SKY AND SPACE GLOBAL

Sky and Space Global Ltd
ABN 73 117 770 475

ANNUAL REPORT 2016

Contents

Corporate Directory

Directors

Meir Moalem – Managing Director *(appointed 12 May 2016)*

Brett Mitchell – Executive Director *(appointed 12 May 2016)*

Peter Wall – Non-Executive Chairman

Maya Glickman-Pariente – Non-Executive Director *(appointed 12 May 2016)*

Yonatan Shrama – Non-Executive Director *(appointed 12 May 2016)*

Company Secretary

Rachel Kerr

Registered Office and Principal Place of Business

Level 7, 1008 Hay Street, Perth WA 6000

Tel: +61 8 9389 2000 Fax: +61 8 9389 2099

Solicitors

Steinepreis Paganin

Level 4, The Read Buildings

16 Milligan Street, Perth WA 6000

Auditors

Bentleys

Level 3, 216 St Georges Terrace, Perth WA 6000

Securities Exchange Listing

Sky and Space Global Ltd securities are listed on the Australian Securities Exchange (ASX)

ASX Code SAS for Ordinary Shares

Share Registry

Boardroom Limited

Grosvenor Place, Level 12

225 George Street, Sydney, NSW, 2000, Australia

Website

skyandspace.global

Managing Director's Letter to Shareholders

Dear Shareholders,

I would like to take the opportunity to thank our shareholders for all their strong support during the 2016 financial year. It has been a year of transformation and substantial progress for our Company.

In late 2015 we embarked on a new journey as a space technology company, focused on the "New Space" nano-satellite market. We successfully raised over $4.5 million to rapidly progress towards the launch of our 3 initial nano-satellites, which we have called the "3 Diamonds", for our first in-flight commercial demonstration. We were delighted with the tremendous amount of support received from investors.

Our Company is unique on the Australian Securities Exchange. It is the only listed nano-satellite space company and therefore the only investment opportunity with exposure to the satellite narrowband communication market which is forecast to grow significantly in coming years. We believe this offers a substantial market opportunity for shareholders.

We are in the business of constructing and launching an innovative nano-satellites system. Our goal is to provide affordable communications coverage to billions of people living along the equator who are currently without adequate coverage or any affordable service, denying them what we believe, is a basic human right: the ability to communicate with each other and the rest of the world.

I would like to take this opportunity and present to you my strategy and plan for SAS in the coming future.

The core philosophy of SAS is built upon five pillars:

- Technology

Nano-satellites are the future of NewSpace. They are the PC's of space in the sense they are inexpensive, highly modular and extremely capable. SAS will take the nano-satellite technology to the next level, with our unique network management – advanced algorithms, used to create an autonomous satellite communication infrastructure, with no ground stations, providing affordable service. Using the network management software SAS is developing, we can optimize and upgrade our system and our services.

- Business development

Even the most advanced high tech company will not succeed unless it develops its business. A major effort was invested in developing our business model (prior to ASX re-listing), and a major effort is invested since relisting in creating a business network of partners, customers and strategic collaborators. Due to the successful activity of our team, we have turned what was a technology capability demonstration into a revenue generating system. Our agreements with customers like SatSpace Africa, not only validate the business model for SAS 200 nano-satellite constellation, but also provide revenues for our "3 Diamonds". Our agreements with Virgin Galactic (as a contractor and new technology partner), with Esstrack (as a partner) or Flextronics (as a supplier) are a testimony to our ongoing effort to build and develop our business.

- Strategy

Our path is well defined: we are here to build a successful NewSpace service. SAS everyday activity revolves around this strategy. The technology as well as the business development are done with the full nano-satellite communication service in mind. Every action we take, every agreement and contract, every financial expense – is done only if it serves the business.

As part of that strategy we have developed the required software for the network management, we built 2 "hardware in the loop" test facilities (to test the overall system), we have built our global reputation as an innovative and disruptive NewSpace company, we are working with space agencies and with government agencies on advanced R&D, we have signed agreements with future customers and we have been (and still are) preparing the ground with the financial community for our full constellation funding.

- Long term vision

My vision for the future is very clear: we will build a successful business for our Shareholders, based on advanced technology and software, combined with strong business and commercial relationships. A testimony to this vision is the early agreement with Virgin Galactic for launching our satellites, the agreement with Flextronics to develop our end-user and our ongoing activity to find new customers, new markets and new partners. Technology will move forward, and so will we. Our on-going upgrade of SAS nano-satellites constellation is based on replacing 25% of our satellites every year, taking advantage of new capabilities, new hardware and technology.

Managing Director's Letter to Shareholders (continued)

- Values

I believe that in order to sustain a successful business, one has to maintain one's values and ethics. Sky and Space Global has a code of conduct that reflects my belief, a belief which is shared by entire SAS management and is guiding us in our daily operations.

One of our values is our respect and appreciation to you, our Shareholders. Without your support – there is no Sky and Space Global. We are working very hard not only to protect your investment, but to make it highly profitable. One action we took was securing a full replacement in space insurance for our first 3 nano-satellites, so that the financial risk for the investors is practically eliminated. I will maintain my policy of frequent updates on our progress, making sure you are well informed on our ongoing effort and activity.

A key focus of Sky and Space Global during FY2016 was laying a strong foundation for our successful future nano-satellite launch in Q2 2017 and appointing our construction partner, GomSpace, were significant achievements.

Sky and Space Global now have a clear and transparent pathway towards commercialisation. Already, we have completed a number of the milestones that are required ahead of launch, including the necessary testing reviews and frequency registrations.

Our first launch scheduled for Q2 2017 will give us an opportunity to showcase our technology via a commercial demonstration of our "3 Diamonds". Even before this is completed, we have started laying plans for the launch of our full constellation of up to 200 nano-satellites to provide full equatorial band coverage. Already, Virgin Galactic has signed on as a future launch partner to help us launch our full constellation.

The commercial opportunity presented by a full constellation of up to 200 nano-satellites is very exciting due to the multiple available revenue streams:

- SAS will be able to provide individual customers with mobile phones services such as phone conversations, instant messaging, data transfer (including text e-mails) and even mobile-financial transactions.
- SAS will be able to provide global corporates a secured premium service for data transfer
- Shipping and airline industry will find that SAS narrowband satellite communication are highly competitive with the existing services, making the SAS platform very attractive.
- People travelling to the Equatorial belt on business or as tourists will be able use SAS services in order to keep in touch with their families and friends, even when they are in the deep wilderness or highly remote locations. Using SAS services will also save cellular roaming charges which can be very expensive in areas like Africa.
- Telco providers, which are the main wholesale channel for SAS, will use SAS capacity to replace and expand their existing services and customers.

From a revenue perspective, we have already initiated early stage commercialisation with Sat-Space Africa signing on to purchase all the available bandwidth that can be provided from our initial "3 Diamonds" nano-satellites. This will provide strong early stage commercial validation of the work we are doing.

We are very excited about the potential that our technology has to bring communications to billions of people across the globe. Our key target markets along the equator include Asia, Africa and Latin America. Together these regions have a population of over 4 billion people, many of whom are without adequate communications coverage. Our aim is to change that situation and provide affordable communications through our network to anyone, anywhere, anytime.

In the year ahead we are looking forward to accelerating progress towards our launch date in Q2 2017. Once again, I thank Shareholders for their continued support during the year and we look forward to keeping you up to date on the commercialisation of our innovative nano-satellite offering in the period ahead.

Remember:

The sky is only our lower limit!

Yours sincerely,

Meir Moalem
Managing Director

Review of Operations

Highlights

- During the 2015/16 financial year the acquisition of Sky and Space Global was completed, transforming the Company into an ASX listed space technology company, focused on nano-satellite constellations
- Appointment of experienced Aerospace industry executives to the Board and successful completion of $4.57 million capital raising to accelerate progress towards launch of its “3 Diamonds” commercial test nano-satellites
- Launch contract secured with leading launch broker, Innovation Space Logistics BV, for the launch of the Company’s “3 Diamonds” nano-satellites in Q2 2017
- Key development milestones achieved, including completion of Preliminary Design Review, securing launch contract on the Indian PSLV in Q2 2017 and appointment of a space insurance underwriter to place full launch insurance coverage to de-risk Company’s financial exposure to the pilot phase operations
- Letter of Intent signed with Virgin Galactic, to enable SAS to use Virgin’s launch Vehicle, LauncherOne, for the launch of SAS’s full Equatorial constellation of up to 200 nano-satellites

Corporate

During the financial year, the Company successfully completed its relisting on the Australian Securities Exchange (ASX) with shares commencing trading under the code “SAS”. The listing follows the successful completion of the 100% acquisition of Sky and Space Global (UK) Ltd by Sky and Space Global Ltd (previously Burleson Energy Ltd).

Capital Raising

As part of the listing process, the Company announced a successful capital raising of $4.57 million at 2.0 cents per share (post consolidation), which was completed at the end of April 2016.

This funding has allowed the Company to accelerate its strategy to complete the design, construction and ultimately launch its “3 Diamonds” commercial test phase nano-satellites in 2017.

Board and Management Team

The Company has assembled a leading Board and Management team with extensive experience and expertise in the satellite industry that is committed to driving the Company towards commercialisation. The Board and Management team is as follows:

- Mr Meir Moalem, Co- founder and Managing Director
- Mr Brett Mitchell, Executive Director – Corporate
- Mr Peter Wall, Non-Executive Chairman
- Mr Yonatan Sharma, Co- founder and Non-Executive Director
- Ms Maya Glickman-Pariente, Co- founder and Non-Executive Director
- Meidad Pariente, Co- founder and Chief Technology Officer

Operations

Development milestones

Preliminary Design Review of “3 Diamonds” Completed

During June 2016, the Company completed its Preliminary Design Review (PDR) of its initial nano-satellites at leading European aerospace construction partner, GomSpace. The PDR is a critical assessment milestone conducted to ensure that the Company’s nano-satellite technology meets all accepted global functional and physical standards that are required before launch in space.

As part of the PDR, the Company’s nano-satellite design components were analysed for expected performance in a range of operational scenarios. Additionally, SAS’s nano-satellites will be the first commercial nano-satellite offering to fully comply with the European Space Agency’s new regulations concerning space debris migration.

Initial launch contract secured – launch set for mid-2017

Sky and Space Global has signed an initial launch contract, securing launch of its first three nano-satellites on an ISRO (Indian Space Research Organization) Polar Satellite Launch Vehicle (PSLV). The contract was delivered through leading European launch broker, Innovation Space Logistics BV. The launch contract marks a significant development milestone for the Company which now has a launch reservation for its initial three nano-satellites on a PSLV scheduled for Q2 2017.

Once launched, the “3 Diamonds” nano-satellites will form a pilot constellation and an initial communications network, allowing Sky and Space Global to commercialise its offering by providing a significantly cheaper platform for voice, data and instant messaging services globally.

Nano-satellite design phase complete and assembly commenced

Physical assembly of the Company’s initial 3 nano-satellites is running ahead of schedule and has commenced at the Company’s aerospace construction partner’s clean room facilities in Denmark. Construction follows the completion of the Company’s Preliminary and Critical Design reviews during Q3 2016.

Review of Operations (continued)

Substantial Risk Mitigation with Insurer Appointed

To further de-risk the Company's nano-satellite offering, Sky and Space Global has implemented a space launch insurance policy to cover its construction and launch costs in full, which has substantially mitigated the risk of the Company's initial launch in 2017. Market leading specialty insurer, Brit Global Specialty was selected following a proposal assessment process from multiple space underwriters.

The insurance covers all related costs involved in the design, construction, launch and working capital costs involved in the in the event of damage caused in transport of the "3 Diamonds" nano-satellites on land or in space, therefore significantly eliminating financial risk of the Company and its shareholders during this critical commercial demonstration phase.

Frequency Registration Commenced

Obtaining frequency spectrum registration is a key milestone ahead of launch. This allows the Company to provide low cost communications coverage globally via its nano-satellite infrastructure.

Sky and Space Global has now commenced the registration process with the International Telecommunications Union (ITU) to obtain spectrum frequency for its operations. Spectrum frequency is a key milestone required prior to launch and will allow the Company to provide low cost communications coverage globally via its nano-satellite infrastructure.

Strategic Partnerships

First customer secured, Sat-Space Africa

Sky and Space Global entered into a binding Letter of Intent with leading Pan-African communications company, Sat-Space Ltd. Sat-Space, which has existing operations in 27 African countries has committed to purchasing all available communications bandwidth that Sky and Space Global is able to provide from its initial three nano-satellite constellation following a successful launch in Q2 2017, and from the full Equatorial constellation upon its deployment.

In addition, Sat-Space will allow Sky and Space Global to use their ground control stations during the initial nano-satellite pilot phase, delivering multi-million dollar cost savings to the Company.

Collaboration Agreement with Strategic Australian Partner, ESSTRACK

The Company signed a Memorandum of Understanding with Australian satellite tracking and communications company, ESSTRACK Pty Ltd. Sky and Space Global and ESSTRACK will collaborate to integrate ESSTRACK's unique tracking and communications system into Sky and Space Global's narrow-band communications network. Both parties intend to enter into a future formal agreement that will be focused on the commercialisation of the combined technologies.

Virgin Galactic Signed as Future Launch Provider

During the financial year, Sky and Space Global also signed a Letter of Intent with Virgin Galactic to use Virgin Galactic's orbital launch vehicle, LauncherOne, beginning in mid-2018 to launch the Company's constellation of up to 200 nano-satellites.

Virgin Galactic's launch vehicle, LauncherOne, will be dedicated to the nano-satellite market and will offer the Company a high degree of flexibility to achieve specific orbital parameters and launch windows and will deliver significant cost savings for Sky and Space Global, compared to the standard commercial market rates for launch costs.

Virgin Galactic Sign MOU - Evaluation of SAS Network for LauncherOne

The Company announced on 8 October that it has signed a non-binding Memorandum of Understanding (MOU) with Virgin Galactic regarding the potential use of the Company's network to provide connectivity to Virgin Galactic's 747 carrier aircraft for transmission of its telemetry data to its control centre.

Under the terms of the MOU, the parties are to work together to evaluate the technical and commercial parameters to determine whether Virgin Galactic's modified 747-400 carrier aircraft, Cosmic Girl can be made compatible with SAS's space-based nano-satellite communications network.

Directors' Report

The Directors present their report on Sky and Space Global Limited ("the Company") and its controlled entities ("group") for the financial period ended 30 June 2016.

Director	Title	Appointment Date	Resignation Date
Meir Moalem	Managing Director	12 May 2016	-
Brett Mitchell	Executive Director	12 May 2016	-
Peter Wall	Non-Executive Chairman	27 October 2015	-
Maya Glickman-Pariente	Non-Executive Director	12 May 2016	-
Yonatan Shrama	Non-Executive Director	12 May 2016	-
Andrew Bald	CEO & Director	27 October 2015	24 March 2016
Alexander Sundich	Executive Director	24 March 2016	13 May 2016
Michael Sandy	Executive Chairman	1 February 2006	13 May 2016
Andrew Kugler	Non-Executive Director	28 February 2006	27 October 2015

Directors

The names of Directors in office at any time during or since the end of the period are shown in the table above.

Directors have been in office since the start of the financial period to the date of this report.

Company Secretary

Rachel Kerr held the position of Company Secretary from 31 May 2016, prior to this, the Company Secretary position was held by Alexander Sundich.

Principal Activities

Sky and Space Global Ltd is company with European and Israeli centres of Aerospace, Satellite and Software Industry Experts, and is advancing its plans to deploy a nano-satellite constellation in low-earth orbit to establish voice, instant messaging and data communication infrastructure network to the telecommunications and international transport industries.

The core Sky and Space Global business is to construct a communications infrastructure based on nano-satellite technology and develop the highly complex and sophisticated software systems that will deploy, maintain orbit control and handle communication code between each of the nano-satellites to give a global coverage.

Operating Results

The consolidated loss of the group amounted to $5,764,534.

Dividends Paid or Recommended

No dividends have been paid or declared for payment.

Significant Changes in State of Affairs

As a result of the transaction between Sky and Space Global Ltd (previously Burleson Energy Ltd) and Sky and Space Global (UK) Ltd the Company changed from an oil and gas company to a nano-satellite technology company.

On 13 May 2016, Sky and Space Global Limited (formerly Burleson Energy Limited, "SAS"), the legal parent and legal acquirer, completed the acquisition of Sky and Space Global (UK) Ltd ("SSG UK") (the legal acquiree) through the issue of 740,000,000 shares in SAS.

The Acquisition has been accounted for by analogy to the guidance for reverse acquisitions in AASB 3 Business Combinations because, as a result of the Acquisition, the former shareholders of SSG UK (the legal subsidiary) obtained accounting control of Sky and Space Global Limited (the legal parent). Accordingly, the application of the reverse acquisition guidance in AASB 3 results in SAS being accounted for as the subsidiary and SSG UK, the legal subsidiary, being accounted for as the accounting parent.

The Acquisition did not meet the definition of a business combination in accordance with AASB 3 Business Combinations as SAS was deemed for accounting purposes not to be a business following its sale of its oil and gas assets and therefore the transaction is not a business combination within the scope of AASB 3.

Directors' Report (continued)

Instead the acquisition has been accounted for as a share-based payment transaction using the principles of share based payment transactions in AASB 2, and in particular the guidance in AASB 2 that any difference in the fair value of the shares issued by the accounting acquirer (SSG UK) and the fair value of the accounting acquiree's identifiable net assets represent a service received by SSG UK, including payment for a service of an ASX stock exchange listing.

The overall effect of the accounting treatment for the Acquisition is, the Directors' Report reflects the financial year from 1 July 2015 to 30 June 2016, however the annual report and the accompanying notes reflect the period 25 November 2015 to 30 June 2016, being the reporting period for SSG UK, the accounting acquirer.

After Reporting Date Events

The Company announced on 11 July 2016 it had commenced the registration proves with the International Telecommunications Union (ITU) to obtain a spectrum frequency for its operations.

The Company announced the change of auditors to Bentleys on 5 August 2016.

It was announced on 30 August 2016 that the Company's first wholesale customer, Sat-Space Africa, had secured new commercial contracts with customers for a portion of the Company's bandwidth from its 3 demonstration nano-satellites – the "3 Diamonds".

Apart from these matters, no other matters or circumstances have arisen since 30 June 2016 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

Following the completion of the acquisition of Sky and Space Global (UK) Ltd on 13 May 2016, the Company became a nano-satellite technology company.

Environmental Issues

The group's operations are subject to various environmental laws and regulations under the relevant Governments' legislation. Full compliance with these laws and regulations is regarded as a minimum standard for all operations to achieve. There have been no significant known breaches by the group during the financial period.

Future Developments, Prospects and Business Strategies

The Company will continue to pursue its policy of enhancing the prospect of greater returns to its investors through further strategic investments during the next financial period. Further information about likely developments in the operations of the group and the expected results of those operations in future financial periods has not been included in this report, because disclosure of the information would be likely to result in unreasonable prejudice to the group.

Information on Directors and Secretary

Names, qualifications experience, and special responsibilities of current directors and company secretary

Meir Moalem	Managing Director
Qualifications and Experience	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 has also received the Israel National Defence award in 2009.
Interest in Shares and Options	219,333,334 Ordinary Shares 25,333,333 A Class Performance Shares 25,333,333 B Class Performance Shares 30,000,000 C Class Performance Shares
Directorships held in other listed entities within the past three years	None

Directors' Report
(continued)

Brett Mitchell	**Executive Director**
Qualifications and Experience	Mr Mitchell is a corporate finance executive with over 25 years of experience primarily in the finance, capital markets and resources industries. He has been involved in the founding, financing and management of early stage resources and technology companies and currently holds executive roles on Sky and Space Global Ltd (ASX:SAS) and MGC Pharmaceuticals Ltd (ASX:MXC). Mr Mitchell holds a Bachelor of Economics from the University of Western Australia and is also a member of the Australian Institute of Company Directors (AICD).
Interest in Shares and Options	Platypus Investments Limited 10,000,000 Ordinary Shares
Directorships held in other listed entities within the past three years	MGC Pharmaceuticals Limited (4 April 2013 – current) Acacia Coal Limited (18 December 2015 – 2 August 2016) Digital CC Limited (5 September 2014 – 24 July 2016) Citation Resources Ltd (24 November 2011 – 1 December 2015) Tamaska Oil and Gas Ltd (1 August 2011 – 1 February 2015) Wildhorse Energy Ltd (22 April 2009 – 29 August 2014)
Peter Wall	**Non-Executive Chairman**
Qualifications and Experience	Mr Wall is a partner at Steinepreis Paganin, a Perth law firm, which he joined in January 2000. Mr Wall has a wide range of experience in all forms of mergers and acquisitions (including takeovers and schemes of arrangement) and has also advised on numerous successful IPO's and back door listings on the ASX. In addition, Mr Wall specialises in corporate reconstructions and recapitalisations of listed entities, acting as principal or advisor to the transaction. Mr Walls other core areas of practice include information technology, energy and resources, capital markets, corporate and strategic advice, securities law, commercial law and contract law.
Interest in Shares and Options	Pheakes Pty Ltd <Senate A/C> 4,000,000 Ordinary Shares
Directorships held in other listed entities within the past three years	Non-Executive Chairman of MMJ Phytotech Ltd (formerly Phytotech Medical Limited) (current) Non-Executive Chairman of Activistic Limited (current) Non-Executive Chairman of MyFiziq Limited (current) Non-Executive Chairman of Zyber Holdings Limited (formerly Dourado Resources Limited, current) Non-Executive Chairman of Transcendence Technologies Limited (formerly GRP Corporation Ltd) (current) Non-Executive Director of Ookami Limited (current) Non-Executive Chairman of Global Metals Exploration NL (resigned 22 July 2016) Non-Executive Chairman of TV2U International Limited (formerly Galicia Energy Corporation Ltd) (resigned 9 February 2016) Non-Executive Chairman of Aziana Limited (resigned 3 August 2015) Non-Executive Chairman of Discovery Resources Ltd (resigned 8 November 2013)

Directors' Report (continued)

Maya Glickman-Pariente	Non-Executive Director
Qualifications and Experience	Highly experienced and regarded as a global industry leader, Maya Glickman-Pariente is Sky and Space Global (UK) Ltd's Chief Operating 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. Maya 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 Nanosatellites. 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.
Interest in Shares and Options	Nil
Directorships held in other listed entities within the past three years	None
Yonatan Shrama	**Non-Executive Director**
Qualifications and Experience	Yonatan has over 12 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.
Interest in Shares and Options	219,333,333 Ordinary Shares 25,333,334 A Class Performance Shares 25,333,333 B Class Performance Shares 30,000,000 C Class Performance Shares
Directorships held in other listed entities within the past three years	None
Rachel Kerr	**Company Secretary**
Experience	Mrs Kerr has 7 years experience as a Company Secretary on both private and public companies, working on acquisitions, capital raisings, listing of companies on ASX, due diligence reviews and compliance of public companies. Mrs Kerr is also Company Secretary of MGC Pharmaceuticals Ltd and Acacia Coal Limited.

Directors' Report
Remuneration Report (Audited)

This report details the nature and amount of remuneration for each key management person of Sky and Space Global Limited, and for the Executives receiving the highest remuneration.

Remuneration Policy

The remuneration policy of Sky and Space Global Limited has been designed to align Key Management Personnel objectives with Shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the consolidated group's financial results. The Board of Sky and Space Global Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best Key Management Personnel to run and manage the group, as well as create goal congruence between Directors, Executives and Shareholders.

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), superannuation, fringe benefits, options and performance incentives.
- The Board reviews Key Management Personnel packages annually by reference to the consolidated group's performance, Executive Performance and comparable information from industry sectors.

The performance of Key Management Personnel is measured against criteria agreed annually with each Executive and is based predominantly on the forecast growth of the group's profits and Shareholders' value. All bonuses and incentives must be linked to predetermined performance criteria. 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.

The Key Management Personnel receive a superannuation guarantee contribution required by the government, which is currently 9.5% (financial period 2014: 9.25%) and do not receive any other retirement benefits. Some individuals, however, have chosen to sacrifice part of their salary to increase payments towards superannuation.

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 methodology.

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 maximum aggregate amount of fees that can be paid to Non-Executive Directors is subject to approval by Shareholders at the Annual General Meeting. Fees for Non-Executive Directors are not linked to the performance of the consolidated group. However, to align Directors' interests with Shareholder interests, the Directors are encouraged to hold shares in the Company and are able to participate in the employee option plan.

Performance-based Remuneration

As part of each member of the Key Management Personnel's remuneration package there is a performance-based component, consisting of Key Performance Indicators (KPIs). The intention of this program is to facilitate goal congruence between Key Management Personnel with that of the business and shareholders. The KPIs are set annually, with a certain level of consultation with Key Management Personnel to ensure buy-in. The measures are specifically tailored to the areas each Key Management Personnel are involved in and have a level of control over. The KPIs target areas the Board believes hold greater potential for group expansion and profit, covering financial and non-financial as well as short- and long-term goals. The level set for each KPI is based on budgeted figures for the group and respective industry standards.

Performance in relation to the KPIs is assessed annually, with bonuses being awarded depending on the number and deemed difficulty of the KPIs achieved. Following the assessment, the KPIs are reviewed by the Board in light of the desired and actual outcomes, and their efficiency is assessed in relation to the group's goals and shareholder wealth, before the KPIs are set for the following period.

Directors' Report
Remuneration Report (continued)

Company Performance, Shareholder Wealth and Director and Executive Remuneration

Key Management Personnel Remuneration Policy

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

The remuneration structure for Key Management Personnel is based on a number of factors, including length of service, particular experience of the individual concerned, and overall performance of the Company. 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 is A$120,000 per annum with no payment on termination
- Director Agreement with Sky and Space Global (UK) Ltd
  - Fee is US$1,500 per month with no payment on termination
- Consultancy Agreement dated 1 December 2015 with Sky and Space Global (UK) Ltd
  - Fee is US$11,000 per month
  - Upon termination by the Company US$132,000 will be paid

Mr Brett Mitchell, Executive Director

- Letter of Appointment dated 21 March 2016 effective from acquisition of Sky and Space Global (UK) Ltd
  - Fee is A$180,000 per annum
  - Upon termination by the Company A$180,000 will be paid

Mr Peter Wall, Non-Executive Chairman

- Letter of Appointment dated 24 August 2016 effective from 27 October 2015
  - Fee is A$36,000 per annum
  - No payment on termination

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 is A$36,000 per annum with no payment on termination
- Consultancy Agreement dated 1 December 2015 with Sky and Space Global (UK) Ltd
  - Fee is US$11,000 per month
  - Upon termination by the Company US$132,000 will be paid

Mr Yonatan Shrama, Non-Executive Director

- Letter of Appointment dated 21 March 2016 effective from acquisition of Sky and Space Global (UK) Ltd
  - Fee is A$36,000 per annum with no payment on termination
- Director Agreement with Sky and Space Global (UK) Ltd
  - Fee is US$1,500 per month with no payment on termination
- Consultancy Agreement dated 1 December 2015 with Sky and Space Global (UK) Ltd
  - Fee is US$8,800 per month
  - Upon termination by the Company US$105,600 will be paid

Directors' Report
Remuneration Report (continued)

Details of Remuneration

Compensation of Key Management Personnel Remuneration – 2016

	Short-term Benefits		Post-employment benefits				
	Cash, salary and commissions	Other	Super-annuation	Termination benefits	Equity	Share based Payment Options	Total
Directors							
Meir Moalem	24,331	31,759	-	-	1,304,144	98,482	1,458,716
Brett Mitchell	24,677	20,323	-	-	59,459	-	104,459
Peter Wall	17,000	-	-	-	-	-	17,000
Yonatan Sharma	10,373	25,362	-	-	1,304,144	98,482	1,438,361
Maya Glickman-Pariente	6,000	31,782	-	-	-	-	37,782
Michael Sandy	20,000	43,000	-	-	-	-	63,000
Andrew Kugler	8,000	-	-	-	-	-	8,000
Alexander Sundich	10,500	77,000	-	-	-	-	87,500
Andrew Bald	11,500	41,500	-	-	-	-	53,000
KMP							
Meidad Pariente	4,334	31,782	-	-	1,304,144	98,482	1,438,742
Total	**136,715**	**302,508**	**-**	**-**	**3,971,891**	**295,446**	**4,706,560**

All Directors have contracts with the Company.

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.

Shareholdings 2016 – All shareholdings shown are shown on a post consolidation basis

	Opening Balance 1-Jul-15	Granted as Compensation	Options Exercised	Net Other Changes[1]	Closing Balance 30-Jun-16
Directors					
Meir Moalem	-	-	-	219,333,334[i]	219,333,334
Brett Mitchell	-	-	-	10,000,000[i]	10,000,000
Peter Wall	4,000,000	-	-	-	4,000,000
Maya Glickman-Pariente	-	-	-	-	-
Yonatan Shrama	-	-	-	219,333,333[i]	219,333,333
Michael Sandy	1,477,038	-	-	1,477,037	2,954,075[ii]
Andrew Kugler	904,667	-	-	888,667	1,793,334[ii]
Alexander Sundich	2,600,000	-	-	5,126,875	7,726,875[ii]
Andrew Bald	2,330,000	-	-		2,330,000[ii]
KMP					
Meidad Pariente	-	-	-	219,333,333[i]	219,333,333
Total	**11,311,705**	**-**	**-**	**675,492,579**	**686,804,284**

[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] *The shares were issued as part consideration for the acquisition of Sky and Space Global (UK) Ltd*
[ii] *Holding as at resignation date*

Directors' Report
Remuneration Report (continued)

Shareholdings 2015 – All shareholdings shown are shown on a pre consolidation basis

Directors	Opening Balance 1-Jul-14	Granted as Compensation	Options Exercised	Net Other Changes[1]	Closing Balance 30-Jun-15
Michael Sandy	7,385,188	-	-	-	7,385,188
Andrew Kugler	4,523,333	-	-	-	4,523,333
Alexander Sundich	13,000,000	-	-	-	13,000,000
Total	**24,908,521**	**-**	**-**	**-**	**24,908,521**

[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.

Performance Shareholdings of Key Management Personnel

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

	Opening Balance 1-Jul-15	Granted as Compensation	Options Exercised	Net Other Changes	Closing Balance 30-Jun-16
Directors					
Meir Moalem	-	-	-	80,666,666[i]	80,666,666
Brett Mitchell				-	-
Peter Wall	-	-	-	-	-
Maya Glickman-Pariente	-	-	-	-	-
Yonatan Shrama	-	-	-	80,666,667[ii]	80,666,667
KMP					
Meidad Pariente	-	-	-	80,666,667[iii]	80,666,667
Total	**-**	**-**	**-**	**242,000,000**	**242,000,000**

i This includes 25,333,333 A Class Performance Shares, 25,333,333 B Class Performance Shares, 30,000,000 C Class Performance Shares
ii This includes 25,333,334 A Class Performance Shares, 25,333,333 B Class Performance Shares, 30,000,000 C Class Performance Shares
iii This includes 25,333,333 A Class Performance Shares, 25,333,334 B Class Performance Shares, 30,000,000 C Class Performance Shares

Options Holdings of Key Management Personnel

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

Options holdings 2016

	Opening Balance 1-Jul-15	Granted/ Purchased	Expired	Closing Balance 30-Jun-16
Directors				
Meir Moalem	-	-	-	-
Brett Mitchell	-	-	-	-
Peter Wall	-	-	-	-
Maya Glickman-Pariente	-	-	-	-
Yonatan Shrama	-	-	-	-
Michael Sandy	2,500,000	-	2,500,000	-
Andrew Kugler	2,500,000	-	2,500,000	-
Alexander Sundich	2,500,000	-	2,500,000	-
Andrew Bald	4,000,000	-	-	800,000[i]
KMP				
Meidad Pariente	-	-	-	-
Total	**11,500,000**	**-**	**7,500,000**	**800,000**

[i] Post 5 to 1 consolidation

Directors' Report
Remuneration Report (continued)

Options holdings 2015

Directors	Opening Balance 1-Jul-14	Granted/ Purchased	Expired	Closing Balance 30-Jun-15
Michael Sandy	2,500,000	-	-	2,500,000
Andrew Kugler	2,500,000	-	-	2,500,000
Alexander Sundich	2,500,000	-	-	2,500,000
Total	**7,500,000**	**-**	**-**	**7,500,000**

Transactions with Director related entities

Directors and Officers, or their personally-related entities, hold positions in other entities that result in them having controls 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:

			CONSOLIDATED GROUP	
Entity	Relationship	Nature of transactions	Transactions Full Period 30-Jun-16 $	Balances Full Period 30-Jun-16 $
Sibella Capital Pty Ltd	(i)	(Re-charges to)/reimbursement from Sibella for corporate administration costs	52,795	-
MGC Pharmaceuticals Ltd	(ii)	(Re-charges to)/reimbursement from MXC for corporate administration costs	41,763	4,008
Steinepreis Paganin Lawyers and Consultants	(iii)	Charges from Steinepreis Paganin for corporate legal costs	177,124	-
Multimodis M.M. Ltd	(iv)	Reimbursement from Multimodis for corporate travel costs	16,345	(3,755)
Spacecialist Ltd	(v)	Reimbursement from Spacecialist for corporate administration and travel costs	12,057	-

(i) Sibella Capital Pty Ltd is a company associated with Mr Brett Mitchell.
(ii) MGC Pharmaceuticals ('MXC') is a company associated with Mr Brett Mitchell.
(iii) Steinepreis Paganin is a company associated with Mr Peter Wall.
(iv) Multimodis M.M. Ltd is a company associated with Mr Meir Moalem.
(v) Spacecialist Ltd is a company associated with Ms Maya Glickman-Pariente.

End of Remuneration Report

Directors' Report
(continued)

Meetings of Directors

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

	Board Meetings Number eligible to attend	Number attended
Meir Moalem	2	2
Brett Mitchell	2	2
Peter Wall	6	6
Maya Glickman-Pariente	2	2
Yonatan Shrama	2	1
Michael Sandy	10	10
Andrew Kugler	6	4
Alexander Sundich	6	6
Andrew Bald	4	4

The Company does not have any remuneration, nomination or audit committees, these functions are performed by the Board.

Corporate Governance

The Company's Corporate Governance Statement and ASX Appendix 4G are released to ASX on the same day the Annual Report is released. Sky and Space Global Ltd's Corporate Governance Statement, and the Company's Policies, Charters and Procedures, can be all found on the Company's website at http://skyandspace.global/index.php/investors

Options

At the date of this report the unissued ordinary shares of Sky and Space Global Limited under option are 800,000 options exercisable at $0.15 and expiring on or before 1 December 2016.

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.

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 Bentleys and its related practices.

Auditor's Independence Declaration

The lead auditor's independence declaration for the period ended 30 June 2016 has been received and can be found on page 15 of the annual report.

This report is made in accordance with a resolution of Directors. These financial statements were authorised for issue on 31 August 2016 by the Directors of the Company.

Meir Moalem
Managing Director
Dated 31 August 2016

Auditor's Independence Declaration

Bentleys
THINKING AHEAD

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To The Board of Directors

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

As lead audit director for the audit of the financial statements of Sky and Space Global Limited for the financial year ended 30 June 2016, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

Yours faithfully

Bentleys

BENTLEYS
Chartered Accountants

CHRIS NICOLOFF CA
Director

Dated at Perth this 31st day of August 2016

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the period ended 30 June 2016

	Notes	30-Jun-16
		$
Other income	5	9,217
Professional and consultancy fees	6	(658,331)
Marketing and travel expenses		(111,896)
Corporate expenses		(27,697)
Directors' fees		(103,855)
Employee benefits expense		(9,541)
Office and administration costs		(65,389)
Share based payments	23	(371,318)
Depreciation	12	(1,877)
Finance costs		88,726
Recapitalisation cost	21	(3,581,112)
Transaction cost	21	(800,000)
Other expenses		(131,461)
Loss before income tax		**(5,764,534)**
Income tax benefit		-
Loss after income tax		**(5,764,534)**
Loss after income tax for the year attributable to:		
Member of the parent entity	6	(5,764,534)
Non-controlling interest		-
		(5,764,534)
Other comprehensive income for the period		
Items that may be reclassified subsequently to profit or loss		
Exchange differences on the translation of foreign operations		(98,733)
Other comprehensive income (net of tax) for the period		**(98,733)**
Total comprehensive loss for the period		**(5,863,267)**
Total comprehensive loss attributable to:		
Members of the parent entity		(5,863,267)
Non-controlling interest		-
		(5,863,267)
Earnings per share for loss attributable to the ordinary equity holders of the parent:		
From continuing and discontinued operations		
Basic loss per share (cents)	9	(1.70)
Diluted loss per share (cents)	9	(1.70)

The accompanying notes form part of these financial statements

Consolidated Statement of Financial Position
As at 30 June 2016

	Notes	30-Jun-16
		$
CURRENT ASSETS		
Cash and cash equivalents	10	3,852,255
Other receivables	11	57,447
Total Current Assets		**3,909,702**
NON-CURRENT ASSETS		
Plant and equipment		137,876
Goodwill		7
Intangible asset – Development expenditure	12	125,997
Total Non-Current Assets	13a)	**263,880**
TOTAL ASSETS	13b)	**4,173,582**
CURRENT LIABILITIES		
Trade and other payables	15	174,175
Total Current Liabilities		**174,175**
TOTAL LIABILITIES		**174,175**
NET ASSETS		**3,999,407**
EQUITY		
Contributed equity	16	9,490,935
Performance shares	23	371,318
Foreign currency translation reserve	17b)	(98,733)
Retained earnings		(5,764,534)
Equity attributable to equity holders of the parent		**3,998,986**
Non-controlling interest	22	421
TOTAL EQUITY		**3,999,407**

The accompanying notes form part of these financial statements

Consolidated Statement of Changes in Equity
For the period ended 30 June 2016

	Contributed Equity	Performance shares	Foreign Currency Translation Reserve	Retained Earnings	Non-controlling interest	Total
CONSOLIDATED GROUP	$	$	$	$	$	$
Balance at 25 November 2015	**20,781**	**-**	**-**	**-**	**-**	**20,781**
Other comprehensive income for the year	-	-	(98,733)	-	-	(98,733)
Loss after income tax expense for the year	-	-	-	(5,764,534)	-	(5,764,534)
Total comprehensive loss for the period	**-**	**-**	**(98,733)**	**(5,764,534)**	**-**	**(5,863,267)**
Shares issued during the period (net of share issue costs)	9,470,154	-	-	-	-	9,470,154
Issue of performance shares	-	371,318	-	-	-	371,318
Recognition of non-controlling interest	-	-	-	-	421	421
Balance at 30 June 2016	**9,490,935**	**371,318**	**(98,733)**	**(5,764,534)**	**421**	**3,999,407**

The accompanying notes form part of these financial statements

Consolidated Statement of Cash Flows
For the period ended 30 June 2016

	Notes	30-Jun-16
		$
Cash flows from operating activities		
Interest received		9,217
Payments to suppliers and employees		(341,308)
Net cash used in operating activities	25	**(332,091)**
Cash flows from investing activities		
Cash acquired through business combinations		338,818
Purchase of plant and equipment		(154,767)
Payments for development expenditure		(114,852)
Cash advance to SAS (Poland) Software Ltd		(149,148)
Net cash used in investing activities		**(79,949)**
Cash flows from financing activities		
Proceeds from issue of shares and options		4,574,324
Capital raising costs		(340,065)
Net cash provided by financing activities		**4,234,259**
Net (decrease) / increase in cash and cash equivalents held		**3,822,219**
Cash and cash equivalents at beginning of period		-
Foreign exchange movement in cash		30,036
Cash and cash equivalents at end of period	10	**3,852,255**

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 Limited and its controlled entities (collectively, the "Group") for the period ended 30 June 2016 were authorised for issue in accordance with a resolution of Directors on 31 August 2016.

Sky and Space Global Limited (the Company or the parent) is a for profit company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Stock Exchange.

The 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 20.

2. Significant Accounting Policies

a) Statement of Compliance

The 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' orientated 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 Standard Board ("IASB"). Material accounting policies adopted in the preparation of these financial statements are presented below and they have been consistently applied unless otherwise stated.

b) Basis of Preparation

The financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

On 13 May 2016, Sky and Space Global Limited ("SAS" (formerly Burleson Energy Limited)), the legal parent and legal acquirer, completed the acquisition of Sky and Space Global (UK) Ltd ("SSG UK") (the "Acquisition"). The Acquisition has been accounted for by analogy to the guidance for reverse acquisitions in AASB 3 Business Combinations because, as a result of the Acquisition, the former shareholders of SSG UK (the legal subsidiary and legal acquiree) obtained accounting control of SAS (the legal parent). Accordingly, the application of the reverse acquisition guidance in AASB 3 by analogy results in SAS, the legal parent, being accounted for as the subsidiary, and SSG UK, the legal subsidiary, being accounted for as the accounting parent.

The Acquisition did not meet the definition of a business combination in accordance with AASB 3 Business Combinations as SAS was deemed for accounting purposes not to be a business as at the time of the acquisition SAS was in the process of realising its remaining assets and therefore the transaction is not a business combination within the scope of AASB 3. Instead the Acquisition has been accounted for as a share-based payment transaction using the principles of share based payment transactions in AASB 2, and in particular the guidance in AASB 2 that any difference in the fair value of the shares issued by the accounting acquirer (SSG UK) and the fair value of the accounting acquiree's (SAS) identifiable net assets represents a service received by SSG UK, including payment for a service of an ASX stock exchange listing. The accounting for the Acquisition resulted in a re-capitalisation cost recognised on acquisition of $3,581,112 as set out in Note 21, measured at the fair value of the equity instruments that would have been given by SSG UK to have the same percentage holding in the new structure as the date of the transaction.

As Sky and Space Global (UK) Ltd is considered to be the parent of the Group for accounting purposes the consolidated financial statements represent the continuation of the financial statements of SSG UK from its incorporation on 25 November 2015, with the exception of the capital structure, and present only the details for SAS from the date the Acquisition completed. The amount recognised as issued equity instruments in these consolidated financial statements represents the issued equity interests of SAS adjusted to reflect the equity issued by SAS on acquisition. Refer to Note 16 for information on issued capital and Note 21 for information on the accounting for the Acquisition. As SSG UK was only incorporated in November 2015 no comparative financial information is presented in these consolidated financial statements.

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 annual report is presented in Australian dollars except where otherwise indicated.

Notes to the Financial Statements (continued)

Annual report prepared on a going concern basis

The financial statements have been prepared on the going concern basis of accounting, which assumes the continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

During the year ended 30 June 2016 the consolidated group incurred a loss from continuing operations of $5,764,534, net operating cash outflows of $332,091 and year-end cash and cash equivalents balance of $3,852,255.

The Company's cashflow forecasts for the 12 months ending 30 September 2017 indicate that the Company will be in a position to meet its committed operational and administrative expenditure and thus continue to operate as a going concern.

In the Directors' opinion there are therefore reasonable grounds to believe that the consolidated group will be able to pay its debts as and when they become due and payable.

If the Company and group are unable to continue as a going concern, then assets and liabilities will not be discharged in the normal course of business and at values specified in the annual report.

c) 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 2016.

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 period 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.

d) Business Combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Notes to the Financial Statements (continued)

If the business combination is achieved in stages, any previously held equity interest is re-measured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss. It is then considered in the determination of goodwill.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of AASB 139 Financial Instruments: Recognition and Measurement, is measured at fair value with changes in fair value recognised either in profit or loss or as a change to OCI. If the contingent consideration is not within the scope of AASB 139, it is measured in accordance with the appropriate AASB. Contingent consideration that is classified as equity is not re-measured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

e) Investments in Associates and Joint Ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining significant influence, or joint control, are similar to those necessary to determine control over subsidiaries.

The Group's investments in joint ventures are accounted for using the equity method. Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The statement of profit or loss reflects the Group's share of the results of operations of the associate or joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group's share of profit or loss of an associate and a joint venture is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group. After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, then recognises the loss as 'Share of profit of an associate and a joint venture' in the statement of profit or loss.

Notes to the Financial Statements (continued)

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

f) 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 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 development costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when 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
- The ability to measure reliably the expenditure during development

Following initial recognition of the development expenditure 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 cost of sales. During the period of development, the asset is tested for impairment annually.

g) 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.

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 charge 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.

Deferred income tax is provided on all temporary differences at the statement of financial position date, arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements, and are recognised for all taxable temporary differences,

- Except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Notes to the Financial Statements
(continued)

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses can be utilised:

- Except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor the taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future extent that it is probable that the temporary differences can be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the statement of financial position date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the statement of profit or loss and other comprehensive income.

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. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. 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 (refer 2(w)). 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 (refer 2(w)).

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.

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 comprehensive income, 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.

Notes to the Financial Statements (continued)

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

Revenue is measured at the fair value of the consideration received or receivable. The group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each type of revenue.

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.

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) Rounding of Amounts

The Company is a kind referred to in class order 98/100 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.

q) 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.

r) 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.

Notes to the Financial Statements (continued)

s) Trade and Other Payables

These amounts represent liabilities for goods and services provided to the group prior to the end of the financial period, which remain unpaid at period end. The amounts are unsecured and are usually paid within 60 days of recognition. They are recognised at fair value on initial recognition and subsequently at amortised cost, using the effective interest rate method.

t) Trade and Other Receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost, using the effective interest rate method, less a provision for impairment. Trade receivables are generally due for settlement between thirty (30) and ninety (90) days from the date of recognition. They are presented as current assets unless collection is not expected for more than 12 months after reporting date.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired.

The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial. The amount of the impairment loss is recognised in the profit or loss within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the profit or loss.

u) Exploration, Evaluation and Development Expenditure

Exploration, evaluation and development expenditure incurred are written off as incurred in respect of each identifiable area of interest until such time where activities in the area have reached a stage which permits reasonable assessment of the existence of economically recoverable reserves.

v) Plant and Equipment

Plant and equipment is 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 periods
Nano-Satellite equipment	25 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.

w) Investments and Other Financial Assets

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. They are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on the purpose of the acquisition and subsequent reclassification to other categories is restricted. The fair values of quoted investments are based on current bid prices. For unlisted investments, the group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are either: i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit; or ii) designated as such upon initial recognition, where they are managed on a fair value basis or to eliminate or significantly reduce an accounting mismatch. Except for effective hedging instruments, derivatives are also categorised as fair value through the statement of profit or loss. Fair value movements are recognised in the profit or loss.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets, principally equity securities that are either designated as available-for-sale or not classified as any other category. After initial recognition, fair value movements are recognised in other comprehensive income through the available-for-sale reserve in equity. Cumulative gain or loss previously reported in the available-for-sale reserve is recognised in the profit or loss when the asset is derecognised or impaired.

Notes to the Financial Statements (continued)

Impairment of financial assets

The group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. Objective evidence includes significant financial difficulty of the issuer or obligor; a breach of contract such as default or delinquency in payments; the lender granting to a borrower concessions due to economic or legal reasons that the lender would not otherwise do; it becomes probable that the borrower will enter bankruptcy or other financial reorganisation; the disappearance of an active market for the financial asset; or observable data indicating that there is a measurable decrease in estimated future cash flows.

The amount of the impairment allowance for financial assets carried at cost is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the current market rate of return for similar financial assets.

De-recognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

Available-for-sale financial assets are considered impaired when there has been a significant or prolonged decline in value below initial cost. Subsequent increments in value are recognised in other comprehensive income through the available-for-sale reserve.

x) Fair value measurement

The group measures financial instruments and non-financial assets at fair value at each reporting date.

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.

y) 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.

Notes to the Financial Statements (continued)

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.

z) Parent entity financial information

The financial information for the parent entity, Sky and Space Global Limited, disclosed in note 27 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 Limited. Dividends received from associates are recognised in the parent entity's statement of profit or loss when its right to receive the dividend is established.

3. Critical Accounting Estimates and Judgements

The Directors evaluate estimates and judgements incorporated into the annual 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 expects to have 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) Share Based Payments

The assessed fair value at grant date of share based payments granted during the period was determined using a binomial option pricing model that takes into account the exercise price, the price of the underlying share at grant date, the life of the option, the volatility of the underlying share, the risk free rate and expected dividend payout and any applicable vesting conditions.

Management are required to make assumptions and estimates in order to determine the inputs into the binomial option pricing model, where applicable.

c) Development expenditure

It was assessed by management that an estimated 50% of work performed by consultants were specifically for the development and design of the nano-satellite technology. Management will review and assess this estimate based on the future status of the development activities performed.

4. Application of New and Revised Accounting Standards

a) Changes in accounting policy, accounting standards and interpretations

The accounting policies adopted are consistent with those of the previous financial period except as follows:

New and amended standards and interpretations

The Group has adopted the following new and amended Australian Accounting Standards and AASB Interpretations as of 1 July 2015:

AASB 2015-3 Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality - completes the withdrawal of references to AASB 1031 in all Australian Accounting Standards and Interpretations, allowing that Standard to effectively be withdrawn. The application of this amendment does not have any material impact on the disclosures or the amounts recognised in the Group's consolidated financial statements.

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 2016, are set out on the following page.

Notes to the Financial Statements (continued)

Reference	Title	Summary	Application date for reporting periods beginning or after	Application date for Company in financial period end
AASB 9, AASB 2014-7, AASB 2014-8 Amendments arising to Australian Accounting Standards arising from AASB 9	Financial Instruments	The objective of this Standard is to establish principles for the financial reporting of financial assets and financial liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139.	1 January 2018	30 June 2019
AASB 1057	Application of Australian Accounting Standards	This Standard lists the application paragraphs for each other Standard (and Interpretation), grouped where they are the same. Accordingly, paragraphs 5 and 22 respectively specify the application paragraphs for Standards and Interpretations in general. Differing application paragraphs are set out for individual Standards and Interpretations or grouped where possible. The application paragraphs do not affect requirements in other Standards that specify that certain paragraphs apply only to certain types of entities.	1 January 2016	1 July 2016
AASB 2014-4	Clarification of Acceptable Methods of Depreciation & Amortisation (Amendments to AASB 116 and AASB 138)	AASB 116 Property Plant and Equipment and AASB 138 Intangible Assets both establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset. The IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The amendment also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances.	1 January 2016	30 June 2017

Notes to the Financial Statements (continued)

Reference	Title	Summary	Application date for reporting periods beginning or after	Application date for Company in financial period end
AASB 2014-9	Equity Method in Separate Financial Statements	Amends AASB 127 Separate Financial Statements, to allow an entity to account for investments in subsidiaries, joint ventures and associates in its separate financial statements: • at cost; • in accordance with AASB 9 Financial Instruments; or • using the equity method as described in AASB 128 Investments in Associates and Joint Ventures. The accounting policy option must be applied for each category of investment.	1 January 2016	30 June 2017

The following new or amended standards, applicable for annual reporting periods beginning after 1 January 2016 (unless otherwise stated), are not expected to have a significant impact on the Group's consolidated financial statements:

- AASB 2014-3 Amendments to Australian Accounting Standards – Accounting for acquisitions of interests in joint operations
- AASB 2014-4 Amendments to Australian Accounting Standards – Clarification of acceptable methods of depreciation and amortisation (Amendments to AASB 116 and AASB 138)
- AASB 2014-5 Amendments arising from AASB 15, AASB 2015-8 Amendments to Australian Accounting Standards – Effective Date of AASB 15
- AASB 2014-10 Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture, AASB 2015-10 Amendments to Australian Accounting Standards – Effective Sate of Amendments to AASB 10 and AASB 128 (applicable 1 January 2018)
- AASB 2015-1 Amendments to Australian Accounting Standards – Annual improvements to Australian Accounting Standards 2012-2014 cycle
- AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101
- AASB 2016-1 Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses (applicable 1 January 2017)
- AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107

At the date of authorisation of the financial statements, the following IASB Standards and IFRIC Interpretations (for which Australian equivalent Standards and Interpretations have not yet been issued) were in issue but not yet effective:

- Clarifications to IFRS 15 'Revenue from Contracts with Customers – effective 1 January 2018, applicable for financial period ending 30 June 2019
- IFRS 2 (Amendments) 'Classification and Measurement of Share-based Payment Transactions – effective 1 January 2018, applicable for the year ending 30 June 2019

Notes to the Financial Statements (continued)

5. Other Income

	CONSOLIDATED GROUP 30-Jun-16
	$
Interest received	9,217
	9,217

6. Expenses

	CONSOLIDATED GROUP 30-Jun-16
PROFESSIONAL AND CONSULTANCY FEES	$
Professional fees	34,399
Legal fees	25,445
Consulting costs	598,487
	658,331

7. Income Tax Expense

		CONSOLIDATED GROUP 30-Jun-16
a)	**The components of income tax expense comprise:**	$
	Current tax	-
	Deferred tax	(11,777)
	DTA not recognised (losses)	6,689
	DTA not recognised (temporary)	5,088
		-
b)	**The prima facie tax on Profit/(loss) from continuing operations and discontinued operations before income tax is reconciled to the income tax as follows:**	
Prima facie tax payable on (loss)/profit from continuing operations and discontinued operations before income tax at 28.5%		(165,302)
	Add:	
Tax effect of:		
	Other non-allowable items	153,525
	Other assessable items	-
	Less:	
Tax effect of:		
	Non-assessable items	-
	Loss of discontinued operations	-
	DTA not recognised (losses)	6,689
	DTA not recognised (temporary)	5,088
	Income tax expense/(benefit)	-
Deferred Tax Assets Not Brought to Account, the benefits of which will only be realised if the conditions for deductibility set out in Note (1h) occur		
	Tax Losses	6,689
	Temporary Differences	5,088
	Total	**11,777**

Notes to the Financial Statements (continued)

8. Auditors' Remuneration

	CONSOLIDATED GROUP 30-Jun-16
	$
Remuneration of the auditors of the group:	
Audit fees and review of financial reports - Bentleys	16,500
	16,500

9. Earnings Per Share

	CONSOLIDATED GROUP 30-Jun-16
	$
Basic loss per share (cents)	(1.70)
Diluted loss per share (cents)	(1.70)
Reconciliation of earnings to profit or loss	
(Loss) used in calculating basic and diluted EPS	(5,764,534)
	Number
Weighted average number of ordinary shares and potential ordinary shares	
Weighted average number of ordinary shares used in calculating basic and diluted EPS	338,835,243

10. Cash and Cash Equivalents

	CONSOLIDATED GROUP 30-Jun-16
	$
Cash at bank	3,852,255
	3,852,255

11. Trade and Other Receivables

	CONSOLIDATED GROUP 30-Jun-16
	$
Current	
Other receivables	18,444
GST receivable	39,003
	57,447

Other receivables are non-interest bearing and are generally on terms of 30 days.

Notes to the Financial Statements (continued)

12. Plant and Equipment

	CONSOLIDATED GROUP 30-Jun-16
	$
Office equipment	
- at cost	14,816
- accumulated depreciation	(205)
- foreign currency translation	(1,435)
	13,176
Nano-Satellite equipment	
- at cost	139,950
- accumulated depreciation	(1,672)
- foreign currency translation	(13,578)
	124,700

Plant and equipment movement:	CONSOLIDATED GROUP 30-Jun-16
	$
Opening balance at 25 November 2015	-
Additions	154,766
Depreciation	(1,877)
Foreign currency translation	(15,013)
	137,876

13. Intangible Assets

	CONSOLIDATED GROUP 30-Jun-16
	$
a) Goodwill	
- at fair value on acquisition	8
- foreign exchange currency translations	(1)
	7
b) Intangible asset - Development expenditure	
- at fair value on acquisition	139,717
- foreign exchange currency translations	(13,720)
	125,997

Notes to the Financial Statements (continued)

On 30 June 2016 SSG UK completed acquisition of Sky and Space Global (Poland) Software Ltd (SAS Poland) for a 75% interest in its equity for a consideration of GBP£74,674 (USD$100,000), at which date the acquiree had a net asset position of GBP£74,670. This resulted in the recognition of Goodwill on consolidation, being the excess of the consideration over the net asset value.

During the period, consultancy services were performed for the design, construction and testing of the nano-satellites, the orbit systems and in-house software development for the eventual launch of the 3 Diamond nano-satellites. These development activities meet relevant accounting principles and it was assessed that 50% of the services performed be capitalised accordingly.

14. Controlled Entities

	Country of Incorporation	Percentage Owned %* 30-Jun-16
Parent Entity:		
Sky and Space Global Limited	Australia	
Subsidiaries of Sky and Space Global Limited		
Sky and Space Global (UK) Limited[1]	UK	100
Burleson Energy Holding Inc	USA	100
Burleson Energy Inc	USA	100
Burleson Energy General LLC	USA	100
Burleson Energy Limited LLC	USA	100
Burleson Energy Limited Partnership	USA	100
Subsidiaries of Sky and Space Global (UK) Limited		
Sky and Space (Poland) Software Ltd[2]	Poland	75

* *Percentage of voting power in proportion to ownership*
[1] *Refer note 21 for further details*
[2] *Refer note 13 for further details*

15. Trade and Other Payables

	CONSOLIDATED GROUP 30-Jun-16
	$
Current	
Trade payables	35,212
Accruals	138,963
	174,175

Refer to note 26 for details on management of financial risk.

Notes to the Financial Statements (continued)

16. Contributed Equity

	CONSOLIDATED GROUP 30-Jun-16	30-Jun-16
	NUMBER	$
Ordinary shares on issue, fully paid	1,228,716,371	4,916,611
	1,228,716,371	**4,916,611**

a) Reconciliation of movement in share capital

Date		CONSOLIDATED GROUP No. Of Shares	Issue Price $	Amount $
25-Nov-15	Opening balance	1,000,000		20,871
12-May-16	Closing balance	**1,000,000**		**20,871**
13-May-16	Opening balance	**1,000,000**		**20,781**
	Acquisition of Sky and Space Global Ltd			
	Elimination of SAS UK shares	(1,000,000)		-
	Existing Sky and Space Global Ltd shares on acquisition	220,000,186		-
	Issue of Sky and Space Global Ltd shares on acquisition of SAS UK shares	740,000,000		4,400,000
	Issue of shares under prospectus	228,716,185		4,574,324
18-May-16	Facilitator shares issued	40,000,000		800,000
	Less: costs of issue	**-**		(304,170)
30-Jun-16	**Closing balance**	**1,228,716,371**		**9,490,935**

Note: Securities quoted are post consolidation and based on a rate of 0.48120 AUD/GBP as at 13 May 2016 where applicable.

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.

Notes to the Financial Statements (continued)

b) 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 adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce 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, distributions to shareholders 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.

17. Reserves

	CONSOLIDATED GROUP 30-Jun-16
	$
a) Performance shares	
Balance at 25 November 2015	-
Performance share movement during the period (refer note 23)	371,318
	371,318
b) Foreign currency translation	
Balance at 25 November 2015	-
Currency translation differences arising during the period	(98,733)
	(98,733)

Exchange differences arising on translation of the foreign controlled entities are taken to the foreign currency translation reserve as described in note 1k). The reserve is recognised in profit and loss when the net investment is disposed of.

18. Contingent Liabilities and Contingent Assets

On 31 March 2016 the Company entered into a Procurement contract with GomSpace ApS for the supply of Nano-Satellites and Ground Station equipment. Contingent on meeting certain milestones the Company are required to complete obligated payments as per announcement dated 7 March 2016.

On 1 June 2016 the Company entered into an Agreement for Launch Subscription and Launch Services with ISL – Innovative Space Logistics B.V. for the launch reservation and launch service for three 3U type CubeSats ("the Payload"). On signing of the agreement the parties have agreed payment arrangements contingent on certain milestones to be set out in a final Arrangement of Launch Agreement ("ALA").

Other than disclosed there are no further contingent liabilities due.

Notes to the Financial Statements
(continued)

19. Commitments

AS per announcement dated 30 June 2016, the Company entered into an insurance contract with Brit Insurance Services Limited over the Satellite Launch and Pre Launch for the period 1 July 2016 to 1 January 2018, for a committed amount due on the commencement of the packing operations for the purposes of transit to the Launch Service Provider's facility.

Other than disclosed there are no further commitments due.

20. Related Party Transactions

a) Key Management Personnel Remuneration

Disclosures relating to key management personnel are out in the Directors Report.

b) Transactions with Director related entities

Directors and officers, or their personally-related entities, hold positions in other entities that result in them having controls 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:

			CONSOLIDATED GROUP	
Entity	Relationship	Nature of transactions	Transactions Full Period 30-Jun-16 $	Balances Full Period 30-Jun-16 $
Sibella Capital Pty Ltd	(i)	(Re-charges to)/reimbursement from Sibella for corporate administration costs	52,795	-
MGC Pharmaceuticals Ltd	(ii)	(Re-charges to)/reimbursement from MXC for corporate administration costs	41,763	4,008
Steinepreis Paganin Lawyers and Consultants	(iii)	Charges from Steinepreis Paganin for corporate legal costs	177,124	-
Multimodis M.M. Ltd	(iv)	Reimbursement from Multimodis for corporate travel costs	16,345	(3,755)
Spacecialist Ltd	(v)	Reimbursement from Spacecialist for corporate administration and travel costs	12,057	-

(i) Sibella Capital Pty Ltd is a company associated with Mr Brett Mitchell.
(ii) MGC Pharmaceuticals ('MXC') is a company associated with Mr Brett Mitchell.
(iii) Steinepreis Paganin is a company associated with Mr Peter Wall.
(iv) Multimodis M.M. Ltd is a company associated with Mr Meir Moalem.
(v) Spacecialist Ltd is a company associated with Ms Maya Glickman-Pariente.

Notes to the Financial Statements (continued)

c) Transactions with related subsidiaries

At the end of the period the following loans were owed by wholly owned subsidiaries of the Company:

Entity	Relationship	Amount owed 30-Jun-16 $
Subsidiaries of Sky and Space Global Limited:		
Sky and Space Global (UK) Ltd	A wholly owned subsidiary	1,951,559
Burleson Energy Holding Inc	A wholly owned subsidiary	14,005,671
Subsidiaries of Sky and Space Global (UK) Limited:		
Sky and Space (Poland) Software Ltd	A 75% owned subsidiary	73,930

Details of interests in wholly owned controlled entities are set out in note 14.

Loans between entities in the wholly owned group are denominated in USD ($); they are non-interest bearing, unsecured and are repayable upon reasonable notice having regard to the financial stability of the Company.

d) Other related party transactions

There were no other related party transactions during the period.

21. Acquisition of Controlled Entity

Acquisition of Sky and Space Global (UK) Ltd

On 13 May 2016, Sky and Space Global Limited (formerly Burleson Energy Limited, "SAS"), the legal parent and legal acquirer, completed the acquisition of Sky and Space Global (UK) Ltd ("SSG UK") (the legal acquiree) through the issue of 740,000,000 shares in SAS.

The Acquisition has been accounted for by analogy to the guidance for reverse acquisitions in AASB 3 Business Combinations because, as a result of the Acquisition, the former shareholders of SSG UK (the legal subsidiary) obtained accounting control of Sky and Space Global Limited (the legal parent). Accordingly, the application of the reverse acquisition guidance in AASB 3 results in SAS being accounted for as the subsidiary and SSG UK, the legal subsidiary, being accounted for as the accounting parent.

The Acquisition did not meet the definition of a business combination in accordance with AASB 3 Business Combinations as SAS was deemed for accounting purposes not to be a business following its sale of its oil and gas assets and therefore the transaction is not a business combination within the scope of AASB 3. Instead the acquisition has been accounted for as a share-based payment transaction using the principles of share based payment transactions in AASB 2, and in particular the guidance in AASB 2 that any difference in the fair value of the shares issued by the accounting acquirer (SSG UK) and the fair value of the accounting acquiree's identifiable net assets represent a service received by SSG UK, including payment for a service of an ASX stock exchange listing.

By analogy to reverse acquisition accounting principles the consideration is deemed to have been incurred by SSG UK Ltd in the form of equity instruments issued to Sky and Space Global Limited shareholders. The acquisition date fair value of the consideration has been determined with reference to the fair value of:

- the issued shares (220,000,000 shares) of Sky and Space Global Ltd immediately prior to the acquisition, determined to be $4,400,000.

As Sky and Space Global Limited is deemed to be the acquiree for accounting purposes, the carrying values of its assets and liabilities are recorded at fair value at Acquisition date. No adjustments were required to the historical book values.

Notes to the Financial Statements (continued)

The principal terms of the acquisition are as follows:

Consideration

The securities issued as consideration for the acquisition are as follows:

	CONSIDERATION
	$
Consideration	
Fair value of ordinary shares on issue in SAS, prior to acquisition	
220,000,000 shares at $0.02 per share	4,400,000
Total consideration	**4,400,000**

Fair value of net assets acquired	**AT ACQUISITION 13-May-16**
	$
Identifiable assets acquired	
Cash and cash equivalents	204,256
Trade and other receivables	16,156
Investment	138,220
Loans to Sky and Space Global (UK) Ltd	717,697
	1,076,329
Identifiable liabilities acquired	
Trade and other payables	(119,221)
Total net assets acquired	**957,108**
Cost on reverse acquisition transaction	**138,220**
Recapitalisation cost recognised on acquisition	**(3,581,112)**

There were no disposals during the period.

Notes to the Financial Statements (continued)

22. Non-Controlling Interest

	CONSOLIDATED GROUP 30-Jun-16
Opening balance at 25 November 2015	**-**
Non-controlling interest arising on the acquisition of SAS Poland	421
Share of loss for the year	-
	421

23. Share Based Payments

Performance shares

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

Class of Performance Share	Number of Performance Shares issued	Performance conditions	Milestone Date
Class A	100,000,000	SSG UK executes a launch contract for at least two nano-satellites within 18 months of Settlement[1]	13/11/2017
Class B	100,000,000	SSG UK completes the design and manufacture of a working nano-satellite together with the integration of requisites systems and communication capability, including a Launch Readiness Review and of the nano-satellite by its manufacturer to prove that the nano-satellite is fully validated and tested for launch within 24 months of Settlement[1]	13/05/2018
Class C	100,000,000	SSG UK successfully launches at least 2 nano-satellites and completes successful full service testing of operating system to confirm delivery of voice and messaging data, including an In-Orbit Acceptance Review (IOAR) conducted by the nano-satellite manufacturer or a qualified independent third party to demonstrate that a communication payload is operating according to specifications, within 30 months of Settlement[1]	13/11/2018

[1]Settlement being the date that the acquisition completed, 13 May 2016 (refer note 21)

Reconciliation of share based payment expense

Class of performance share	Issue date	Vesting date	Fair Value $	Share based payment at 30 June 2016 $
Class A	18-May-16	13-Nov-17	0.02	158,088
Class B	18-May-16	13-May-18	0.02	118,621
Class C	18-May-16	13-Nov-18	0.02	94,609
Total share based payment reserve				**371,318**

Notes to the Financial Statements (continued)

24. Segment Reporting

For management purposes, the Group is organised into business units based on its products and services, and it has been determined that for the period ended 30 June 2016 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.

25. Cash Flow Information

	CONSOLIDATED GROUP 30-Jun-16
Reconciliation of Cash Flow from Operations with Loss after Income Tax	$
(Loss) after income tax	(5,764,534)
Cash flows excluded from loss attributable to operating activities	
Non-cash flows in loss	
Depreciation and amortisation	1,877
Share based payment expense	371,318
Foreign currency translation expense	(88,726)
Recapitalisation cost	3,581,112
Transaction costs	800,000
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries	
Decrease in trade and other receivables	73,611
Increase in trade payables and accruals	693,251
Cash flow from operations	**(332,091)**

26. 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

At reporting date, the group does not have long term borrowings and its exposure to interest rate risk is assessed as low. The risk monitors its interest rate risk through sensitivity analysis, as outlined below.

The consolidated group's exposure to interest rate risk which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets of the group are summarised in the following tables:

Notes to the Financial Statements (continued)

	CONSOLIDATED GROUP					
	Floating interest rate	1 Period or less	Over 1 to 5 periods	Non-interest bearing	Remaining contractual maturities	Weighted average interest rate
30 June 2016	$	$	$	$	$	%
Financial assets						
Cash and cash equivalents	2,835,984	2,835,984	-	1,016,271	3,852,255	**0.24%**
	2,835,984	**2,385,984**	**-**	**1,016,271**	**3,852,255**	
Financial liabilities						
Other payables and sundry accruals	-	-	-	174,175	174,175	
	-	**-**	**-**	**174,175**	**174,175**	

At 30 June 2016, 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 period would have been $2,835 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 regular basis to manage its liquidity risk.

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.

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 £) and the United States Dollars (USD $).

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.

Notes to the Financial Statements (continued)

The consolidate entity's exposure to foreign currency risk at the reporting date was as follows:

	CONSOLIDATED GROUP 30-Jun-16
	$
Trade payables in denomination currency	
Trade payables – GBP	21,545
Trade payables – USD	13,667
Cash and cash equivalents held in denomination currency	
Cash and cash equivalents – GBP	57,889
Cash and cash equivalents – USD	956,982
Consolidated entity sensitivity	
Exchange rates per AUD as at 30 June	
GBP	0.5549
USD	0.7426

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

	CONSOLIDATED GROUP 30 June 2016 $	
	Profit/(loss)	**Profit/(loss)**
	10% increase	10% decrease
Great British Pound (GBP £)	(7,943)	7,493
United States Dollar (USD $)	(97,065)	97,065
	(105,008)	**105,008**

Fair value of financial instruments

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

Notes to the Financial Statements (continued)

27. Parent Company Disclosures

a) Summary of financial information

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

	30-Jun-16[1] $	30-Jun-15[2] $
Current assets	2,870,792	320,237
Non-current assets	21,295,450	14,127,050
Total Assets	**24,166,242**	**14,447,287**
Current liabilities	59,030	50,309
Total Liabilities	**59,030**	**50,309**
Contributed equity	40,812,788	30,245,525
Share based payment reserve	2,282,930	2,282,930
Performance shares	371,318	-
Accumulated losses	(19,359,824)	(18,131,477)
Total Equity	**24,107,212**	**14,396,978**
Loss for the period	**(1,228,347)**	**(573,799)**
Total comprehensive loss for the period	**(1,228,347)**	**(573,999)**

[1] *The 2016 balances are that of Sky and Space Global Ltd*
[2] *The 2015 balances are that of Burleson Energy Ltd*

b) Commitments and Contingent Liabilities of the parent

The parent entity did not have any contingent liabilities or commitments, as at 30 June 2016 (30 June 2015: nil).

c) Guarantees entered into the parent entity

There were no guarantees entered into by the parent entity.

Notes to the Financial Statements (continued)

28. Events After the Reporting Date

The Company announced on 11 July 2016 it had commenced the registration proves with the International Telecommunications Union (ITU) to obtain a spectrum frequency for its operations.

The Company announced the change of auditors to Bentleys on 5 August 2016.

It was announced on 30 August 2016 that the Company's first wholesale customer, Sat-Space Africa, had secured new commercial contracts with customers for a portion of the Company's bandwidth from its 3 demonstration nano-satellites – the "3 Diamonds".

Apart from these matters, no other matters or circumstances have arisen since 30 June 2016 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.

29. 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 16 to 45, are in accordance with the Corporations Act 2001 and:
    a) comply with Accounting Standards and the *Corporations Act 2001*;
    b) are in accordance with International Financial Reporting Standards, as stated in note 1 to the financial statements; and
    c) give a true and fair vie w of the Company's and consolidated group's financial position as at 30 June 2016 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. 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 31 August 2016

Independent Auditor's Report to Members

Independent Auditor's Report

To the Members of Sky and Space Global Limited

We have audited the accompanying financial report of Sky and Space Global Limited ("the Company") and Controlled Entities ("the Consolidated Entity"), which comprises the statement of financial position as at 30 June 2016, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the Consolidated Entity, comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors Responsibility for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standards AASB 101: *Presentation of Financial Statements* that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditor's Report to Members (continued)

Independent Auditor's Report

To the Members of Sky and Space Global Limited *(Continued)*

Bentleys
THINKING AHEAD

Independence

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

Opinion

In our opinion:

a. The financial report of Sky and Space Global Limited is in accordance with the *Corporations Act 2001*, including:

   i. giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and

   ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*;

b. The financial statements also comply with *International Financial Reporting Standards* as disclosed in Note 2.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2016. 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 responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Sky and Space Global Limited for the year ended 30 June 2016, complies with section 300A of the *Corporations Act 2001*.

Bentleys

BENTLEYS
Chartered Accountants

CHRIS NICOLOFF CA
Director

Dated at Perth this 31st day of August 2016

Shareholding Information

Exchange Listing

Sky and Space Global Ltd shares are listed on the Australian Securities Exchange. The Company's ASX code is SAS.

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 Yonatan Shrama	219,333,333	17.85
Mr Meir Moalem	219,333,334	17.85
Mr Meidad Pariente	219,333,333	17.85

Class of Shares and Voting Rights

At 30 September 2016 there were 2,573 holders of 1,228,716,371 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:

- each Shareholder entitled to vote may vote in person or by proxy, attorney or Representative;
- 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
- 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 92.

Listed Options

As at 30 September 2016 the Company did not have any Listed Options.

Unlisted Options and Performance Shares

Securities	Number of Securities on issue	Number of Holders	Name of Holders holding more than 20%	Number Held
Class A performance shares held in escrow until 31 May 2018	100,000,000	4	Meir Moalem Meidad Pariente Yonatan Shrama Doron Zauer	100,000,000
Class B performance shares held in escrow until 31 May 2018	100,000,000	4	Meir Moalem Meidad Pariente Yonatan Shrama Doron Zauer	100,000,000
Class C performance shares held in escrow until 31 May 2018	100,000,000	4	Meir Moalem Meidad Pariente Yonatan Shrama	100,000,000
Options exercisable at $0.15 on or before 1 December 2016	800,000	1	Andrew Bald	800,000

Shareholding Information (continued)

Escrowed Securities

The Company has the following securities subject to ASX imposed escrow:

780,000,000	Ordinary Shares escrowed until 31 May 2018
100,000,000	Performance Shares escrowed until 31 May 2018
100,000,000	Performance Shares escrowed until 31 May 2018
100,000,000	Performance Shares escrowed until 31 May 2018

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 30 September 2016

Rank	Name	Shares	% of Shares
1.	Meir Moalem	219,333,334	17.851%
2.	Meidad Pariente	219,333,333	17.851%
3.	Yonatan Shrama	219,333,333	17.851%
4.	Chitta Lu Ltd	18,450,000	1.502%
5.	Brighght Global Ltd	18,450,000	1.502%
6.	Aviemore Capital Pty Ltd	15,000,000	1.221%
7.	Mr Ross Henry Smith <Mohaka Capital A/C>	11,275,000	0.918%
8.	Lancaster Equity Pty Ltd	10,805,000	0.879%
9.	Platypus Investments Ltd	10,000,000	0.814%
10.	Citicorp Nominees Pty Limited	9,697,232	0.789%
11.	J P Morgan Nominees Australia Limited	7,995,876	0.651%
12.	Mr Norman Zillman & Mrs Lorraine Zillman <Bannerblock P/L Super A/C>	7,832,387	0.637%
13.	Arredo Pty Ltd	7,500,000	0.610%
14.	Sammex Consulting Pty Ltd	7,200,000	0.586%
15.	Spiceme Capital Pty Ltd	7,000,000	0.570%
16.	Comsec Nominees Pty Limited	6,895,609	0.561%
17.	Smac Nominees Pty Ltd	6,665,000	0.542%
18.	Monslit Pty Ltd <A Torresan Super Fund A/C>	6,000,000	0.488%
19.	Monslit Pty Ltd <Anthony Torresan A/C>	5,300,000	0.431%
20.	Dewcorp Pty Ltd <D & G Woodford Family A/C>	4,950,069	0.403%
Totals: Top 20 holders of ORDINARY FULLY PAID SHARES (TOTAL)		**819,016,173**	**66.656%**

Shareholding Information
(continued)

Range of Ordinary Shares

Range	Total Holders	Shares	%
1 - 1,000	126	34,308	0.003
1,001 - 5,000	243	682,902	0.056
5,001 - 10,000	150	1,171,985	0.095
10,001 - 100,000	1,306	61,775,433	5.028
100,001 - 9,999,999,999	748	1,165,051,743	94.819
Total	**2,573**	**1,228,716,371**	**100.00**

Notes

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