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ASX Code: SAS

Company Update

Highlights

- Heads of Agreement (HoA) signed with GomSpace to deliver newly designed 6U nanosatellites from the end of 2019 ("6U Agreement") – allowing Sky and Space to add a Global Coverage constellation, for the growing demand in the IoT and M2M sectors, grow its potential customer base and enhance the revenue opportunities with existing customers
- HoA also contemplates the execution of a new definitive Pearls Agreement within 30 days that, once signed, will replace the existing Pearls Agreement entered into in 2017 (as amended)
- Following this change of 1st batch of nanosatellites to a Global Coverage constellation and the provision of IoT and M2M data coverage, 16 of the Company's existing customers have expressed their intent to increase the value of their existing agreements with SAS
- U.S. debt funding for launch is progressing as planned
- Operating expenditure reduced by more than 12% – \$1.4 million AUD annualised
- Planned launch of the first batch of nanosatellites moved from mid-2019 to early-2020, with two Memorandums of Understanding (MoU) signed with Arianespace SA and Rocket Lab to broaden launch opportunities and provide additional contingencies and options for launches
- Reseller Agreements signed with Streamcode (a leading Telecommunications, Media and Technology company based in Singapore) and T-Systems South Africa (a German global IT services and consulting company and a subsidiary of Deutsche Telekom), strengthening Sky and Space's progression to monetise its nanosatellites once launched into space

Sky and Space Global Ltd (**ASX: SAS, "Sky and Space Global" or 'the Company'"**) is pleased to provide the following update covering recent operational and market developments.

New 6U Agreement to be put in place with GomSpace

SAS and GomSpace have conducted recent evaluation discussions regarding the provision and manufacturing by GomSpace of an additional constellation of nanosatellites (6U Agreement). In connection with these discussions, and in order to reflect changes to the existing project, the parties have also discussed changes to the existing Pearls nanosatellites manufacturing agreement ("Pearls Agreement") and have signed a Heads of Agreement (HoA) covering some of the principle terms for the provision and manufacturing by GomSpace of an additional constellation of nanosatellites under a new agreement ("6U Agreement") and some of the principle terms for changes to the existing Pearls Agreement entered into in 2017 (as amended).

SAS and GomSpace have agreed to finalise their negotiations on the new 6U Agreement and the Pearls Agreement within 30 days. Once the new 6U Agreement is signed with GomSpace, SAS will be able to address the increased demand to provide global Internet of Things (IoT) and Machine to Machine (M2M) services outside of the Equatorial region.

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

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

SAS plans to use assets already developed for its Equatorial constellation (including proprietary software, concept of operations and network infrastructure) under the Pearls Agreement as part of the new 6U Agreement's Global Coverage constellation. In addition, subsequent launches beyond the Global Coverage constellation are intended to remain as planned under the current Pearls Agreement.

Key terms from the HoA signed with GomSpace in relation to the 6U Agreement include:

- Provision and manufacturing by GomSpace of a new constellation of nanosatellites under the 6U Agreement
- Delivery in two batches, with the first batch of 8 nanosatellites anticipated to be delivered by the end of 2019 (second batch of 8 nanosatellites optional for Sky and Space Global)
- Total order expected to be valued in the range of EUR 4 to 7 million (depending on whether 8 or 16 nanosatellites are ordered and the final to be agreed price for those nanosatellites)
- Technical specifications, statement of work, delivery schedule, and the commercial, payment and legal terms to be finally decided in a definitive agreement
- Advance payments and financial assurance for payments to be agreed for the project, but initially SAS has paid GomSpace EUR 550,000 on signing of the HoA to allow GomSpace to initiate activity
- Conditional upon the parties reaching an agreement on changes to the existing Pearls 8U Agreement entered into in 2017 (as amended) within 30 days.

Principle terms for changes to the existing Pearls Agreement include:

- Provision and manufacturing by GomSpace of nanosatellites
- Delivery in batches similar to the existing agreement, that would be aligned to the new constellation agreement
- Total order value depends on several options including development, services and choice of satellites, and will therefore range between approximately EUR 48 million and EUR 70 million

- Technical specifications, statement of work, delivery schedule, and the commercial, payment and legal terms to be finally decided in a definitive agreement
- Advance payments to be made and security for payments to be provided by SAS to be agreed
- The existing pricing model shall be replaced with a cost plus model
- Conditional upon the parties entering into the new agreement within 30 days, necessary for the continued cooperation under the existing project.

Should new definitive agreements not be finalised with Gomspace within 30 days (or such longer period as the parties may agree), it is likely that SAS will not be able to execute its operating strategy within the timeframe as currently planned unless a suitable alternate satellite manufacturer is engaged.

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

The market's response to the new Global Coverage constellation for IoT and M2M services has been highly positive. Already 16 of SAS' existing customers have expressed their intent to increase the value of their existing contracts with SAS. These include BT Telecom, Telespazio, Globe Teleservices, and Gondwana.

The Global Coverage constellation will allow IoT and M2M services in regions such as: Australia, Russia, China, South Africa, Argentina and Canada. Based on preliminary commercial discussions, new market opportunities are opening with the potential for new revenue generating agreements. For the abovementioned markets, SAS has performed an analysis demonstrating its ability to provide a competitive IoT and M2M service.

Financial update

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

In addition, the Company has made notable progress to reduce its operating expenditure by more than 12%, as previously planned. This equates to a \$1.4 million AUD reduction in annualised operating expenditure.

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

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

- Under the terms of the MOU agreement, Sky and Space Global will negotiate with Arianespace – a satellite launch company - a Launch Services Agreement on or before 1 July 2019. When signed, the LSA will confirm a launch commitment to the 88 nano-satellites utilising Arianespace Vega launchers operated from the Guiana Space Centre in French Guiana

- Rocket Lab, a US based satellite launch company. Under the terms of the MoU, SAS will assess whether Rocket Lab can meet SAS' technical, operational, commercial and scheduled launch requirements regarding a first launch during Q4 2019 and set the framework for additional multiple launch services.

Reseller Agreements signed with Streamcode and T-Systems South Africa, strengthening SAS' progression to monetise its nanosatellites once launched into space

SAS has also secured Reseller Agreements with:

- Streamcode, a leading Telecom, Media and Technology (TMT) service provider headquartered in Singapore
- T-Systems South Africa, which is part of T-Systems International, a German global IT services and consulting company and a subsidiary of Deutsche Telekom. T-Systems is one of the largest European IT services companies and operates T-Systems subsidiaries in more than 20 countries. T-Systems South Africa delivers innovative ICT services and is entrusted to run their clients' most critical ICT networks, applications and systems. Their clients include leading private and public-sector organisations in automotive and manufacturing, insurance, healthcare, mining and retail.

Under the terms of the new Reseller Agreements, both Streamcode and T Systems South Africa will on a non-exclusive basis, resell, market, distribute and support SAS services and products.

Commenting on the company update, Sky and Space Global's Managing Director and CEO, Mr. Meir Moalem said:

"NewSpace is an ever-changing eco-system. Over the last few months we identified a growing demand for IoT and M2M services. The SAS team has reacted to that demand and we are now planning to launch a global coverage constellation as a first step. This will open up new markets and new potential for revenues, strengthening us on our path toward a Real-time communications network. We continue to strengthen our relationships with existing customers, as well as new customers, while also advancing our negotiations for debt financing and broadening our launch partners, further strengthening SAS as a dominant player in the global space market. We maintain a strong relationship with GomSpace and remain highly confident of being able conclude the two new agreements for satellite manufacturing in the next 30 days".

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About Sky and Space Global Ltd

Sky and Space Global Ltd is an ASX listed (SAS) satellite company with European and Israeli centres of Aerospace, Satellite and Software Industry Experts.

The Company's core business is to operate a communications infrastructure based on nanosatellite technology and develop highly sophisticated software systems that will deploy, maintain orbit control and handle the communication network in space to provide a global coverage. The Company successfully launched its first three nanosatellites, the '3 Diamonds', into space in June 2017 and is preparing for the launch of a constellation of 200 more nanosatellites by 2020.

The Company's vision is to provide affordable communication coverage and services to anyone, anywhere, anytime with relatively low maintenance costs. This will enable Sky and Space Global to deliver cost-effective communications infrastructure and services to those who need it most and to disrupt the telecommunications and international transport industries. Sky and Space Global Ltd owns 100% of Sky and Space Global (UK) Limited.

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