

DECEMBER 2020 QUARTERLY REPORT

Highlights:

- Variation of Deed of Company Arrangement (“DOCA”)
- Virgin Orbit Launch Services and Mutual Reseller Agreement

Sky and Space Company Ltd (**ASX: SAS**, ‘**Sky and Space Company**’ or the ‘**Company**’), an ASX-listed UK satellite company with communications, satellite, and software industry expertise, provides its Quarterly Activity Report and Appendix 4C for the period ending 31 December 2020 (Q2 FY21).

DEED OF COMPANY ARRANGEMENT

During the quarter the Deed of Company Arrangement (“DOCA”) with Laika Capital Partners Pty Ltd (“Laika”) that was approved at the Creditors Meeting on 30 June 2020 was varied by Laika Capital Partners and the Deed Administrators at a meeting on 18 November 2020, with the amended DOCA being signed and executed on 23 December 2020.

VIRGIN ORBIT

On 28 October 2020, the Company announced that Virgin Orbit will acquire a stake in the Company and enter into new strategic launch services and mutual reseller agreements to support future growth.

FINANCIALS

Cash available as at 31 December 2020 was \$375,000.

During the previous quarter, the Company entered into two convertible loans of \$250,000 and \$325,000. The balance as at 31 December 2020 was AUD \$618,000 which was due to interest accrued on the balance.

During the current quarter, the Company raised an additional \$550,000 in convertible notes. As at 31 December 2020 the balance was \$328,000.

Other notable operating cash flow items included: \$33,000 of product manufacturing and operating costs, \$119,000 on staff costs and \$469,000 on administration and corporate costs. The Company received a research and development grant of \$152,000.

Payments to related parties over the current quarter were \$25,000. These payments represent Director fees, Director consulting fees and re-imbursments of expenses. All transactions involving Directors and associates were on normal commercial terms.

On 6 November 2020, Shareholders voted in favour of the removal of KPMG as auditors and the appointment of Moore Australia Audit (WA) as auditors.

Further details on the financial position of the Company are outlined in the Appendix 4C attached.

The Company remained in voluntary suspension during the quarter.

SUBSEQUENT EVENTS

At the 2020 Annual General Meeting held on 27 January 2021, shareholders approved the consolidation of capital and other particulars of the proposal to effectuate the DOCA and recapitalise the Company.



The DOCA was formally effectuated on 28 January 2021, releasing \$4.85 million (net of costs) to be used in satisfying the conditions of the DOCA as well as working capital to deliver the Company's renewed business objectives.

Authorised for release by the SAS Board.

ABOUT SKY AND SPACE COMPANY LIMITED



Sky and Space Company Limited is an ASX listed (SAS) satellite company regulated by the UK Space Agency with communications, satellite, and software industry expertise.

The Company's core business is to provide communications infrastructure and services based on nanosatellite technology and deploy highly sophisticated software systems that launch, maintain orbit, control, and manage global communication networks in space.

The Company was the first to build and operate a nanosatellite based commercial telecom network. It currently benefits from over 50 agreements with future customers, award winning technology and many nanosatellite world firsts including propulsionless formation flying and inter satellite communications.

FOR MORE INFORMATION, PLEASE CONTACT:

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Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

Sky and Space Company Ltd

ABN

73 117 770 475

Quarter ended ("current quarter")

31 December 2020

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 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	(33)	(243)
(c) advertising and marketing	-	-
(d) leased assets	(10)	(10)
(e) staff costs	(119)	(284)
(f) administration and corporate costs	(469)	(596)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(14)	(16)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	152	367
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(493)	(782)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities		
(b) businesses	-	-
(c) property, plant and equipment	-	-
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	(41)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other – R&D tax credits and grants	-	-
2.6	Net cash from / (used in) investing activities	-	(41)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	550	1,125
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	550	1,125

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	306	74
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(493)	(782)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	(41)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	550	1,125
4.5	Effect of movement in exchange rates on cash held	12	(1)
4.6	Cash and cash equivalents at end of period	375	375

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	375	306
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)	375	306

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	25
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<i>All payments made during the quarter were paid to a former director of the Company (resigned 21 July 2020), who is now an executive consultant of the Company.</i>		

7.	Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
	<i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1	Loan facilities	3,376	3,376
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	Total financing facilities	3,376	3,376
7.5	Unused financing facilities available at quarter end		328
7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		
	<p><i>* In May 2019 the Company executed an unsecured convertible loan of USD \$1.1million (AUD \$1.57m) with Telefox Ltd. The outstanding loan bears interest monthly at the rate of 2%, unless converted. The balance at 31 December 2020 was USD \$1.222m (AUD \$1.585m), which was due to interest accrued on the balance.</i></p> <p><i>In September 2019 the Company executed a short-term convertible loan with CSS Alpha (BVI) Limited with an interest rate is 2% per month. At 31 December 2020 the balance of this loan was USD \$479K (AUD 622K), which was due to interest accrued on the balance.</i></p> <p><i>In Q1 of 2021 the Company entered into two convertible loans of AUD \$250k and \$325k. The balance as at 31 December 2020 was AUD \$618k which was due to interest accrued on the balance.</i></p> <p><i>In Q2 of 2021 the Company raised an additional AUD \$550k in convertible notes.</i></p> <p><i>As at 31 December 2020 the balance was AUD \$328k.</i></p>		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(493)
8.2	Cash and cash equivalents at quarter end (item 4.6)	375
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	375
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	1
	<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	

8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions:

8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: No, at the 2020 Annual General Meeting held on 27 January 2021, shareholders approved the consolidation of capital and other particulars of the proposal to effectuate the DOCA and recapitalise the Company.

The DOCA was formally effectuated on 28 January 2021, releasing \$4.85 million (net of costs) to be used in satisfying the conditions of the DOCA as well as working capital to deliver the Company's renewed business objectives.

These funds will be used to repay creditors of the company as well as for future operations. The Company intends to scale its operations, and therefore increase its operational cash outflows, to achieve its business objectives in line with the available capital.

8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: The Company had the DOCA entered into 20 July 2020. At the 2020 Annual General Meeting held on 27 January 2021, shareholders approved the consolidation of capital and other particulars of the proposal to effectuate the DOCA and recapitalise the Company.

The DOCA was formally effectuated on 28 January 2021, releasing \$4.85 million (net of costs) to be used in satisfying the conditions of the DOCA as well as working capital to deliver the Company's renewed business objectives.

These funds will be used to repay creditors of the company as well as for future operations. The Company intends to scale its operations, and therefore increase its operational cash outflows, to achieve its business objectives in line with the available capital.

8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: Yes, as detailed above, the effectuation of the DOCA has released capital to the Company. The Company intends to raise additional capital under a prospectus to provide additional working capital for the company to meet its renewed business objectives in due course.

Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.

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.

Date: 29 January 2021

Authorised by: **By the Board of Directors**
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow 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 cash flow 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.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.