notice having regard to the financial stability of the Company. The loan between SAS and SAS UK is interest free, denominated in AUD ($), unsecured and repayable as agreed by the two parties.

d) Other related party transactions

There were no other related party transactions during the year.

Notes to the Financial Statements

22. NON-CONTROLLING INTEREST

	30 June 19 $	30 June 18 $
Opening balance	21,914	462
Foreign exchange movement	836	(770)
Share of loss for the year	19,097	22,222
Closing balance	**41,847**	**21,914**

23. SEGMENT REPORTING

For management purposes, the Group is organised into business units based on its planned products and services, and it has been determined that for the year ended 30 June 2019 the Group has one reportable segment, being that of the deployment of nano-satellite constellations for global communication infrastructure as carried out by the Sky and Space Global UK Group.

Non-current assets split by country, which are considered as geographical segments (secondary), are shown below.

	30 June 19 $	30 June 18 $
U.K	70,064	14,246,266
Poland	39,430	79,686
Israel	105,868	208,981
Total	**215,362**	**14,534,933**

24. CASH FLOW INFORMATION

	30 June 19 $	30 June 18* $
Reconciliation of Cash Flow from Operations with Loss after Income Tax		
(Loss) after income tax	(30,395,707)	(8,323,983)
Cash flows excluded from loss attributable to operating activities		
Non-cash flows in loss		
Impairment	24,037,042	-
Depreciation and amortisation	1,152,337	1,137,614
Share based payment expense	-	2,202,433
Income tax	(3,377,498)	(502,002)
Interest expense	36,572	-
Foreign currency translation expense	44,725	29,348
Changes in assets and liabilities		
(Increase)/Decrease in trade and other receivables	246,265	(359,009)
Increase/(Decrease) in trade payables and accruals	(9,758)	1,105,393
Cash outflow from operations	**(8,266,022)**	**(4,710,206)**

***** Refer to Note 4(c).

Notes to the Financial Statements

25. FINANCIAL RISK MANAGEMENT

The group's financial instruments consist mainly of cash at bank, payables and receivables.

The group has not formulated any specific management objectives and policies in respect to debt financing, derivatives or hedging activity. As a result, the group has not formulated any specific management objectives and policies in respect to these types of financial instruments. Should the group change its position in the future, a considered summary of these policies will be disclosed at that time.
The Company's current exposure to the risk of changes in the market is managed by the Board of Directors.

Market risks

The group is exposed to a variety of financial risks through its financial instruments for example, interest rate risk, liquidity risk and credit risk, as well as foreign currency risk.

Interest rate risk
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

At reporting date, the group had one interest bearing loan as is described in note 16. The group manages its interest rate risk through entering into fixed rate loan agreements and performing sensitivity analysis, as outlined below.

The consolidated group's exposure to interest rate risk are summarised in the following tables (all financial assets and liabilities are current):

	Fixed interest rate	Floating interest rate	Non-interest bearing	Remaining contractual maturities
30 June 2019	**$**	**$**	**$**	**$**
Financial assets				
Cash and cash equivalents	-	869,397	1,065,658	1,935,055
	-	**869,397**	**1,065,658**	**1,935,055**
Financial liabilities				
Loans	1,570,152	-	-	1,570,152
Other payables and sundry accruals	-	-	1,615,335	1,615,335
	1,570,152	**-**	**1,615,335**	**3,185,487**
30 June 2018				
Financial assets				
Cash and cash equivalents	-	8,178,477	709,812	8,888,289
	-	**8,178,477**	**709,812**	**8,888,289**
Financial liabilities				
Other payables and sundry accruals	-	-	1,700,032	1,700,032
	-	**-**	**1,700,032**	**1,700,032**

At 30 June 2019, if interest rates had changed by -/+100 basis points from the period-end rates with all other variables held constant, post-tax profit for the year would have been $869 (2018: $8,178) lower/higher.

Liquidity risk
Liquidity risk is the risk that the group will not be able to meet its financial obligations as they fall due. The group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient cash to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the group's reputation. The group monitors forecast cash flows on a regular basis to manage its liquidity risk.

As disclosed in note 16 the Company executed an unsecured convertible loan USD $1.1million (AU $1.57m) convertible loan from an independent, third-party Israeli finance provider, Telefox Ltd in May 2019. The maturity date is May 2020 unless converted prior to that date. All other payables and sundry accruals are due within 3 months of the reporting date.

Credit risk
Management has assessed the credit risk exposure as minimal at reporting date. Credit risk arises from exposure to customers and deposits with banks. Management monitors its exposure to ensure recovery and repayment of outstanding amounts. Cash deposits are only made with reputable banking institutions.

Notes to the Financial Statements

Foreign currency risk
The group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the British Pound (GBP £), the Euro (€), the United States Dollars (USD $), the Polish Zloty (PLN zt) and the Israeli Shekel (ILS₪) .

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using cash flow forecasting.

The consolidated entity has not entered into any derivative financial instruments to hedge such transactions and anticipated future receipts or payments that are denominated in a foreign currency. The board manages the purchase of foreign currency to meet operational requirements.
The consolidate entity's exposure to foreign currency risk at the reporting date was as follows:

	30 June 19 $	30 June 18 $
Loan denominated in USD	1,570,152	-
Trade payables in denomination currency		
Trade payables – GBP	119,146	747,655
Trade payables – EUR	19,863	-
Trade payables – USD	101,476	3,605
Trade payables – PLN	298,639	86,707
Trade payables – ILS	578,662	13,435
Cash and cash equivalents held in denomination currency		
Cash and cash equivalents – GBP	26,484	261,699
Cash and cash equivalents – EUR	17,500	-
Cash and cash equivalents – USD	20,078	389,054
Cash and cash equivalents – PLN	41,548	11,121
Cash and cash equivalents – ILS	2,297,260	54,185
Consolidated entity sensitivity		
Exchange rates per AUD as at 30 June		
GBP	0.5530	0.5608
USD	0.7020	0.7407
PLN	2.6213	2.7711
ILS	2.5045	2.7086

A 10% increase or decrease in value of Australia dollar against the above currencies at 30 June would have the following effect:

	30 June 2019		30 June 2018	
	Profit/(loss) 10% increase	**Profit/(loss)** 10% decrease	**Profit/(loss)** 10% increase	**Profit/(loss)** 10% decrease
Great British Pound (GBP £)	(9,226)	9,266	(48,596)	48,596
Euro (€)	(236)	225		
United States Dollar (USD $)	(165,155)	165,155	38,545	(38,545)
Polish Zloty (PLN zt)	(25,709)	25,709	(7,559)	7,559
Israeli New Shekel (ILS ₪)	171,860	(171,860)	4,075	(4,075)
	(28,506)	**28,506**	**(13,535)**	**13,535**

Fair value of financial instruments

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

Notes to the Financial Statements

26. PARENT COMPANY DISCLOSURES

a) Summary of financial information

The individual financial statements for the parent entity show the following aggregate amounts:

	30 June 19 $	30 June 18 $
Current assets	2,000,000	8,388,588
Non-current assets	-	14,788,220
Total Assets	**2,000,000**	**23,176,808**
Current liabilities	242,199	297,790
Total Liabilities	**242,199**	**297,790**
Contributed equity	92,400,333	82,574,464
Share based payment reserve	2,282,930	2,755,930
Accumulated losses	(92,925,462)	(62,451,376)
Total Equity	**1,757,801**	**22,879,018**
Loss for the period	**(30,474,085)**	**(7,196,147)**
Total comprehensive loss for the period	**(30,474,085)**	**(7,196,147)**

b) Commitments and Contingent Liabilities of the parent

The parent entity did not have any contingent liabilities or commitments, as at 30 June 2019 other than as already disclosed in note 19 and 20 (30 June 2018: nil).

c) Guarantees entered into by the parent entity

There were no guarantees entered into by the parent entity.

27. EVENTS AFTER THE REPORTING DATE

26 August 2019	The Company released a Notice of Meeting for shareholder approval of a placement to raise AU$15m to sophisticated and professional investors. This placement has subsequently been replaced with the current Non-Renounceable Entitlement Issue for ~$10.8m and Placement for $5m detailed in the Review of Operations.
17 September 2019	Sky and Space Global (UK) Ltd secured a US$550,000 short term loan from CSS Alpha (BVI) Limited, receiving US$473,938 after the deduction of associated fees. Interest accrues at 2% per month, the maturity date is 17 May 2020 and the loan is secured against US$600,000 of the amount due from UK tax authorities.
27 September 2019	The Company announced the results of the General Meeting held on 27 September 2019 with all resolutions put to shareholders being passed.
10 October 2019	Sky and Space Global (UK) Ltd announced the receipt of £1,425,382 in relation to the R&D tax rebate for the year ended 30 June 2019.
11 November 2019	Entitlement Issue Prospectus released detailing a Non-Renounceable Entitlement Issue for ~$10.8m and Placement for $5m detailed in the Review of Operations.
21 November 2019	The Company received an interim stop order from the Australian Securities and Investments Commission (ASIC) in relation to its prospectus dated 11 November 2019. The Company expects that the stop order will be lifted post lodgement of this report and resolution of the concerns raised by ASIC.

Apart from these matters, no other matters or circumstances have arisen since 30 June 2019 that has significantly affected, or may significantly affect the group's operations, the results of those operations, or the group's state of affairs in future financial periods other than those already disclosed by the Company.

28. DIVIDENDS

No dividends have been paid or provided during the period.

Directors' Declaration

The Directors' of the Company declare that in their opinion:

1. The financial statements and notes, as set out in pages 17 to 42, are in accordance with the *Corporations Act 2001* and:

   a) comply with Accounting Standards and the Corporations Regulations 2001;
   b) are in accordance with International Financial Reporting Standards, as stated in Note 2(a) to the financial statements; and
   c) give a true and fair view of the Company's and consolidated group's financial position as at 30 June 2019 and their performance for the period ended on that date.

2. The Directors have been given the declaration required by section 295A of the Corporations Act 2001.

3. The remuneration disclosures contained in the Remuneration Report comply with s300A of the Corporations Act 2001.

4. The ongoing solvency of the Company is dependent on future access to funding and the success of the announced A$15.8m entitlement offer and placement offer. Subject to the successful capital raising, in the Directors opinion 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.

Meir Moalem
Managing Director
Dated 3 December 2019

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Independent Auditor's Report

To the shareholders of Sky and Space Global Ltd

Report on the audit of the Financial Report

Adverse Opinion

We have audited the ***Financial Report*** of Sky and Space Global Ltd (the Company).

In our opinion, because of the significance of the matter described in the Basis for Adverse Opinion section of this report, the accompanying Financial Report of the Company is not in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the Group's financial position as at 30 June 2019 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The ***Financial Report*** comprises:

- Consolidated statement of financial position as at 30 June 2019
- Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity, and Consolidated statement of cash flows for the year then ended
- Notes including a summary of significant accounting policies
- Directors' Declaration.

The ***Group*** consists of Sky and Space Global Ltd (the Company) and the entities it controlled at the year end or from time to time during the financial year.

Basis for adverse opinion

As disclosed in note 20 Commitments, contingent assets and contingent liabilities the Group has entered into supplier and services contracts relating to its planned future nano-satellite construction and launch activities (the 'contracts'). The contracts give rise to substantial purchase obligations, as set out in note 20, and include contract termination clauses that impose substantial costs on the Group should the contracts be terminated by the Group.

Pursuant to Australian Accounting Standard 137 – Provisions, Contingent Liabilities and Contingent Assets (AASB 137) the contract termination clauses within the contracts represent onerous contracts. Therefore, the Group should measure and recognise a provision for these onerous contracts. We consider the unavoidable costs of exiting the contracts exceed the future economic benefits expected to be derived under the contracts, given the Group's assessment that the going concern basis of preparation is not appropriate, as stated in note 2 b) Basis of Preparation. In light of this, we consider the exit of the contracts prior to the intended completion of the contracts constitutes a provision pursuant to AASB 137.

The Financial report does not include a provision for onerous contracts. Had the Group accounted for this provision in accordance with AASB 137, an expense would be recorded in the consolidated statement of profit or loss and other comprehensive income for approximately $118 million with the recognition of a current liability for the same amount. This would have the effect of increasing the operating loss and decreasing shareholders' equity by $118 million, and current and total liabilities would increase by $118 million. This matter results in further misstatements in the notes to the Financial Report as a result of the group referring to the incorrect annual result, such as in the tax expense reconciliation.

Additionally, the disclosures in note 2 b) Basis of Preparation do not describe the impact of recognition of this provision on the Directors preparing the Financial Report on a basis other than going concern. As a result, the notes to the Financial Report currently omit this qualitative information.

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Group in accordance with *the Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

Emphasis of matter – basis of preparation

We draw attention to Note 2 b) to the Financial Report, which describes the basis of preparation. The Financial Report has been prepared on a basis other than going concern for the reasons described in Note 2 b). Our opinion is not further modified in respect of this matter.

Key Audit Matters

In addition to the matter described in the *Basis for adverse opinion* section, we have determined the matters described below to be the ***Key Audit Matters***:

- Disclosure of commitments
- Impairment of Plant and Equipment and Intangible Assets

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Report of the current period.

These matters were addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Disclosure of commitments ($ 157 million)

Refer to Note 20 Commitments, contingent assets and contingent liabilities

The key audit matter	How the matter was addressed in our audit
The Group has a number of significant supplier and services contracts in relation to the construction and launch of its nano-satellites. The disclosure of commitments is a key audit matter due to the: • significant amount of contractual commitments • audit effort associated with gathering sufficient appropriate audit evidence related to the completeness and timing of these contractual commitments.	Our procedures included: • Examined the significant contracts for associated timing of commitments as at the reporting date; • Checked the Group's calculations of the total commitment amount by ageing category over the terms of the contracts and compared it to the Group's cash flow forecasting and disclosure as at the reporting date; • Tested a sample of the Group's subsequent period expenditure by inspecting underlying documentation to assess the completeness of commitments disclosed as at the reporting date;

	• Inquired with the Group on the presence of any breaches of the significant contract terms with the key suppliers during the year. We compared this to correspondence and documentation of the matter and our understanding from reading the contract terms. We used this to evaluate the effect on the accounting for the matter, either measured and reported in the financial position and performance, or to be accounted in the cash flow forecasts, and against disclosures; • Assessed the Group's disclosures of commitments using our understanding of these significant contracts obtained from our testing and against the requirements of the relevant accounting standards.

Impairment of Plant and Equipment and Intangible Assets ($ 0.2 million)

Refer to Note 12 and 13 – Plant and Equipment and Intangible Assets and Note 2 d)

The key audit matter	How the matter was addressed in our audit
A key audit matter for us was the Group's testing of plant and equipment and intangible assets for impairment, given the: • size of the balance prior to the impairment write-down (being 83% of total assets); • audit effort associated with gathering sufficient appropriate audit evidence in relation to the future economic benefits available to recover the carrying amounts of plant and equipment and intangible assets; and • uncommon circumstances of preparing the financial report on a basis other than going concern and the accounting implications Certain conditions impacting the Group, in particular the status and expected timing of the cost of completion of software development, satellite development and satellite launch, along with the modifications to the business plan required to achieve this, have increased the judgement applied by us when evaluating the evidence available.	Our procedures included: • Assessed impairment indicators by reading all public information and minutes of directors' meetings; • Considered the appropriateness of the Group's impairment model against the requirements of the accounting standards; • Evaluated the Group's determination of their CGUs based on our understanding of the operations of the Group's business, and how independent cash inflows were expected to be generated, against the requirements of the accounting standards; • Working with our industry specialists, we challenged the key cash flow assumptions and non-financial variables applied in the Group's impairment model. We used our knowledge of the Group, its past performance, assessed the nature of the business and customers, and against our industry experience; • Assessed projected cash inflows relating to the forecast provision of services to proposed customers to the nature, quantum and likelihood as contained in memoranda of

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	understanding with potential key customers. We assessed the impact of the Directors' assessment that the financial report is prepared on a basis other than going concern, which is described in AASB 101 Presentation of Financial Statements, to be they either intend to liquidate, cease trading or have no realistic alternative than to do so; • Assessed key cash outflows in the Group's impairment model to existing satellite construction contracts and launch agreements; • Working with our valuation specialists we independently developed a discount rate range using publicly available market data for comparable entities, adjusted by risk factors relevant to the Group and the industry it operates in. • Checked the integrity and mathematical accuracy of the impairment model; • Recalculated the impairment charge against the recorded amount disclosed • Assessed the disclosures in the financial report using our understanding obtained from our testing and against the requirements of the accounting standards.

Other Information

Other Information is financial and non-financial information in Sky and Space Global Ltd's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report. Because of the significance of the matter described in the *Basis for adverse opinion* section above we have concluded that the Other Information is materially misstated for the same reason.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

• preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*

• implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error

• assessing the Group and Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group and Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

• to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and

• to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our Auditor's Report.

Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of Sky and Space Global Ltd for the year ended 30 June 2019, complies with *Section 300A of the Corporations Act 2001*.

Directors' responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with *Section 300A of the Corporations Act 2001*.

Our responsibilities

We have audited the Remuneration Report included in *pages 9 to 14* of the Directors' report for the year ended 30 June 2019.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with *Australian Auditing Standards*.

KPMG

KPMG

David Sinclair

Partner

Sydney

3 December 2019

Shareholding Information

EXCHANGE LISTING

Sky and Space Global Ltd shares are listed on the Australian Securities Exchange. The Company's ASX code is SAS for Ordinary Shares and SASOC for Listed Options.

SUBSTANTIAL SHAREHOLDERS (HOLDING NOT LESS THAN 5%)

Name of Shareholder	Total Number of Voting Share in Sky and Space Global Ltd in which the Substantial Shareholders and its Associates Hold Relevant Interests	Percentage of Total Number of Voting Shares (%)
Mr Meir Moalem	325,666,667	**14.97**
Mr Meidad Pariente	319,666,666	**14.70**
Mr Yonatan Shrama	318,666,666	**14.65**

CLASS OF SHARES AND VOTING RIGHTS

At 15 November 2019 there were 9,405 holders of 2,175,014,261 ordinary fully paid shares of the Company. The voting rights attaching to the ordinary shares are in accordance with the Company's Constitution being that:

a. each Shareholder entitled to vote may vote in person or by proxy, attorney or Representative;
b. on a show of hands, every person present who is a Shareholder or a proxy, attorney or Representative of a shareholder has one vote; and
c. on a poll, every person present who is a shareholder or a proxy, attorney or Representative of a shareholder shall, in respect of each fully paid Share held by him, or in respect of which he is appointed a proxy, attorney or Representative, have one vote for the Share, but in respect of partly paid Shares, shall, have such number of votes as bears the proportion which the paid amount (not credited) is of the total amounts paid and payable (excluding amounts credited).

The number of shareholders holding less than a marketable parcel is 4,036.

UNLISTED SECURITIES

The Company does not currently have any unlisted securities on issue.

ESCROWED SECURITIES

The Company does not currently have any escrowed securities on issue.

CASH USAGE

Since the time of listing on ASX, the entity has used its cash and assets in a form readily converted to cash that it had at the time of admission to the official list of ASX in a manner which is consistent with its business objectives.

TOP 20 SHAREHOLDERS AS AT 15 NOVEMBER 2019

Rank	Name	Shares	% of Shares
1	MEIR MOALEM	303,333,333	13.95
2	MEIDAD PARIENTE	301,666,666	13.87
2	YONATAN SHRAMA	301,666,666	13.87
4	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	55,051,625	2.53
5	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	34,703,744	1.60
6	CITICORP NOMINEES PTY LIMITED	33,067,959	1.52
7	MORGAN STANLEY AUSTRALIA SECURITIES (NOMINEE) PTY LIMITED <NO 1 ACCOUNT>	29,132,071	1.34
8	MULTIMODIS M M LTD (IL)	22,333,334	1.03
9	SPACECIALIST LTD	18,000,000	0.83
10	BRISPOT NOMINEES PTY LTD <HOUSE HEAD NOMINEE A/C>	17,254,014	0.79
11	YONATAN SHANAN LTD	17,000,000	0.78
12	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	9,792,661	0.45
13	UBS NOMINEES PTY LTD	9,724,878	0.45
14	EVANDON PTY LTD <KRISMICH SUPER A/C>	8,331,100	0.38
15	MISS PINGZHEN LIU	8,080,847	0.37
16	MR LAURENT LESSER	7,390,537	0.34
17	MR BRETT MITCHELL + MRS MICHELLE MITCHELL <MITCHELL SPRING FAMILY A/C>	7,143,745	0.33
18	AVIEMORE CAPITAL PTY LTD	6,920,000	0.32
19	EVANDON PTY LTD <KRISMICH NO5 SUPER FUND A/C>	6,587,800	0.30
20	MR PATRICK SHANNON PATTISON	5,357,142	0.25
TOTAL		**1,202,474,122**	**55.29**

RANGE OF ORDINARY SHARES AS AT 15 NOVEMBER 2019

Range	Total Holders	Units	%
1 - 1,000	226	50,563	0.00
1,001 - 5,000	1,361	4,802,611	0.22
5,001 - 10,000	1,487	11,839,877	0.55
10,001 - 100,000	4,508	180,790,436	8.31
100,001 - 9,999,999,999	1,823	1,977,530,774	90.92
TOTAL	**9,405**	**2,175,014,261**	**100.00**

TOP 20 LISTED OPTIONHOLDERS EXERCISABLE AT $0.05 EXPIRING 21/05/2022

Rank	Name	Options	% of Options
1	MORGAN STANLEY AUSTRALIA SECURITIES (NOMINEE) PTY LIMITED <NO 1 ACCOUNT>	34,611,359	10.52
2	BRISPOT NOMINEES PTY LTD <HOUSE HEAD NOMINEE A/C>	28,335,165	8.61
3	UBS NOMINEES PTY LTD	17,813,313	5.41
4	CAPRICORN INVESTMENT PARTNERS (NOMINEES) PTY LTD <MERCHANT LEADERS FUND>	17,305,679	5.26
5	CS THIRD NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 13 A/C>	9,229,696	2.80
6	AVIEMORE CAPITAL PTY LTD	6,920,000	2.10
7	DR JOHN BARRY MYERS	5,066,666	1.54
8	MS CHUNYAN NIU	4,466,989	1.36
9	MAINVIEW HOLDINGS PTY LTD	4,153,363	1.26
10	SNOWBALL 3 PTY LTD <ANTONIO TORRESAN SUPER A/C>	4,153,363	1.26
11	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	3,583,598	1.09
12	MR MICHAEL OWEN SHERRY	3,461,136	1.05
13	PEARSE STREET PTY LTD	3,461,136	1.05
14	MULTIMODIS M M LTD (IL)	3,333,334	1.01
15	MEIR MOALEM	3,333,333	1.01
16	BEIRNE TRADING PTY LTD	3,288,079	1.00
17	UPSKY EQUITY PTY LTD <UPSKY INVESTMENT A/C>	3,221,165	0.98
18	CHIFLEY INVESTOR GROUP PTY LTD	3,115,022	0.95
19	NUTSVILLE PTY LTD	2,768,909	0.84
20	JAYART FUNDS MANAGEMENT PTY LTD	2,307,333	0.70
TOTAL		**163,928,638**	**49.81**

RANGE OF LISTED OPTIONS EXERCISABLE AT $0.05 EXPIRING 21/05/2022

Range	Total Holders	Units	%
1 - 1,000	0	0	0.00
1,001 - 5,000	0	0	0.00
5,001 - 10,000	0	0	0.00
10,001 - 100,000	120	8,317,197	2.53
100,001 - 9,999,999,999	338	320,757,936	97.47
TOTAL	**458**	**329,075,133**	**100.00**