



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

APPENDIX 4D

REPORTING PERIOD

Interim financial period to 31 December 2017

PREVIOUS REPORTING PERIOD

Interim financial period to 31 December 2016

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

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

RESULTS FOR ANNOUNCEMENT TO MARKET

	31-Dec-17	% change	31-Dec-16
Revenue from ordinary activities	48,918	100%	24,396
(Loss) after income tax from ordinary activities*	(5,077,312)	(8%)	(4,683,936)
Net (loss) for the period*	(5,077,312)	(8%)	(4,683,936)
Dividend per share	n/a	-	n/a
Record date for determining entitlement to dividends	n/a	-	n/a
No dividends have been paid or declared during the year			

*Losses are attributable to accounting adjustments relating to a share-based payments expense of \$2.2m (2016: \$3.3m) and depreciation on the nano-satellite equipment of \$0.4m, and an increase in marketing and travel, office and administrative expenses in line with the Group's growth in operational activities.

NET TANGIBLE ASSETS PER ORDINARY SHARE (cents)	0.60	0.54
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DETAILS OF SUBSIDIARIES

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

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

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

AUDIT REPORT

The Group's independent auditors review report for the half year ended 31 December 2017 is unqualified, however an Emphasis of Matter paragraph is included in relation to the Group's ability to continue as a Going Concern. Refer to Note 2(c) of the interim financial report.



ABN 73 117 770 475
SKY AND SPACE GLOBAL LTD

INTERIM FINANCIAL REPORT

31 DECEMBER 2017

Contents

Corporate Directory.....	3
Directors' Report.....	4
Auditor's Independence Declaration.....	10
Consolidated Statement of Profit or Loss and Other Comprehensive Income	11
Consolidated Statement of Financial Position.....	12
Consolidated Statement of Changes in Equity	13
Independent Review Report to Members.....	26

Corporate Directory

Directors

Meir Moalem

Managing Director

Brett Mitchell

Executive Director

Yonatan Shrama

Non-Executive Director

Peter Wall

Non-Executive Chairman

Maya Glickman-Pariente

Non-Executive Director

Joint Company Secretary

Rachel Kerr

Steven Wood (appointed 2 January 2018)

Registered Office and Principal Place of Business

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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 securities are listed on the Australian Securities Exchange (ASX)

Code 'SAS' for ordinary shares

Share Registry

Computershare Investor Services Pty Ltd

Level 11

172 St Georges Terrace

Perth WA 6000

Directors' Report

Your directors submit the condensed interim financial report for the consolidated Group for the half-year ended 31 December 2017.

Directors

The names of directors who held office during or since the end of the half-year:

Director	Title	Appointment 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

Operating Results

The consolidated loss for the Group after providing for income tax from continuing operations amounted to \$5,077,312 (2016: \$4,683,936).

Dividends Paid or Recommended

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

Review of Operations

Sky and Space Global achieved major technical and operational milestones following the launch of the 3 Diamonds nano-satellites during the reporting period, performing a number of world firsts for communication services using nano-satellites. The company continued to complete a number of key strategic and commercial partnerships and the introduction of 'The Pearls' marked a new era as Sky and Space Global looks to the future equatorial constellation satellites.

First ever phone calls, instant messaging, voice recording and image transfers by nano-satellites

In September 2017, Sky and Space Global successfully completed full capability tests for phone calls, instant messages, voice recording and image transfers using its 3 Diamonds commercial demonstration nano-satellites. This was a world first and represented the completion of the most critical technical and operational milestone for the company. It validated Sky and Space Global's technology and its capability to deliver affordable communication services to Anyone, Anywhere, Anytime.

Successful integration of new Chatellite app on Social Finance Systems Humanity \$1 Smartphone

Sky and Space Global unveiled its new 'Chatellite' app, a dedicated Android application which is used to perform phone calls, and transfer files, text messages and voice recordings. The app was successfully integrated into Social Finance Systems Humanity \$1 Smartphone, demonstrating the ability to send and receive messages. The successful test marked the entry into the smartphone vertical.

Directors' Report

World first – Sky and Space Global partners with BeepTool to demonstrate the world's first financial transaction using nano-satellites

In October 2017, Sky and Space Global completed a world first, using the Company's 'Chatellite' app and BeepTool's software to demonstrate the first financial transaction using nano-satellites. Following a successful outcome of the pilot, BeepTool agreed to purchase from SAS all the available communications bandwidth that is required by BeepTool to fill its bandwidth demand.

UK Frequency Regulator Issues Bringing into Use (BIU) classification for 3 Diamonds

In November 2017, the Company announced that it had received formal approval from the United Kingdom communications regulator, Ofcom, confirming the 'bringing into use' (BIU) classification of the 3 Diamonds nano-satellites. This marked a significant technical milestone for the Company and is part of the Satellite Filing procedures required by the International Telecommunication Union (ITU) and local regulators such as Ofcom, for specific frequency registration.

Successful integration of Check Point cybersecurity solutions into the Sky and Space Global nano-satellite network

In December 2017, Sky and Space Global announced that it had successfully integrated and tested the top-tier cybersecurity solutions from Check Point Software Technologies LTD into the SAS network. During the test, phone calls and messages were encrypted before transmission and decrypted on the other side. The successful test demonstrated a new standard of secured and encrypted narrowband communication capabilities at an affordable cost, moving the Company a step forward in its intention to bring space cybersecurity to a new era.

Introduction of The Pearls – Sky and Space Global's constellation nano-satellites

At the International Astronautical Congress in Adelaide, SAS unveiled The Pearls, the future equatorial constellation satellites. The Pearls will make up the Company's future equatorial constellation communications networks, to be launched from late 2018. These new satellites will have 3 meters span of sun tracking solar panels and ~150 Watts of power, enabling 24/7 payload operations.

Commercial Partnership Agreements

BeepTool

Key progress was made in SAS's partnership with BeepTool after the two companies signed a 5-year binding network contract, with an approximate US\$30 million minimum contract value. This agreement came after the announcement in October that SAS and BeepTool together performed the world's first financial transaction using nano-satellites. It commercially validates SAS's nano-satellite technological capacity and delivers a critical financial contract for the next phase of the project.

Directors' Report

Sat-Space Africa

Sky and Space Global announced in August 2017 that it had signed its first binding commercial contract with a wholesale customer, Sat-Space Africa (SSA). SSA agreed to purchase all the available communication bandwidth that the Company can provide from its initial 3 Diamonds nano-satellite platform. Following the successful 3 Diamonds launch and testing phase, SSA and SAS executed this binding commercial contract, which is estimated to generate up to US\$35m in potential annual revenues from the Equatorial constellation.

Check Point Software Technologies

The Company announced a non-binding Memorandum of Understanding (MOU) with Check Point Software Technologies LTD., the largest pure-play cyber security vendor globally. Under the terms of the MOU, the parties will work to integrate Check Point's cybersecurity solutions into the SAS communication platform, with a view to setting a new global standard for space assets and space systems cyber security pending formal agreements. With the intention to later expand into more regions, this partnership marks a step to bring cyber security to a new era – one with global coverage from space.

Strategic Partner Progress

D-Orbit

Following the announcement about the Pearls, the next generation of SAS nano-satellites, Sky and Space Global signed a binding agreement with Italian space system company, D-Orbit in October 2017. The agreement was to provide launch and deployment services for the upcoming roll-out of the SAS nano-satellite constellation. The partnership will allow SAS to maximise the operational capabilities and potential revenue generation for the upcoming nano-satellite constellation.

GomSpace

Sky and Space Global and GomSpace expanded their partnership by signing an amendment to the procurement contract between the parties signed in February 2017. The additional order includes further development to increase the capabilities of SAS's nano-satellites.

SCISYS

The Company contracted SCISYS PLC to deliver a system simulator for the SAS 'Pearls' Constellation of nano-satellites. The simulator is designed as a high-fidelity, high performance solution which will enable SAS to validate and fine tune operations quickly and effectively, maximising service provision. The partnership will further boost Sky and Space Global's technological capabilities and help build a state-of-the-art satellite communications network infrastructure.

Corporate

Industry Leadership

The Company continued to establish itself as a key player in the satellite communications industry by attending and speaking at a number of key industry events.

Directors' Report

The events attended were:

World Satellite Business Week (11th – 15th September, Paris)

The SAS team met with key industry professionals and media at the World Satellite Business Week in Paris.

International Astronautical Congress (25th – 29th September, Adelaide)

Sky and Space Global were a Platinum Sponsor of the prestigious International Astronautical Congress in Adelaide. The Company's CEO, Meir Moalem gave a keynote speech on the SAS constellation and company story and business vision. The event proved extremely successful and provided many opportunities for networking with fellow industry professionals and speaking to key trade and regional Australian media.

London Space Week (4th – 5th October, London)

The Company's CEO, Meir Moalem, and CTO, Meidad Pariente, both gave speeches at the London Space Week which was another successful event and provided a platform for SAS to share their disruptive technology and unique business model.

TechKnow Invest Roadshow (24th – 26th October, Melbourne and Sydney)

CEO Meir Moalem and Executive Director Brett Mitchell attended the TechKnow Invest Roadshow which showcased technology companies in both Melbourne and Sydney.

Africa.Com (8th – 9th November, Cape Town)

Sky and Space Global CTO, Meidad Pariente, spoke at the event, showcasing the company story and how it will be providing affordable communications across the region. A number of interviews were held and SAS was able to connect with other key players in the industry, working to expand key partnerships.

New Video Launch

During the period, the Company released a video for shareholders titled **Sky and Space Global – Making a Better World**. The video is available on the Company's YouTube channel and can be accessed at this link <https://www.youtube.com/watch?v=zNPjO0wAR9o>.

Financial

Use of Funds

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

Cash Position

At the end of the reporting period, the Company had cash at bank of approximately \$4.0m. Further information on the cashflows and financial position of the company can be found in the financial statements and accompanying notes.

Directors' Report

Outlook

In the six months to 31 December 2017, Sky and Space Global made significant progress towards the launch of 'Pearls' constellation in 2020. The company signed a number of strategic deals with D-Orbit, SCISYS and GomSpace to support building the constellation and forged strong partnerships with satellite communications providers in key markets such as the African region.

Following the successful testing of the 3 Diamonds, Sky and Space Global is currently in discussions with a number of potential commercial partners and will continue to pursue commercial agreements for bandwidth from the Company's nano-satellites.

An equatorial constellation presents a substantial commercial opportunity for the Company and its partners and customers. It has the potential to bring communications coverage to billions of people across the globe in remote locations who lack access to affordable communications coverage.

After Reporting Date Events

29 January 2018	SAS signs field trial for Point-of-Sale device with Paratus Group SAS and Paratus Group announced their cooperation in the field of Point-of-Sale (POS) device connectivity. The parties will perform a field trial where the POS will be connected to a banking partner through a SAS IP network.
5 February 2018	SAS commences M2M and IoT tests with Globalsat Group in Central and South America SAS and Globalsat Group announced they have commenced testing of Machine-to-Machine (M2M) and Internet of Things (IoT) services in Central and South America, which opens the region to the SAS connectivity services.
8 February 2018	SAS Incorporates PSTN Connectivity into its Network to Enable Calls and Messaging to any Landline or Mobile Number SAS completes successful tests of generating a PSTN gateway between its network and Public Switched Telephone Networks (PSTN). As a result, SAS users will be able to call and text any Public Switched Telephone Network (PSTN) number.

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.

Directors' Report

Auditor's Independence Declaration

The lead auditor's independence declaration under section 307C of the Corporations Act 2001 is set out on page 10 for the half-year ended 31 December 2017.

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



Meir Moalem

Managing Director

Dated this 12th day of February 2018

**Bentleys Audit & Corporate
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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 review of the financial statements of Sky and Space Global Limited for the period ended 31 December 2017, 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 review; and
- any applicable code of professional conduct in relation to the review.

Yours faithfully



BENTLEYS
Chartered Accountants



CHRIS NICOLOFF CA
Director

Dated at Perth this 12th day of February 2018

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the half year ended 31 December 2017

	31-Dec-17	31-Dec-16
	\$	\$
Revenue	632	-
Other income	48,286	24,396
Professional and consultancy fees	(709,106)	(537,842)
Marketing and travel expenses	(641,386)	(147,711)
Corporate expenses	(79,087)	(50,493)
Directors' fees	(354,750)	(370,233)
Employee benefits expense	(144,365)	(77,520)
Office and administration costs	(404,668)	(36,986)
Share based payments	(2,202,433)	(3,278,620)
Depreciation	(405,935)	(1,577)
Finance costs	(17,427)	1,676
Other expenses	(163,045)	(209,026)
Loss before income tax	(5,073,284)	(4,683,936)
Income tax benefit	(4,028)	-
Loss after income tax	(5,077,312)	(4,683,936)
Loss after income tax for the year attributable to:		
Member of the parent entity	(5,077,312)	(4,683,936)
Non-controlling interest	-	-
	(5,077,312)	(4,683,936)
Other comprehensive income for the period		
Items that may be reclassified subsequently to profit or loss		
Exchange differences on the translation of foreign operations	161,047	(15,976)
Other comprehensive income (net of tax) for the period	161,047	(15,976)
Total comprehensive loss for the period	(4,916,265)	(4,699,912)
Total comprehensive loss attributable to:		
Members of the parent entity	(4,916,234)	(4,699,924)
Non-controlling interest	(31)	12
	(4,916,265)	(4,699,912)
Earnings per share for loss attributable to the ordinary equity holders of the parent:		
From continuing and discontinued operations		
Basic loss per share (cents)	(0.31)	(0.38)
Diluted loss per share (cents)	(0.31)	(0.38)

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

Consolidated Statement of Financial Position

As at 31 December 2017

	Note	31-Dec-17 \$	30-Jun-17 \$
CURRENT ASSETS			
Cash and cash equivalents		4,044,055	9,939,636
Other receivables		535,450	371,502
Total Current Assets		4,579,505	10,311,138
NON-CURRENT ASSETS			
Plant and equipment	4	7,348,837	4,089,749
Goodwill	5a	7	7
Intangible asset – Development expenditure	5b	2,228,216	1,100,905
Total Non-Current Assets		9,577,060	5,190,661
TOTAL ASSETS		14,156,565	15,501,799
CURRENT LIABILITIES			
Trade and other payables		1,992,311	601,772
Provision		31,095	38,222
Total Current Liabilities		2,023,406	639,994
TOTAL LIABILITIES		2,023,406	639,994
NET ASSETS		12,133,159	14,861,805
EQUITY			
Contributed equity	6	35,120,844	30,580,628
Performance shares	7a	-	1,648,484
Share based payment reserve	7c	2,731,175	3,435,257
Foreign currency translation reserve		(17,454)	(178,501)
Retained earnings		(25,701,837)	(20,624,525)
Equity attributable to equity holders of the parent		12,132,728	14,861,343
Non-controlling interest		431	462
TOTAL EQUITY		12,133,159	14,861,805

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

Consolidated Statement of Changes in Equity

For the half year ended 31 December 2017

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

	Contributed Equity	Performance shares	Share based payment reserve	Foreign currency translation reserve	Retained earnings	Non- controlling interest	Total
	\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2016	9,490,935	371,318	-	(98,733)	(5,764,534)	421	3,999,407
Other comprehensive income for the period	-	-	-	(15,976)	-	12	(15,964)
Loss after income tax expense for the period	-	-	-	-	(4,683,936)	-	(4,683,936)
Total comprehensive loss for the period	-	-	-	(15,976)	(4,683,936)	12	(4,699,900)
Shares issued during the period (net of share issue costs)	4,660,556	-	-	-	-	-	4,660,556
Issue of performance shares	-	1,588,897	-	-	-	-	1,588,897
Share based payment	-	-	1,689,723	-	-	-	1,689,723
Transfer to issued capital	1,505,000	-	(1,505,000)	-	-	-	-
Balance at 31 December 2016	15,656,491	1,960,215	184,723	(114,709)	(10,448,470)	433	7,238,683

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

Consolidated Statement of Cash Flows

For the half year ended 31 December 2017

	31-Dec-17	31-Dec-16
	\$	\$
<i>Cash flows from operating activities</i>		
Receipts from customers	632	-
Interest received	49,071	26,746
Payments to suppliers and employees	(2,566,421)	(1,848,946)
Net cash used in operating activities	(2,516,718)	(1,822,200)
<i>Cash flows from investing activities</i>		
Purchase of plant and equipment	(2,488,822)	(967,610)
Payments for development expenditure	(1,091,038)	(482,839)
Net cash used in investing activities	(3,579,860)	(1,450,449)
<i>Cash flows from financing activities</i>		
Proceeds from issue of shares and options	-	5,100,000
Capital raising costs	(14,784)	(332,530)
Net cash provided by financing activities	(14,784)	4,767,470
Net increase in cash and cash equivalents held	(6,111,362)	1,494,821
Cash and cash equivalents at beginning of period	9,939,636	3,852,255
Foreign exchange movement in cash	215,781	61,699
Cash and cash equivalents at end of period	4,044,055	5,408,775

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

Notes to the Condensed Consolidated Financial Statements

For the half year ended 31 December 2017

NOTE 1. CORPORATE INFORMATION

The consolidated financial statements of Sky and Space Global Ltd ('SAS' or the 'Company') and its controlled entities (collectively the 'Group') for the half-year ended 31 December 2017 were authorised for issue in accordance with a resolution of the directors on 12 February 2018.

Sky and Space Global Limited (the 'Company' or the 'parent') is a for-profit company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Stock Exchange. The principal activity of the Group is the construction of communications infrastructure based on nano-satellite technology and to develop the highly complex and sophisticated software systems that will deploy, maintain orbit control and handle communication code between each of the nano-satellites to give a global coverage.

NOTE 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

Statement of Compliance

The half-year 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.

Basis of Preparation

The condensed financial statements have been prepared on an accruals basis and are based on historical cost, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Group's 2017 annual financial report for the financial year ended 30 June 2017, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

Notes to the Condensed Consolidated Financial Statements

For the half year ended 31 December 2017

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.

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.

a) Changes in Accounting Policy, Accounting Standards and Interpretations

In the half year ended 31 December 2017, the Company has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2017. It has been determined by the Company that, there is no impact, material or otherwise, of the new and revised standards and interpretations on its business and therefore no change is necessary to Company accounting policies.

b) Estimates

The preparation of the interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amount of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these interim financial statements, significant judgements made by management in applying the Company's accounting policies and key sources of estimation uncertainty were the same as those that were applied to the consolidated financial statements as at and for the year ended 30 June 2017.

Notes to the Condensed Consolidated Financial Statements

For the half year ended 31 December 2017

c) Financial report prepared on a going concern basis

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

The Group incurred a loss from continuing operations of \$5,077,312 (31 Dec 2016: \$4,683,936) during the half year ended 31 December 2017, net cash outflows from operational and investment activities of \$6,096,578 (31 Dec 2016: \$3,272,649), and a net working capital surplus of \$2,556,099 (31 Dec 2016: \$9,671,144) at that date.

The ability of the Group to continue as a going concern is principally dependent upon the ability of the Company to secure funds by raising capital from equity markets and managing cashflow in line with available funds to enable the Group to meet its committed expenditure, as disclosed at note 9 to the financial report. These conditions indicate a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Based on the cash flow forecast prepared to 28 February 2019, the directors are satisfied that the going concern basis of preparation is appropriate. In particular, given the Company's history of raising capital to date, the directors are confident of the Company's ability to raise additional funds as and when they are required.

Should the Company be unable to continue as a going concern it may be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts different to those stated in the financial statements. The financial statements of the Company do not include any adjustments relating to the recoverability and classification of asset carrying amounts or to the amount and classification of liabilities that might result should the Company be unable to continue as a going concern and meet its debts as and when they fall due.

NOTE 3. DIVIDENDS

There are no dividends paid or declared during the period.

NOTE 4. PLANT AND EQUIPMENT

	31-Dec-17	30-Jun-17
	\$	\$
Office equipment		
- at cost	134,118	57,408
- accumulated depreciation	(40,887)	(15,057)
- foreign currency translation	2,036	(853)
	95,267	41,498
3 Diamonds Nano-Satellites		
- at cost	3,384,217	4,062,171
- accumulated depreciation	(400,724)	(90)
- foreign currency translation	64,812	(13,830)
	3,048,305	4,048,251
Pearl Constellation Nano-Satellites		
- at cost	4,115,185	-
- accumulated depreciation	-	-
- foreign currency translation	90,080	-
	4,205,265	-

Notes to the Condensed Consolidated Financial Statements

For the half year ended 31 December 2017

Plant and equipment movement:

	31-Dec-17	30-Jun-17
	\$	\$
Opening balance	4,089,749	137,876
Additions	3,508,095	3,968,668
Depreciation	(405,935)	(2,112)
Foreign currency translation	156,928	(14,683)
	7,348,837	4,089,749

NOTE 5. INTANGIBLE ASSETS

	31-Dec-17	30-Jun-17
	\$	\$
a) Goodwill		
- opening balance 1 July	7	7
- at fair value on acquisition	-	-
- foreign exchange currency translations	-	-
	7	7
b) Intangible asset - Development expenditure		
- opening balance 1 July	1,100,905	125,997
- at fair value on acquisition	-	-
- additions	1,079,713	984,176
- foreign exchange currency translations	47,598	(9,268)
	2,228,216	1,100,905

During the period, consultancy services were performed for the design, construction and testing of the nano-satellites, the orbit systems and in-house communications system software development for the launch and full operation of nano-satellites technology. These development activities meet relevant accounting principles and it was assessed that 50% of the services performed, and all costs attributable to the development activities, be capitalised accordingly.

NOTE 6. CONTRIBUTED EQUITY

	31-Dec-17	30-Jun-17	31-Dec-17	30-Jun-17
	NUMBER	NUMBER	\$	\$
Ordinary shares on issue, fully paid	1,695,414,128	1,571,914,128	35,120,844	30,580,628
	1,695,414,128	1,571,914,128	35,120,844	30,580,628

SKY AND SPACE GLOBAL LTD

Condensed Consolidated Interim Financial Report 31 December 2017

Notes to the Condensed Consolidated Financial Statements

For the half year ended 31 December 2017

Reconciliation of movement in share capital

Date		No. Of Shares	Issue Price \$	Amount \$
1-Jul-17	Opening balance	1,571,914,128		30,580,628
21-Jul-17	Conversion of Milestone 2 Performance Rights	17,500,000	0.086	1,505,000
21-Jul-17	Conversion of Milestone 2 Performance Rights	6,000,000	0.175	1,050,000
10-Oct-17	Conversion of Class C Performance Shares	100,000,000	0.020	2,000,000
	Less: costs of issue			(14,784)
31-Dec-17	Closing balance	1,695,414,128		35,120,844
1-July-16	Opening balance	1,228,716,371		9,490,935
05-Dec-16	Placement	60,000,000	0.085	5,100,000
19-Dec-16	Conversion of Milestone 1 Performance Rights for the Board	17,500,000	0.086	1,505,000
24-Jan-17	Placement – Priority Offer	5,041,178	0.085	428,500
03-Feb-17	Conversion of Class A Performance Shares	100,000,000	0.020	2,000,000
10-Mar-17	Conversion of Class B Performance Shares	100,000,000	0.020	2,000,000
23-Mar-17	Conversion of Milestone 1 Performance Rights for Key Management Personnel	6,000,000	0.175	1,050,000
10-May-17	Placement to institutional and sophisticated investors	52,631,579	0.190	10,000,000
09-Jun-17	Conversion of Milestone 1 Performance Rights for Employees	2,025,000	0.087	176,175
	Less: Costs of issue	-		(1,169,982)
30-Jun-17	Closing balance	1,571,914,128		30,580,628

NOTE 7. SHARE BASED PAYMENTS

a) Issue of Performance Shares

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

SKY AND SPACE GLOBAL LTD

Condensed Consolidated Interim Financial Report 31 December 2017

Notes to the Condensed Consolidated Financial Statements

For the half year ended 31 December 2017

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

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

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

Reconciliation of Performance Shares

Class of Performance Share	Issue date	Vesting date	Fair Value \$	Share Based Payment Expense at 31-Dec-17 \$	Performance Share Based Payment Reserve at 31-Dec-17 \$	Share Based Payment Expense at 31-Dec-16 \$	Performance Share Based Payment Reserve at 30-Jun-17 \$
Class A	18-May-16	03-Feb-17 ¹	0.02	-	-	834,558	-
Class B	18-May-16	10-Mar-17 ¹	0.02	-	-	626,207	-
Class C	18-May-16	25-Sep-17 ¹	0.02	351,515	-	499,450	1,648,484
				351,515	-	1,960,215	1,648,484

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

b) Issue of Performance Rights

i) Issued to Board of Directors

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

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

SKY AND SPACE GLOBAL LTD

Condensed Consolidated Interim Financial Report 31 December 2017

Notes to the Condensed Consolidated Financial Statements

For the half year ended 31 December 2017

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

Reconciliation of Performance Rights

Milestone	Issue date	Vesting date	Fair Value \$	Share Based Payment Expense at 31-Dec-17 \$	Share Based Payment Reserve at 31-Dec-17 \$	Share Based Payment Expense at 31-Dec-16 \$	Share Based Payment Reserve at 30-Jun-17 \$
1 ¹	19-Dec-16	15-Dec-16	0.0086	-	-	-	-
2 ²	19-Dec-16	21 Jul-17	0.0086	147,687	-	136,818	1,357,313
3 ³	19-Dec-16	31-Dec-17	0.0086	734,536	1,505,000	47,905	770,464
				882,223	1,505,000	184,723	2,127,777

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

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

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

ii) Issued to Key Management Personnel

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

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

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

SKY AND SPACE GLOBAL LTD

Condensed Consolidated Interim Financial Report 31 December 2017

Notes to the Condensed Consolidated Financial Statements

For the half year ended 31 December 2017

3 ³	6,000,000	To vest on continuous service of the Related Party Performance Rights holder in their capacity as a Director or Executive of the Company, or in a role as otherwise agreed by the Board of the Company, from the date of issue of the Related Party Performance Rights to 31 December 2017	31/12/2017
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Reconciliation of Performance Rights to Key Management Personnel

Milestone	Issue date	Vesting date	Fair Value \$	Share Based Payment Expense at 31-Dec-17 \$	Share Based Payment Reserve at 31-Dec-17 \$	Share Based Payment Expense at 31-Dec-16 \$	Share Based Payment Reserve at 30-Jun-17 \$
1 ¹	23-Mar-17	19-Dec-16	0.175	-	-	-	-
2 ²	23-Mar-17	21-July-17	0.175	183,750	-	-	866,250
3 ³	23-Mar-17	31-Dec-17	0.175	682,686	1,050,000	-	367,314
				866,436	1,050,000	-	1,233,564

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

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

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

iii) Issued to Key Employees

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

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

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

Reconciliation of Performance Rights to Key Employees

Milestone	Issue date	Vesting date	Fair Value \$	Share Based Payment Expense at 31-Dec-17 \$	Share Based Payment Reserve at 31-Dec-17 \$	Share Based Payment Expense at 31-Dec-16 \$	Share Based Payment Reserve at 30-Jun-17 \$
1 ¹	17-Feb-17	01-Jun-17	0.087	-	-	-	-
2 ²	17-Feb-17	31-Dec-17	0.087	102,259	176,175	-	73,916
				102,259	176,175	-	73,916

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

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

Notes to the Condensed Consolidated Financial Statements

For the half year ended 31 December 2017

c) Summary of Share Based Payments

	Share Based Payments Expense at 31-Dec-17	Performance Share and Share Based Payments Reserves at 31-Dec-17	Share Based Payments Expense at 31-Dec-16	Performance Share and Share Based Payments Reserves at 30-Jun-17
	\$	\$	\$	\$
Summary of Performance Shares and Rights				
Total Performance Share expense/reserve	351,515	-	1,960,215	1,648,484
Total Performance Rights expense/reserve	1,850,918	2,731,175	184,723	3,435,257
Total Share Based Payments Expense/Reserves	2,202,433	2,731,175	2,144,938	5,083,741

NOTE 8. OPERATING SEGMENTS

For management purposes, the Group is organised into business units based on its products and services, and it has been determined that for the period ended 31 December 2017 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.

NOTE 9. COMMITMENTS AND CONTINGENCIES

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

	31-Dec-17 \$	30-Jun-17 \$
> 1 year	32,420,544	13,774,738
1 - 5 years	70,072,200	66,424,004
< 5 years	-	-
	102,492,744	80,198,742

The above commitments relate to the completion of the design, engineering, construction and supply of the Pearl Constellation Nano-satellites by GomSpace for the full Equatorial Constellation as previously announced by the Company, with the first scheduled for Q1 2019, and the launch services for deployment of the Pearl Constellation nano-satellites using Virgin Orbit's LauncherOne Vehicle.

Notes to the Condensed Consolidated Financial Statements

For the half year ended 31 December 2017

NOTE 10. EVENTS SUBSEQUENT TO REPORTING DATE

29 January 2018	<p>SAS signs field trial for Point-of-Sale device with Paratus Group</p> <p>SAS and Paratus Group announced their cooperation in the field of Point-of-Sale (POS) device connectivity. The parties will perform a field trial where the POS will be connected to a banking partner through a SAS IP network.</p>
5 February 2018	<p>SAS commences M2M and IoT tests with Globalsat Group in Central and South America</p> <p>SAS and Globalsat Group announced they have commenced testing of Machine-to-Machine (M2M) and Internet of Things (IoT) services in Central and South America, which opens the region to the SAS connectivity services.</p>
8 February 2018	<p>SAS Incorporates PSTN Connectivity into its Network to Enable Calls and Messaging to any Landline or Mobile Number</p> <p>SAS completes successful tests of generating a PSTN gateway between its network and Public Switched Telephone Networks (PSTN). As a result, SAS users will be able to call and text any Public Switched Telephone Network (PSTN) number.</p>

Directors' Declaration

The Directors of the Company declare that:

1. the interim financial statements and notes, are in accordance with the *Corporations Act 2001* and:
 - a) comply with Australian Accounting Standard AASB134 Interim financial reporting and the Corporations Regulations 2001; and
 - b) give a true and fair view of the Consolidated entity's financial position as at 31 December 2017 and its performance for the half year ended on that date; and
2. 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, pursuant to s303(5) of the Corporations Act.



Meir Moalem
Managing Director

Dated this 12th day of February 2018

Independent Auditor's Review Report

To the Members of Sky and Space Global Limited

We have reviewed the accompanying financial report of Sky and Space Global Limited ("the Company") and Controlled Entities ("the Consolidated Entity") which comprises the consolidated statement of financial position as at 31 December 2017, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration of the Consolidated Entity, comprising the Company and the entities it controlled during the period.

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 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.

Auditor's Responsibility

Our responsibility is to express a conclusion on the financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2017 and its performance for the half year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the *Corporations Regulations 2001*. As the auditor of the Consolidated Entity, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the financial report of Sky and Space Global Limited and Controlled Entities is not in accordance with the *Corporations Act 2001* including:

- a. Giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2017 and of its performance for the period ended on that date; and
- b. Complying with Accounting Standard AASB 134: Interim Financial Reporting and Corporations Regulations 2001.

Material Uncertainty Related to Going Concern

Without modifying our conclusion, we draw attention to Note 2(c) in the financial report, which indicates that the Consolidated Entity incurred a net loss of \$5,077,312 during the half year ended 31 December 2017. As stated in Note 2(c), these events or conditions, along with other matters as set forth in Note 2(c), indicate that a material uncertainty exists that may cast significant doubt on the Consolidated Entity's ability to continue as a going concern.



BENTLEYS
Chartered Accountants



CHRIS NICOLOFF CA
Director

Dated at Perth this 12th day of February 2018