

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 March 2021

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 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	(138)	(381)
(c) advertising and marketing	-	-
(d) leased assets	(7)	(17)
(e) staff costs	(238)	(522)
(f) administration and corporate costs	(2,953)	(3,549)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	-	(16)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	44	411
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(3,292)	(4,074)
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 (9 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)	7,531	7,531
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	(255)	(255)
3.5	Proceeds from borrowings	-	1,125
3.6	Repayment of borrowings	(1,222)	(1,222)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (AASB 16 principal lease payments)	(126)	(126)
3.10	Net cash from / (used in) financing activities	5,928	7,053

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	375	74
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(3,292)	(4,074)
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 (9 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	5,928	7,053
4.5	Effect of movement in exchange rates on cash held	(64)	(65)
4.6	Cash and cash equivalents at end of period	2,947	2,947

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	2,947	375
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)	2,947	375

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	265
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 <i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i> <i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1	Loan facilities	1,010	1,010
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	Total financing facilities	1,010	1,010
7.5	Unused financing facilities available at quarter end		-
7.6	<p>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> <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> <p><i>In Q3 of 2021, the convertible notes were converted to shares for AUD \$1.125m and the Company repaid AUD\$324,600 and AUD\$897,700 to CSS Alpha (BVI) Limited and Telefox Ltd, respectively.</i></p>		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(3,293)
8.2	Cash and cash equivalents at quarter end (item 4.6)	2,948
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	2,948
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	<p>If item 8.5 is less than 2 quarters, please provide answers to the following questions:</p> <p>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?</p> <p>Answer: No. During Q3, the Company paid \$2.125m in expenditures that are not expected to be continued into the future. This includes \$1.085m to the administrator in Australia and associated costs, \$0.42m to former employees as per DOCA settlement agreements and paid pre-existing creditors in the subsidiaries of \$0.28m. In addition to this the company has incurred advisor and other corporate costs associated with the facilitating the DOCA process and applying to ASX to have the company re-listed of approximately \$0.34m. This level of cash outflows is not expected to continue in Q4.</p>	

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: Yes, subject to ASX Approval to relist the Company intends to raise additional capital under a prospectus to continue funding its operations.

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, the Company is continuing to operate and deliver on its business plan.

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: 30 April 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.