



Sky and Space Global Ltd
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31 October 2019

ASX Code: SAS

September Quarterly Activity and Cashflow Report

Highlights:

- **Signed two new reseller agreements with strategic parties that will further expand the global sales opportunity**
- **Post-quarter end received funds from UK R&D rebate to provide additional working capital**

Sky and Space Global Ltd (ASX: **SAS**, “**Sky and Space Global**” or the “**Company**”) an ASX-listed satellite company with European and Israeli centres of aerospace, satellite and software industry experts, is pleased to provide an operational and financial update for the quarter ended 30 September 2019.

In what has been a challenging period for Sky and Space Global, the Company has continued to progress its business plans in Q3 2019.

Expansion to global sales opportunity after securing reseller agreements

Sky and Space has embarked on a series of activities this quarter to grow the sales opportunity that will underpin the Company’s strategic expansion from equatorial to global constellation coverage for its nanosatellite program. During the period, the Company was pleased to secure two new reseller agreements with key strategic parties that will help it target potential customers and new channel partners.

The reseller agreement with D2U Network Solutions, a value-added distributor specialising in IOT and data management, will help promote SAS’ solutions in Oceania and the Pacific Islands through established distribution channels such as carriers, internet service providers, wireless integrators and enterprise partners.

Further, a reseller agreement with Mexico-based licensed satellited services provider RED52 will see both companies collaborate on providing IOT connectivity for various projects in Costa Rica and Panama for a pipeline of potential customers across the resources (oil and gas) and banking sectors. Further projects are expected from this collaboration, with both companies having identified potential opportunities in education, health care, disaster recovery, shipping and cargo tracking for the deployment of Sky and Space’s low earth orbit nanosatellite constellation.

SAS will work closely with each company to evaluate and deliver mutually beneficial business models and technological collaborations, with the potential to convert these into commercial contracts once the commercial services will commence.

In addition to these new reseller agreements Sky and Space Global has advanced its MoU with IOT enterprise technology firm hereO and successfully demonstrated a “Store and Forward” data transfer using standard IoT sensors and the ‘hereO Core’ IoT hub and multi-protocol translator.

The Field tests demonstrated a “real world” use case of future IoT customers, validating all aspects of data transfer, from the IoT sensors source to the Customer destination IoT server in the cloud, demonstrating that SAS technology is “IoT ready”, for customers with requirements for coverage outside of GSM or WIFI existing networks.

The scenario also validates SAS application software installed in the ground terminal and the nanosatellites.

The successful integration of the two companies’ technologies enables accelerated time to market for SAS’ IoT services supported by reduced deployment costs and simplified integration architecture. SAS’ proprietary network is now backwards compatible with millions of existing IoT devices currently running on leading IoT protocols such as LoRa, Sigfox, MTC, IP and more.

R&D rebate and convertible loan agreement provide additional working capital

In September 2019 SAS secured a US\$550,000 short-term convertible loan agreement, executed between the Company’s UK subsidiary, Sky and Space Global (UK) Ltd and an independent, third-party finance provider, CSS Alpha (BVI) Limited. Post-quarter end, in October 2019, SAS received GBP 1,425,382 (approximately AUD \$2.6 million) from the UK tax authority HMRC, in relation to a R&D tax claim submitted by the Company’s wholly owned UK subsidiary for the year ended 30 June 2019. These funds provide Sky and Space with additional working capital for its near-term commercial objectives.

Conference

During the quarter, the European Space Agency (ESA) expressed its intent to enter into a partnership agreement with SAS, and the Company was invited by ESA to speak at the UK Space conference in Newport. The conference focused on companies developing and utilising space-enabled seamless 5G connectivity networks to develop ubiquitous services. A key theme was the recognised need for satellite networks to operate alongside terrestrial ones in order to meet the promises of 5G networks to transform society. The Company and ESA are in a continuous discussion to further explore such partnership agreement, which, subject to the support of UK delegation to ESA, could provide co-funding for the Company development and deployment effort.

Outlook

Sky and Space concluded a challenging but productive quarter which was focused on signing further reseller agreements with key parties to deepen its potential sales and to continue to work on building a pipeline of commercial contracts as it advances towards the commercial delivery of its global nanosatellite constellation.

As at 30 September 2019, Sky and Space had a cash balance of \$475k (excluding the GBP1,425,382 rebate detailed above). Further details on the financial position of the Company as at 30 September 2019 are outlined in the Appendix 4C attached.

The Company is continuing to work towards finalising its refinancing and corporate restructure and intends to update shareholders on this in the coming week.

--Ends--

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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 2021.

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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+Rule 4.7B

Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

SKY AND SPACE GLOBAL LTD

ABN

73 117 770 475

Quarter ended ("current quarter")

30 September 2019

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(577)	(577)
(c) advertising and marketing	(13)	(13)
(d) leased assets	(32)	(32)
(e) staff costs	(668)	(668)
(f) administration and corporate costs	(236)	(236)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	1
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(1,525)	(1,525)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	-	-



Appendix 4C
Quarterly report for entities
subject to Listing Rule 4.7B

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets (including development of nano-satellite and launch services)	-	-
(f) other non-current assets (capitalised development costs)	(567)	(567)
2.2 Proceeds from disposal of:		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	-	-
2.6 Net cash from / (used in) investing activities	(567)	(567)

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	-	-
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	-	-
3.4 Transaction costs related to issues of shares, convertible notes or options	-	-
3.5 Proceeds from borrowings	801	801
3.6 Repayment of borrowings	-	-
3.7 Transaction costs related to loans and borrowings	(109)	(109)
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
3.10 Net cash from / (used in) financing activities	692	692



Appendix 4C
Quarterly report for entities
subject to Listing Rule 4.7B

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of quarter/year to date	1,935	1,935
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(1,525)	(1,525)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(567)	(567)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	692	692
4.5 Effect of movement in exchange rates on cash held	(60)	(60)
4.6 Cash and cash equivalents at end of quarter	475	475

5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1 Bank balances	475	1,935
5.2 Call deposits		
5.3 Bank overdrafts		
5.4 Other (provide details)		
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	475	1,935

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Current quarter \$A'000

180

These payments represent Director fees, Director consulting fees and reimbursement of expenses
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Appendix 4C
Quarterly report for entities
subject to Listing Rule 4.7B

7.	Payments to related entities of the entity and their associates	Current quarter \$A'000
7.1	Aggregate amount of payments to these parties included in item 1.2	63
7.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	
7.3	Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

These payments represent Director fees, Director consulting fees and reimbursement of expenses

8.	Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1	Loan facilities	2,407	2,407
8.2	Credit standby arrangements	-	-
8.3	Other (please specify)	-	-
8.4	Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

In May 2019 the Company executed an unsecured convertible loan of USD \$1.1million (AUD \$1.6m) with Telefox Ltd. Initial interest has been prepaid, at 2% per month for the first five months. Following this five-month period the outstanding loan amount shall bear interest monthly at the rate of 2%, unless converted. In September 2019 the Company executed a short-term convertible loan of USD \$550,000 (AUD \$807,000) with CSS Alpha (BVI) Limited. The loan is secured against USD \$600,000 of the R&D tax rebate received from HMRC in October 2019. The interest rate is 2% per month.

9.	Estimated cash outflows for next quarter	\$A'000
9.1	Research and development	-
9.2	Product manufacturing and operating costs	(664)
9.3	Advertising and marketing	(19)
9.4	Leased assets	(30)
9.5	Staff costs	(701)
9.6	Administration and corporate costs	(360)
9.7	Other (provide details if material)	-
9.8	Total estimated cash outflows	(1,774)



10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1 Name of entity	-	-
10.2 Place of incorporation or registration	-	-
10.3 Consideration for acquisition or disposal	-	-
10.4 Total net assets	-	-
10.5 Nature of business	-	-

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

[lodged electronically without signature]

Sign here: Date: 31 October 2019
 Managing Director

Print name: Meir Moalem

Notes

1. The quarterly report provides a basis for informing the market how the entity’s activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.