



**ABN 73 117 770 475**  
**SKY AND SPACE GLOBAL LTD**  
**(SUBJECT TO DEED OF COMPANY ARRANGEMENT)**

**APPENDIX 4E AND FINAL FINANCIAL REPORT**  
**FOR YEAR ENDED 30 JUNE 2020**

# Appendix 4E

## Final report

### 1. Details of reporting period

|                             |   |
|-----------------------------|---|
| Name of entity              | SKY AND SPACE GLOBAL LTD (SUBJECT TO DEED OF COMPANY ARRANGEMENT) |
| ABN                         | 73 117 770 475  |
| Reporting Year              | 30 June 2020  |
| Previous Corresponding Year | 30 June 2019  |

### 2. Results for announcement to the market

| Key information  | 12 months ended<br>30 June 2020<br>A\$ | 12 months ended<br>30 June 2019<br>A\$ | Increase/<br>(decrease)<br>% | Amount<br>change<br>A\$ |
|--|--|--|------------------------------|-------------------------|
| Income from ordinary activities  | 118,181                                | 20,411                                 | 479%                         | 97,770                  |
| Profit/(Loss) from ordinary activities after tax   | (14,314,191)                           | (33,773,204)                           | 58%                          | 19,459,013              |
| Net Profit/ (Loss) for the period attributable to members  | (14,029,222)                           | (30,398,577)                           | 54%                          | 16,369,355              |
| Net tangible asset per share   | (\$0.0044)                             | \$0.0009                               | -618%                        | (0.0053)                |
| The Loss for the year includes Professional and consultancy fees of A\$2,274,281 (2019: A\$2,898,898) and Employee benefit expenses of A\$1,151,802 (2019: A\$2,151,689). The Loss for the year has been reduced by an Income Tax Benefit of A\$24,032 (2019: A\$3,377,498). |  |  |                              |                         |

### 3. Consolidated statement of profit or loss and other comprehensive income

Refer to attached financial statements

### 4. Consolidated statement of financial position

Refer to attached financial statements

### 5. Consolidated statement of cash flows

Refer to attached financial statements

**6. Consolidated statement of changes in equity**

Refer to attached financial statements

**7. Dividends/Distributions**

No dividends declared in current or prior year.

**8. Details of dividend reinvestment plans**

N/A

**9. NTA Backing**

Refer Note 2 above

**10. Details of entities over which control has been gained or lost during the period**

N/A

**11. Details of associate and joint venture entities**

N/A

**12. Any other significant information needed by an investor to make an informed assessment of the Company's financial performance and financial position**

Full details of any significant matters are disclosed in the accompanying audited financial report. There were no other significant matters to report other than those disclosed in the Financial Report. Refer to 14. Commentary for results for period and explanatory information.

**13. Foreign entities**

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

**14. Commentary on results for period and explanatory information**

Full details and explanatory information are contained within the attached audited financial report. Sky and Space Global Ltd incurred a net loss for the financial year ended 30 June 2020 of A\$14,290,159 (2019 A\$33,773,204). The net cash outflows for the financial year was A\$1,742,255 (2019: A\$6,766,115)). At 30 June 2019, the company had a cash balance of A\$74,308 (2018: A\$1,935,055)

## 15. Audit

This report is based on the audited financial statements.

## 16. Dispute or qualification – accounts not yet audited or subject to review

If the accounts have not yet been audited or subject to review and are likely to be subject to dispute or qualification, a description of the likely dispute or qualification

The financial report has been audited.

## 17. Dispute or qualification – accounts audited

If the accounts have been audited and contain a dispute or qualification, a description of the dispute or qualification

The audit report provides an unqualified opinion, with:

- i) an emphasis of matter in relation to the Group's comparative figures, for which the auditor has issued an unqualified opinion (which is different to the predecessor auditor) primarily based on events subsequent to the 30 June 2020 balance date which represent a change in accounting estimates for the year end 30 June 2019, and;
- ii) An emphasis of matter in relation to material uncertainty regarding going concern, to which the auditors say The ability to continue as a going concern for at least the next twelve months will require the Company to achieve various requirements, as set out in Note 1(e), including undertake capital raisings post effectuation of the Deed of Company Arrangement. Should the Company be unable to achieve the requirements outlined in Note 1(e), it may be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts other than as stated in the financial report.



**ABN 73 117 770 475**  
**SKY AND SPACE GLOBAL LTD**  
**(SUBJECT TO DEED OF COMPANY ARRANGEMENT)**

# **ANNUAL REPORT**

**30 June 2020**

## Corporate directory

### Current Directors

|                        |   |
|------------------------|---|
| Meir Moalem            | <i>CEO &amp; Managing Director (resigned on 21 July 2020)</i> |
| Maya Glickman-Pariente | <i>Non-executive Director (resigned on 21 July 2020)</i>      |
| Yonatan Shrama         | <i>Non-executive Director (resigned on 21 July 2020)</i>      |
| Xavier Kris            | <i>Non-executive Director (appointed 21 July 2020)</i>        |
| Stephen Gorenstein     | <i>Non-executive Director (appointed 21 July 2020)</i>        |
| Silvio Salom           | <i>Non-executive Director (appointed 21 July 2020)</i>        |

### Company Secretary

|              |                                    |
|--------------|------------------------------------|
| Rachel Kerr  | <i>(resigned on 9 March 2020)</i>  |
| Ian Pamensky | <i>(appointed on 9 March 2020)</i> |

### Registered Office

|            |  |
|------------|--|
| Street:    | Barringtons House<br>283 Rokeby Road<br>SUBIACO WA 6008            |
| Postal:    | PO Box 1288<br>SUBIACO WA 6904                                     |
| Telephone: | +61 (0)8 9426 0666   |
| Facsimile: | +61 (0)8 9481 1947   |
| Website:   | <a href="http://www.skyandspace.global">www.skyandspace.global</a> |

### Share Registry

|            |   |
|------------|---|
|            | Computershare Investor Services Pty Ltd           |
| Street:    | Level 11, 172 St Georges Terrace<br>PERTH WA 6000 |
| Postal:    |   |
| Telephone: |   |
| Website:   |   |

### Auditors

|                               |
|-------------------------------|
| Moore Australia Audit (WA)    |
| Level 15 Exchange Tower       |
| 2 The Esplanade               |
| PERTH WA 6000                 |
| Telephone: +61 (0)8 9225 5355 |

### Solicitors to the Company

|                             |
|-----------------------------|
| Steinepreis Paganin         |
| Level 4, The Read Buildings |
| 16 Milligan Street          |
| PERTH WA 6000               |

### Securities Exchange

|   |
|---|
| Australian Securities Exchange                              |
| Level 40, Central Park, 152-158 St Georges Terrace          |
| Perth WA 6000   |
| Telephone: 131 ASX (131 279) (within Australia)             |
| Telephone: +61 (0)2 9338 0000                               |
| Facsimile: +61 (0)2 9227 0885                               |
| Website: <a href="http://www.asx.com.au">www.asx.com.au</a> |
| ASX Code SAS  |

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## Directors' report

Your directors present their report on the consolidated entity, consisting of Sky and Space Global Limited (**Parent or the Company**) and its controlled entities (collectively **the Group**), for the financial year ended 30 June 2020.

SAS is listed on the Australian Securities Exchange.

### Directors

The names of Directors in office at any time during or since the end of the year are:

|                          |  |
|--------------------------|--|
| ■ Meir Moalem            | Managing Director ( <i>resigned 21 July 2020</i> )       |
| ■ Maya Glickman-Pariente | Non-executive Director ( <i>resigned 21 July 2020</i> )  |
| ■ Yonatan Shrama         | Non-executive Director ( <i>resigned 21 July 2020</i> )  |
| ■ Xavier Kris            | Executive Chairman ( <i>appointed 21 July 2020</i> )     |
| ■ Stephen Gorenstein     | Non-executive Director ( <i>appointed 21 July 2020</i> ) |
| ■ Silvio Salom           | Non-executive Director ( <i>appointed 21 July 2020</i> ) |

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated. For additional information of Directors including details of the qualifications of Directors please refer to the remuneration report on page 6 of this Directors Report.

### Company Secretary

During the year Rachel Kerr resigned as Company Secretary on 9 March 2020, the date on which Ian Pamensky was appointed as Company Secretary.

### Dividends paid or recommended

There were no dividends paid or recommended during the financial year ended 30 June 2020 (2019: nil).

### Significant Changes in the state of affairs

There were no significant changes to the state of affairs of the Group.

### Operating and financial review

#### Nature of Operations Principal Activities

Sky and Space Global Ltd is an ASX listed (SAS) nano-satellite, space technology company with European and Israeli centres of aerospace, satellite and software industry experts. The Group's core business is to construct and 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 global coverage.

The Parent company entered into administration on 6 April 2020 and administrators were appointed to undertake a preliminary review and assessment of the Group's operations with a view to determine the extent to which the Company could be recapitalised.

On 30 June 2020 the Administrators held a meeting of creditors, where it was resolved that the Deed of Company Arrangement ('DOCA') proposal presented by Laika Capital Partners Pty Ltd ('Laika') be executed by the Company.

The Company is taking the relevant steps to allow the effectuation of the DOCA subject to Shareholder approval, and recapitalisation of the Company, and following this, subject to ASX Approval, recommence trading on the exchange.

Upon recommencement of trading, the Group's plan is to deliver on the business plan summarised in the Operations review section below.

#### COVID-19

On 31 January 2020, the World Health Organisation ('WHO') announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (COVID-19 outbreak) and the risks to the international community as the virus spreads globally beyond its point of origin. Because of the rapid increase in exposure globally, on 11 March 2020, the WHO classified the COVID-19 outbreak as a pandemic.

The impact of the COVID-19 outbreak continues to evolve at the date of this report. The company is therefore uncertain as to the full impact that the pandemic will have on its financial condition, liquidity, and future results of operation during future years.

Management is actively monitoring the global situation and its impact on the Company's financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb the spread, the Company is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition or liquidity in future years.



## Directors' report

Although the Company cannot estimate the length or gravity of the impact of the COVID-19 outbreak at this time, if the pandemic continues, it may have a material adverse effect on the Company's results of future operations, financial position, and liquidity in future years.

### Operations Review

The Company is currently taking the relevant steps to allow the effectuation of the DOCA subject to Shareholder approval, and recapitalisation of the Company, and following this, subject to ASX Approval, recommence trading on the exchange.

The Company's business operations going forward can be grouped into the following categories:

- (a) Professional Services: Software;
- (b) Professional Services: Infrastructure; and
- (c) Satellite Communication Services.

SAS will work to generate short, medium and long-term revenue opportunities to generate free cash flow. These operations will enable the Group to pursue a scalable, cost-effective business-to-business methodology in its future market activities.

The Group's new go-to-market plans have, to date, been welcomed by international space organisations seeking to leverage the Group's know-how to fast-track other new-space missions.

### Professional Services: Software

In order to generate revenue in the short-term, the Group has commenced a campaign to engage with other organisations in the new-space industry in order to provide its technology as a service to third parties in order to fast-track their operational and commercial objectives. These technologies to be provided under licence to third parties include:

- the SAS proprietary communication protocol with embedded encryption and cyber security features;
- state-of-the-art compression algorithms providing significant and material improvement on other comparable solutions; and
- the Group's unique micro-gateway technology allowing terminals to be converted into gateways through correct credentials and encryption keys.

The above components combined with other proprietary infrastructure have enabled the Group to develop space tested and proven capabilities for:

- data storage and forwarding between continents;
- realtime instant messaging (including voice and image attachments);
- realtime voice calls;
- financial transactions;
- IoT data transfer from sensors to customer servers; and
- worldwide S-band Spectrum monitoring and interference analysis.

The Group plans to enter into agreements with prospective partners for the development, licencing, testing, and associated third-party consulting associated with the above technologies.

This strategy should not only generate revenue but also establish and develop key business-to-business relationships and distribution channels for future revenue opportunities.

### Professional Services: Infrastructure

The Group's infrastructure services will focus on leveraging the Group's existing satellite constellation, communication protocols, compression algorithms and micro-gateway technology and inviting third parties to test their respective applications and products using the Group's existing infrastructure.

This is planned to be achieved through:

- making the existing constellation and software suite available to third parties for testing and simulation purposes; and
- providing the software platform as a service on a per transaction basis to third party nanosatellite operators.

This approach will deliver benefits to the Group such as:

- enabling the Group to monetise a pent-up demand from third parties to test their technologies prior to launching their own satellites;
- allowing third parties to accelerate the deployment of their services through a space-proven infrastructure; and
- acting as a test platform for prospective partners to assess the potential to engage the Group in the future.

## Directors' report

### Satellite Communication Services

The Group will continue with its plans to launch commercial nanosatellites to create a flagship constellation of nanosatellites with space proven capabilities and infrastructure (Direct Launch).

Whilst, initially, being more capital intensive than the Software and Infrastructure Services (as described above), the Direct Launch operations will aid SAS in facilitating its indirect launch programs which will involve the deployment of a regional service provision model with (i) third party telco and (ii) other satellite operators assisting the Group in fast tracking its constellation deployment.

The new nanosatellite constellation will seek to include further technological breakthroughs including the development of a multi-channel modem application which will enable greater terminal capture at each pass by increasing the number of channels; thereby increasing satellite utilisation rates.

### Financial Review

#### Operating results

For the 2020 financial year the Group delivered a net loss of \$14,290,159 (2019: \$30,395,706 loss).

The financial statements have been prepared on a going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the ordinary course of business. Details of the Company's assessment in this regard can be found in Note 1a(ii) Statement of significant accounting policies: Going Concern on page 21.

#### Financial position

The net assets of the Group have decreased from 30 June 2020 by \$12,552,892 to \$(10,688,253) at 30 June 2020 (2019: \$1,864,639).

As at 30 June 2020, the Group's cash and cash equivalents decreased from 30 June 2019 by \$1,860,747 to \$74,308 at 30 June 2020 (2019: \$1,935,055) and had a working capital deficit of \$7,694,833 (2019: \$1,649,277 working capital), as noted in Note 16d.

#### Events Subsequent to Reporting Date

The impact of the COVID-19 outbreak continues to evolve at the date of this report. The Group is therefore uncertain as to the full impact that the pandemic will have on its financial condition, liquidity, and future results of operation during future years.

Management is actively monitoring the global situation and its impact on the Group's financial condition, liquidity, operations, supplied, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb the spread, the Group is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition or liquidity in future years.

Although the Company cannot estimate the length or gravity of the impact of the COVID-19 outbreak at this time, if the pandemic continues, it may have a material adverse effect on the Group's results of future operations, financial position, and liquidity in future years.

In July 2020 and August 2020, the Group has entered into two convertible loans with Laika Capital Partners Pty Ltd totalling A\$575,000 to assist the Group in completing the necessary steps to allow the effectuation of the DOCA subject to Shareholder and ASX approval to recapitalise the Company and recommence trading on the ASX.

In October 2020, the Company entered into a LSA Settlement Agreement with Virgin Orbit ("Settlement Agreement") to terminate a previous agreement dated 12 September 2016 ("LSA Agreement"). Virgin alleged that the Company still owed Virgin A\$55m under the LSA Agreement which the Company disputed. The parties entered into the LSA Settlement Agreement which included full and final settlement of any alleged liabilities under the LSA Agreement as well as a future services agreement. The total estimated consideration of the Settlement Agreement is \$5,788,200 being \$3,000,000 in cash paid quarterly in advance over 3 years from 1 July 2021 plus 11,000,000 shares at A\$0.20 per share and 7,000,000 options exercise price A\$0.40 each and an expiry date three years after issue.

There are no other significant after balance date events that are not covered in this Directors' Report or within the financial statements at Note 25 Events subsequent to reporting date.

### Future Developments, Prospects and Business Strategies

The Company is currently in the process of effectuating the DOCA subject to shareholder approval and ASX approval. Until the Company has recommence trading on the ASX, likely developments, future prospects and business strategies of the operations of the Group and the expected results of those operations have not been included in this report as the Directors believe that the inclusion of such information would be likely to result in unreasonable prejudice to the Group.

## Directors' report

### Environmental Regulations

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.

### Information relating to the directors

|                          |   |  |
|--------------------------|---|--|
| ■ Meir Moalem            | Experience and qualifications               | <input type="checkbox"/> Managing Director (Appointed 12 May 2016 and resigned on 21 July 2020)  |
|                          |   | <input type="checkbox"/> A jet fighter pilot, Lt. Col (Res.) of the IAF, has over 20 years of experience in management, R&D and operation of state-of-the-art projects in Space Systems and Unmanned Aerial Systems, among those acting as a deputy sq. commander and leading the MEIDEX experiment on Space Shuttle Columbia (STS-107) as the project manager for Israel's first astronaut flight, Managing Israel's satellite projects (such as Ofeq, Tecsar) and more.<br><br>Meir has a B.Sc. in Physics and computer sciences (with honours) and an M.A. from the Diplomacy and National Security executive program (with honours). Currently he is working on his PhD in national security and space programs in Tel Aviv University, Israel. Meir also received the Israel National Defence award in 2009   |
|                          | Interest in Shares and Options              | <input type="checkbox"/> Meir Moalem – 303,333,333 Ordinary Shares<br>MultiModis M.M.Ltd. (IL) – 27,337,334 Ordinary Shares<br>Meir Moalem – 3,333,333 options exercisable at \$0.05 each expiring 21 May 2022<br>MultiModis M.M.Ltd. (IL) – 3,333,334 options exercisable at \$0.05 each expiring 21 May 2022<br>MultiModis M.M.Ltd. (IL) – 1,251,000 options exercisable at \$0.015 each expiring 31 May 2021  |
|                          |   | <input type="checkbox"/> None  |
|                          | Directorships held in other listed entities | <input type="checkbox"/> None  |
| ■ Maya Glickman-Pariente | Experience and qualifications               | <input type="checkbox"/> Non-executive Director (Appointed 12 May 2016 and resigned on 21 July 2020)   |
|                          |   | <input type="checkbox"/> Highly experienced and regarded as a global industry leader, Maya Glickman-Pariente is Sky and Space Global (UK) Ltd's Chief Constellation Officer and will lead the team on satellite mission analysis, mission control software development, and operations management. Maya is MASTER STK certified and was a Senior Satellite Engineer of communications satellite with wide experience in satellite operations.<br><br>Maya was part of the AMOS-3 development team, LEOP and IOT missions as well as the AMOS-1 end of life mission team. She designed and optimized several large scale constellations for earth observation and communication use, and was involved in the assembly, integration and testing of "Duchifat-1", the first Israeli Nano-satellites. Maya has a B.Sc. in Aerospace Engineering and M.E in System Engineering, both from the Technion University, Aerospace faculty, and is also a graduate of the 2004 ISU summer session program in Adelaide, Australia. Recently, Maya was nominated Associate Chair of the space engineering department in the International Space University summer session program 2016. |
|                          | Interest in Shares and Options              | <input type="checkbox"/> Maya Glickman-Pariente – Nil<br>Meidad Pariente (Husband) – 301,666,666 Ordinary Shares<br>Spacecialist Ltd. (IL) – 18,000,000 Ordinary Shares<br>Meidad Pariente (Husband) – 1,666,666 options exercisable at \$0.05 each expiring 21 May 2022   |
|                          |   | <input type="checkbox"/> None  |
| ■ Yonatan Shrama         | Experience and qualifications               | <input type="checkbox"/> Non-executive Director (Appointed 12 May 2016 and resigned on 21 July 2020)   |
|                          |   | <input type="checkbox"/> Yonatan has over 13 years of experience in business development and entrepreneurship in automotive technology systems, medical equipment and high technology security equipment. Yonatan has extensive experience in managing teams and processes. Yonatan is currently the chairman of Enigmo, a Cyber company, and VP Bizdev at Spacecialist.   |

## Directors' report

|   |   |
|---|---|
| Interest in Shares and Options                                | <input type="checkbox"/> Yonatan Shrama – 301,666,666 Ordinary Shares<br>Yonatan Shanan Ltd – 17,000,000 Ordinary Shares<br>Yonatan Shrama – 1,666,666 Options exercisable at \$0.05 each expiring 21 May 2022  |
| Directorships held in other listed entities                   | <input type="checkbox"/> None   |
| <div>■ Xavier Kris</div> Experience and qualifications        | <input type="checkbox"/> Executive Chairman (Appointed 21 July 2020)<br><br><input type="checkbox"/> Senior leadership expertise over 20 years' experience as a director of service-based information technology, telecommunication, research and development and media businesses in the UK, France, USA, South East Asia and Australia, Xavier specialises in providing acquisition, integration and business development services for companies seeking to expand their company operations internationally.<br><br>Xavier most recently served as Managing Director of Swift Media Limited (ASX:SW1), including as Chairman for the last 6 months of his tenure. In addition, Xavier is a Director of PLUS 8, a hospitality labour hire, management, business brokerage and consulting group, and the founding partner of Boardroom Capital, a boutique corporate advisory firm based in Perth, Western Australia.<br><br>Xavier holds an English Law and French Degree and a Master of Business Administration. Xavier has also completed the 'Company Directors Course' conducted by the AICD and has obtained the qualification of GAICD. |
| Interest in Shares and Options                                | <input type="checkbox"/> None   |
| Directorships held in other listed entities                   | <input type="checkbox"/> Executive Director of OliveX Holdings Limited (NSX)<br>Non-executive Director of Cycliq Group Limited (ASX)  |
| <div>■ Stephen Gorenstein</div> Experience and qualifications | <input type="checkbox"/> Non-executive Director (Appointed 21 July 2020)<br><br><input type="checkbox"/> Over 20 years experience in public company and the capital markets including equity analyst roles at both Goldman Sachs and Bank of America Merrill Lynch. He was formerly the Regional Head of Asia Pacific Metals and Mining at Bank of America Merrill Lynch. As well as inhouse M&A, Corporate Development Roles<br><br><br>He has extensive networks in the Australian capital markets and is an active participant in many start-ups. He is well versed in cross border transactions particularly sourcing high quality technology companies from offshore looking to establish themselves in Australia.   |
| Interest in Shares and Options                                | <input type="checkbox"/> 416,667 Ordinary Shares  |
| Directorships held in other listed entities                   | <input type="checkbox"/> Non-Executive Director Parazero Ltd (ASX)<br>Non-Executive Director WhiteRock Minerals Ltd (ASX)   |
| <div>■ Silvio Salom</div> Experience and qualifications       | <input type="checkbox"/> Non-executive Director (Appointed 21 July 2020)<br><br><input type="checkbox"/> Over 30 years of international senior leadership experience at Board and company operations level spanning some 40 countries across Europe, North America and Asia. Market sector experience includes communications, defence, aerospace, media, environment, aviation, e-commerce, manufacturing and entertainment with a focus on technology and business development.<br><br>Silvio holds a Bachelor of Engineering and a Master of Fine Arts and is a Fellow of the Australian Institute of Company Directors.   |
| Interest in Shares and Options                                | <input type="checkbox"/> None   |
| Directorships held in other listed entities                   | <input type="checkbox"/> Adacel Technologies Limited (ASX)  |

## Directors' report

### Meetings of directors and committees

During the financial year fourteen meetings of Directors (including committees of Directors) were held. Attendances by each Director during the year are stated in the following table.

|                        | DIRECTORS' MEETINGS       |                 | REMUNERATION AND NOMINATION COMMITTEE  |                 | FINANCE AND OPERATIONS COMMITTEE |                 | AUDIT COMMITTEE           |                 |
|------------------------|---------------------------|-----------------|--|-----------------|----------------------------------|-----------------|---------------------------|-----------------|
|                        | Number eligible to attend | Number Attended | Number eligible to attend  | Number Attended | Number eligible to attend        | Number Attended | Number eligible to attend | Number Attended |
| Meir Moalem            | 14                        | 14              | <i>At the date of this report, the Remuneration, Audit, Nomination, and Finance and Operations Committees comprise the full Board of Directors. The Directors believe the Group is not currently of a size nor are its affairs of such complexity as to warrant the establishment of these separate committees. Accordingly, all matters capable of delegation to such committees are considered by the full Board of Directors.</i> |                 |                                  |                 |                           |                 |
| Maya Glickman-Pariente | 14                        | 14              |  |                 |                                  |                 |                           |                 |
| Yonota Shrama          | 14                        | 11              |  |                 |                                  |                 |                           |                 |

### Indemnifying officers or auditor

During or since the end of the financial period, the Group has given an indemnity or entered into an agreement to indemnify, or paid or agreed to pay insurance premiums as follows:

The Group has paid premiums to insure all of the Directors of the Group as named above, the Company secretary and all executive officers of the Company against any liability incurred as such by a director, secretary or executive officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the notice of the liability and the amount of the premium. The Group has not indemnified the auditor or paid any insurance premium on behalf of the auditor.

### Options

#### Unissued shares under option

At the date of this report, the un-issued ordinary shares of Sky and Space Global Limited under option (listed and unlisted) are as follows:

| Grant Date       | Date of Expiry | Exercise Price | Number under Option |
|------------------|----------------|----------------|---------------------|
| 21 May 2019      | 21 May 2022    | \$0.050        | 329,075,133         |
| 27 December 2019 | 31 May 2021    | \$0.015        | 81,852,463          |
|                  |                |                | 410,927,596         |

No person entitled to exercise the option has or has any right by virtue of the option to participate in any share issue of any other body corporate.

#### Shares issued on exercise of options

11,000 ordinary shares were issued by the Company as a result of the exercise of options during the financial year but there have been no exercises since the end of the financial year.

### Non-audit services

The Board of Directors is satisfied that the provision of non-audit services during the period is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The Directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- All non-audit services are reviewed and approved by the Board of Directors prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- The nature of the service provided do not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

### Audit Appointment

Moore Australia were appointed as Auditor of the Group on 6 November 2020.

**Directors' report****Corporate Governance**

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of Sky and Space Global Ltd support and have adhered to the principles of sound corporate governance. The Board recognises the recommendations of the Australian Stock Exchange Corporate Governance Council and considers that the Company is in compliance with those guidelines which are of importance to the commercial operation. During the financial period, shareholders continued to receive the benefit of an efficient and cost-effective corporate governance policy for the Company. The Corporate Governance Policies are available on the Company's website.

<https://www.skyandspace.global/corporate/corporate-governance/>

During the 2020 financial year, the Company did not have two Australian resident non-executive directors since the resignations of Mr Michael Malone and Ms Di Fulton in April 2019. This resulted in the voluntary suspension of the Company from the ASX on 9 April 2019. On 21 July 2020 the Company appointed two new Australian resident non-executive directors.

No person has applied for leave of Court to bring proceedings on behalf of the Group or intervene in any proceedings to which the Group is a party for the purpose of taking responsibility on behalf of the Group for all or any part of those proceedings.

The Group was not a party to any such proceedings during the year.

**Auditor's independence declaration**

The lead auditor's independence declaration under section 307C of the *Corporations Act 2001* (Cth) for the year ended 30 June 2020 has been received and can be found on page 16 of the annual report.

## Directors' Report

### Remuneration report (audited)

The information in this remuneration report has been audited as required by s308(3C) of the Corporations Act 2001.

#### Key management personnel (KMP)

KMP have authority and responsibility for planning, directing and controlling the activities of the Group. KMP comprise the directors of the Company and key executive personnel:

|                          |                         |
|--------------------------|-------------------------|
| ■ Meir Moalem            | Managing Director       |
| ■ Maya Glickman-Pariente | Non-executive Director  |
| ■ Yontan Shrama          | Non-executive Director  |
| ■ Meidad Pariente        | Chief Technical Officer |

The objective of the Group's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders and conforms with the market best practice for delivery of reward. The Board of Directors (the "Board") ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage / alignment of executive compensation
- transparency

The reward framework is designed to align executive reward to shareholders' interests. The Board have considered that it should seek to enhance shareholders' interests by:

- having economic profit as a core component of plan design
- focusing on sustained growth in shareholder wealth, consisting of growth in share price and delivering constant or increasing return on assets as well as focusing the executive on key non-financial drivers of value
- attracting and retaining high calibre executives

Additionally, the reward framework should seek to enhance executives' interests by:

- rewarding capability and experience
- reflecting competitive reward for contribution to growth in shareholder wealth
- providing a clear structure for earning rewards in accordance with best practice corporate governance, the structure of non-executive director and executive remuneration are separate

Compensation packages are currently fully fixed, being an early stage business with no variable compensation or short or long-term performance-based incentives.

The Board's policy for determining the nature and amount of remuneration for key management personnel of the group is as follows:

- The remuneration policy, setting the terms and conditions for the key management personnel, was developed and approved by the Board
- All key management personnel receive a base salary (which is based on factors such as length of service and experience) and may include other benefits (including superannuation, fringe benefits, options and performance incentives)
- The Board reviews key management personnel packages annually by reference to the Group's performance, executive performance and comparable information from industry sectors

Until the Group begins to generate revenue, the Board do not believe there is a basis to assess key management personnel packages based on performance-based indices like on turnover growth, return on capital and changes in operating income.

The Board may, however, exercise its discretion in relation to approving incentives, bonuses and options. Any changes must be justified by reference to measurable performance criteria.

The policy is designed to attract the highest calibre of executives and reward them for performance that results in long-term growth in shareholder wealth.

Key management personnel are also entitled to participate in the employee share and option arrangements. All remuneration paid to key management personnel is valued at the cost to the Group and expensed. Shares given to key management personnel are valued as the difference between the market price of those shares and the amount paid by key management personnel. Options are valued using the Black-Scholes or similar methodology.



## Directors' Report

### Remuneration report (audited)

i. Non-executive director remuneration

The Board policy is to remunerate Non-Executive Directors at market rates for time, commitment and responsibilities. The Board determines payments to the Non-Executive Directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required.

The chairman's fees have been and will be determined independently to the fees of other non-executive directors based on comparative roles in the external market. The chairman was and will not be present at any discussions relating to determination of his own remuneration. Non-executive directors did not receive share options or other incentives as part of their remuneration during the reporting period.

ASX listing rules require that the aggregate non-executive director remuneration shall be determined periodically by a general meeting.

To align directors' interests with shareholder interests, the Directors are encouraged to hold shares in the Company and have in the past been issued with options and performance rights.

ii. Executive remuneration

The Group aim to reward executives with a level and mix of remuneration based on their position and responsibility, which is both fixed and variable.

The executive remuneration and reward framework has four components:

- base pay, consultancy and non-monetary benefits
- short-term performance incentives
- share-based payments
- other remuneration such as superannuation and long service leave

The combination of these comprises the executive's total remuneration

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, are reviewed annually by the Remuneration Committee, based on individual and business unit performance, the overall performance of the consolidated entity and comparable market remuneration.

At 30 June 2020 and during the financial year to 30 June 2020 the executive remuneration consisted of fixed remuneration only, being an early stage business.

iii. Consolidated entity performance and link to remuneration

The Group's remuneration policy seeks to reward staff members for their contribution to achieving significant milestones but there is no direct link between remuneration paid and growth in the Company's share price or financial performance.

v. Services from remuneration consultants

During the current financial year, the Board did not engage the services of remuneration consultants.

In the future the Board and/ or Remuneration committee will consider the use of remunerations consultants, primarily to review the amount and elements of the key management personnel remuneration and provide recommendations in relation thereto and to provide other services including:

- summarising the key terms and conditions of each contract for services to enable the remuneration committee to assess whether the terms and conditions are consistent across different parts of the business;
- advice in relation to the embodiment of risk in the assessment of performance for the vesting of remuneration awards; and
- expatriate compliance services.

v. Key Management Personnel

The contracts for service between the Group and key management personnel are on a continuing basis, the terms of which are not expected to change in the immediate future. Upon retirement key management personnel are paid employee benefit entitlements accrued to date of retirement. Any options not exercised before or on the date of termination lapse.

All directors had contracts in place with the Group during the financial period as detailed below:



**Directors' Report****Remuneration report (audited)****Mr Meir Moalem, Managing Director**

- Letter of Appointment dated 21 March 2016 effective from acquisition of Sky and Space Global (UK) Ltd
  - Fee from 1 July 2017 to 30 April 2019 was A\$18,000 per month, from 1 May 2019 this fee was reduced to A\$9,000 per month
- Director Agreement with Sky and Space Global (UK) Ltd
  - Fee from 1 July 2018 to 30 April 2019 was US\$2,750 per month, from 1 May 2019 this fee was reduced to US\$1,375 per month
- Consultancy Agreement dated 1 December 2015 with Sky and Space Global (UK) Ltd
  - Fee from 1 July 2018 to 31 December 2018, the date the agreement was terminated, was US\$16,500 per month
- Consultancy Agreement dated 1 January 2019 with Sky and Space Global (Israel) Ltd
  - Fee from 1 January 2019 to 30 April 2019 was US\$16,500 per month, from 1 May 2019 this fee was reduced to US\$8,250
- Heads of Agreement dated 4 September 2020 with Sky and Space Global Limited
  - A payment of AUD200,000 as in full and final settlement of all outstanding debts owed to Mr Meir Moalem.
  - A payment of USD17,500 for services for the Month of August and USD\$24,000 from 1 September 2020 to effectuation of DOCA
  - Fee from effectuation of the DOCA will be USD\$24,000 as CEO of the SAS group including any directorships that may be required from time to time including UK and Israel.

**Mrs Maya Glickman-Pariente, Non-Executive Director**

- Letter of Appointment dated 21 March 2016 effective from acquisition of Sky and Space Global (UK) Ltd
  - Fee from 1 July 2018 to 30 April 2019 was A\$4,000 a month, from 1 May 2019 this fee was reduced to A\$2,000 a month
- Consultancy Agreement dated 1 December 2015 with Sky and Space Global (UK) Ltd
  - Fee from 1 July 2018 to 31 December 2018, the date the agreement was terminated, was US\$16,500 per month
- Consultancy Agreement dated 1 January 2019 with Sky and Space Global (Israel) Ltd
  - Fee from 1 January 2019 to 30 April 2019 was US\$16,500 per month, from 1 May 2019 this fee was reduced to US\$8,250
- Deed of Variation 17 August 2020 with Sky and Space Global (UK) Limited
  - Once of payment of \$83,917.53 in full and final settlement of any and all debts owed to Mrs Maya Glickman-Pariente until effectuation of DOCA
  - Fee from effectuation of DOCA will be USD\$10,416.66 per month

**Mr Yonatan Shrama, Non-Executive Director**

- Letter of Appointment dated 21 March 2016 effective from acquisition of Sky and Space Global (UK) Ltd
  - Fee from 1 July 2018 to 30 April 2019 was A\$4,000 a month, from 1 May 2019 this fee was reduced to A\$2,000 a month
- Director Agreement with Sky and Space Global (UK) Ltd
  - Fee from 1 July 2018 to 30 April 2019 was US\$2,750 per month; from 1 May 2019 this fee was reduced to US\$1,375 per month
- Consultancy Agreement dated 1 December 2015 with Sky and Space Global (UK) Ltd
  - Fee from 1 July 2018 to 31 December 2018, the date the agreement was terminated, was US\$16,500 per month
- Consultancy Agreement dated 1 January 2019 with Sky and Space Global (Israel) Ltd
  - Fee from 1 January 2019 to 30 April 2019 was US\$16,500 per month, from 1 May 2019 this fee was reduced to US\$8,250
- Termination agreement with a payment of \$180,000 in full and final settlement of any and all debts owed to Yonatan Shrama

**Mr Meidad Pariente**

- Director Agreement with Sky and Space Global (UK) Ltd
  - Fee from 1 July 2018 to 30 April 2019 was US\$2,750 per month; from 1 May 2019 this fee was reduced to US\$1,375 per month
- Consultancy Agreement dated 1 December 2015 with Sky and Space Global (UK) Ltd
  - Fee from 1 July 2018 to 31 December 2018, the date the agreement was terminated, was US\$16,500 per month
- Consultancy Agreement dated 1 January 2019 with Sky and Space Global (Israel) Ltd
  - Fee from 1 January 2019 to 30 April 2019 was US\$16,500 per month, from 1 May 2019 this fee was reduced to US\$8,250
- Deed of Variation 17 August 2020 with Sky and Space Global (UK) Limited
  - Once of payment of \$83,917.53 in full and final settlement of any and all debts owed to Mr Meidad Pariente until effectuation of DOCA
  - Fee from effectuation of DOCA will be USD\$17,916.66 per month

## Directors' Report

### Remuneration report (audited)

Details of the remuneration of the Directors and KMP of the Group (as defined in AASB 124 Related Party Disclosures) are set out in the following table.

| 2020 – Group                          |                        |                          |              |                      |                          |                    |                      |                                     |         |           |
|---------------------------------------|------------------------|--------------------------|--------------|----------------------|--------------------------|--------------------|----------------------|-------------------------------------|---------|-----------|
| Group KMP                             | Short-term benefits    |                          |              |                      | Post-employment benefits | Long-term benefits | Termination benefits | Equity-settled share-based payments |         | Total     |
|                                       | Salary, fees and leave | Profit share and bonuses | Non-monetary | Consultancy Services | Super-annuation          | Other              |                      | Equity                              | Options |           |
|                                       | \$                     | \$                       | \$           | \$                   | \$                       | \$                 | \$                   | \$                                  | \$      | \$        |
| Meir Moalem                           | 160,042                | -                        | -            | 400,550              | -                        | -                  | -                    | -                                   | -       | 560,592   |
| Maya Glickman-Pariente <sup>(1)</sup> | 65,217                 | -                        | -            | 336,120              | -                        | -                  | -                    | -                                   | -       | 401,337   |
| Yonatan Sharma                        | 47,391                 | -                        | -            | 255,522              | -                        | -                  | -                    | -                                   | -       | 302,913   |
| Meidad Pariente                       | (17,313)               | -                        | -            | 336,120              | -                        | -                  | -                    | -                                   | -       | 318,807   |
|                                       | 255,337                | -                        | -            | 1,328,312            | -                        | -                  | -                    | -                                   | -       | 1,583,649 |

<sup>(1)</sup> Maya Glickman-Pariente is the wife of Meidad Pariente

| 2019 – Group                          |                        |                          |              |                      |                          |                    |                      |                                     |         |           |
|---------------------------------------|------------------------|--------------------------|--------------|----------------------|--------------------------|--------------------|----------------------|-------------------------------------|---------|-----------|
| Group KMP                             | Short-term benefits    |                          |              |                      | Post-employment benefits | Long-term benefits | Termination benefits | Equity-settled share-based payments |         | Total     |
|                                       | Salary, fees and leave | Profit share and bonuses | Non-monetary | Consultancy Services | Super-annuation          | Other              |                      | Equity                              | Options |           |
|                                       | \$                     | \$                       | \$           | \$                   | \$                       | \$                 | \$                   | \$                                  | \$      | \$        |
| Meir Moalem                           | 257,339                | -                        | -            | 270,371              | -                        | -                  | -                    | -                                   | -       | 527,710   |
| Brett Mitchell <sup>(1)</sup>         | 58,000                 | -                        | -            | -                    | -                        | -                  | -                    | -                                   | -       | 58,000    |
| Peter Wall <sup>(2)</sup>             | 20,000                 | -                        | -            | -                    | -                        | -                  | -                    | -                                   | -       | 20,000    |
| Michael Malone <sup>(3)</sup>         | 31,636                 | -                        | -            | -                    | -                        | -                  | -                    | -                                   | -       | 31,636    |
| Di Fulton <sup>(4)</sup>              | 21,147                 | -                        | -            | -                    | 2,009                    | -                  | -                    | -                                   | -       | 23,156    |
| Yonatan Sharma                        | 103,278                | -                        | -            | 260,590              | -                        | -                  | -                    | -                                   | -       | 363,868   |
| Maya Glickman-Pareinte <sup>(5)</sup> | 44,000                 | -                        | -            | 261,814              | -                        | -                  | -                    | -                                   | -       | 305,814   |
| Meidad Pariente                       | 59,318                 | -                        | -            | 270,441              | -                        | -                  | -                    | -                                   | -       | 329,759   |
|                                       | 594,718                | -                        | -            | 1,063,216            | 2,009                    | -                  | -                    | -                                   | -       | 1,659,943 |

<sup>(1)</sup> Resigned 31 October 2018

<sup>(2)</sup> Resigned 3 December 2018

<sup>(3)</sup> Appointed 1 November 2018 and resigned 8 April 2019

<sup>(4)</sup> Appointed 4 December 2018 and resigned 8 April 2019

<sup>(5)</sup> Maya Glickman-Pariente is the wife of Meidad Pariente

#### ■ Share-based compensation

No options were granted to the Directors during the year ended 30 June 2020 as part of their remuneration.

There were no equity instruments issued during the year to Directors as a result of options exercised that had previously been granted as compensation.

#### a. Securities Received that are not performance-related

No members of KMP are entitled to receive securities that are not performance-based as part of their remuneration package.

#### b. Options and Rights Granted as Remuneration

No options or rights were granted as remuneration during 2020 (2019: nil).

## Directors' report

## Remuneration report (audited)

## ■ KMP equity holdings

## c. Fully paid ordinary shares of Sky and Space Global Limited held by each KMP

| 2020 – Group                          |                              |  |   |  |   |                            |
|---------------------------------------|------------------------------|--|---|--|---|----------------------------|
| Group KMP                             | Balance at start of year No. | Received during the year as compensation No. | Received during the year on the exercise of options No. | Received during the year on conversion of performance shares No. | Other changes/ resignation during the year No. <sup>(1)</sup> | Balance at end of year No. |
| Meir Moalem                           | 325,666,667                  | -  | -   | -  | 5,004,000   | 330,670,667                |
| Maya Glickman-Pariente <sup>(2)</sup> | -                            | -  | -   | -  | -   | -                          |
| Yonatan Shrama                        | 318,666,666                  | -  | -   | -  | -   | 318,666,666                |
| Meidad Pariente                       | 319,666,666                  | -  | -   | -  | -   | 319,666,666                |
|                                       | 963,999,999                  | -  | -   | -  | 5,004,000   | 969,003,999                |

<sup>(1)</sup> Other changes during the year relate to acquisitions and disposals for Directors and their related parties.

<sup>(2)</sup> Maya Glickman-Pariente is the wife of Meidad Pariente

| 2019 – Group                          |                              |  |   |  |                                      |                            |
|---------------------------------------|------------------------------|--|---|--|--------------------------------------|----------------------------|
| Group KMP                             | Balance at start of year No. | Received during the year as compensation No. | Received during the year on the exercise of options No. | Received during the year on conversion of performance shares No. | Net Other changes No. <sup>(6)</sup> | Balance at end of year No. |
| Meir Moalem                           | 319,000,000                  | -  | -   | -  | 6,666,667                            | 325,666,667                |
| Brett Mitchell <sup>(1)(8)</sup>      | 19,000,000                   | -  | -   | 4,500,000  | -                                    | 23,500,000 <sup>(5)</sup>  |
| Peter Wall <sup>(2)(8)</sup>          | 6,000,000                    | -  | -   | 1,000,000  | -                                    | 7,000,000 <sup>(5)</sup>   |
| Michael Malone <sup>(3)</sup>         | -                            | -  | -   | -  | -                                    | -(5)                       |
| Di Fulton <sup>(4)</sup>              | -                            | -  | -   | -  | -                                    | -(5)                       |
| Yonatan Sharma                        | 317,000,000                  | -  | -   | -  | 1,666,666                            | 318,666,666                |
| Maya Glickman-Pariente <sup>(7)</sup> | -                            | -  | -   | -  | -                                    | -                          |
| Meidad Pariente                       | 318,000,000                  | -  | -   | -  | 1,666,666                            | 319,666,666                |
|                                       | 979,000,000                  | -  | -   | 5,500,000  | 9,999,999                            | 994,499,999                |

<sup>(1)</sup> Resigned 31 October 2018

<sup>(2)</sup> Resigned 3 December 2018

<sup>(3)</sup> Appointed 1 November 2018 and resigned 8 April 2019

<sup>(4)</sup> Appointed 4 December 2018 and resigned 8 April 2019

<sup>(5)</sup> Closing balance at date of resignation

<sup>(6)</sup> Net other changes are as a result of shares allotted on share issues and other movements due to changes in directors and directors' related Entities.

<sup>(7)</sup> Maya Glickman-Pariente is the wife of Meidad Pariente.

<sup>(8)</sup> Note Brett Mitchell and Peter Wall converted 4,500,000 and 1,000,000 performance rights respectively.

## Directors' report

### Remuneration report (audited)

#### d. Performance shares in Sky and Space Global Limited held by each KMP

| 2020 – Group                          |                          | Granted as                   |                           |                               |                        |                        |            |     |     |
|---------------------------------------|--------------------------|------------------------------|---------------------------|-------------------------------|------------------------|------------------------|------------|-----|-----|
| Group KMP                             | Balance at start of year | Remuneration during the year | Converted during the year | Other changes during the year | Balance at end of year | Vested and convertible | Not Vested |     |     |
|                                       | No.                      | No.                          | No.                       | No.                           | No.                    | No.                    | No.        | No. | No. |
| Meir Moalem                           | -                        | -                            | -                         | -                             | -                      | -                      | -          | -   | -   |
| Maya Glickman-Pariente <sup>(1)</sup> | -                        | -                            | -                         | -                             | -                      | -                      | -          | -   | -   |
| Yonatan Shrama                        | -                        | -                            | -                         | -                             | -                      | -                      | -          | -   | -   |
| Meidad Pariente                       | -                        | -                            | -                         | -                             | -                      | -                      | -          | -   | -   |
|                                       | -                        | -                            | -                         | -                             | -                      | -                      | -          | -   | -   |

<sup>(1)</sup> Maya Glickman-Pariente is the wife of Meidad Pariente.

| 2019 – Group                          |                          | Granted as                   |                           |                               |                        |                        |            |     |     |
|---------------------------------------|--------------------------|------------------------------|---------------------------|-------------------------------|------------------------|------------------------|------------|-----|-----|
| Group KMP                             | Balance at start of year | Remuneration during the year | Converted during the year | Other changes during the year | Balance at end of year | Vested and convertible | Not Vested |     |     |
|                                       | No.                      | No.                          | No.                       | No.                           | No.                    | No.                    | No.        | No. | No. |
| Meir Moalem                           | -                        | -                            | -                         | -                             | -                      | -                      | -          | -   | -   |
| Brett Mitchell <sup>(1)</sup>         | 4,500,000                | -                            | -                         | (4,500,000)                   | -                      | -                      | -          | -   | -   |
| Peter Wall <sup>(2)</sup>             | 1,000,000                | -                            | -                         | (1,000,000)                   | -                      | -                      | -          | -   | -   |
| Michael Malone <sup>(3)</sup>         | -                        | -                            | -                         | -                             | -                      | -                      | -          | -   | -   |
| Di Fulton <sup>(4)</sup>              | -                        | -                            | -                         | -                             | -                      | -                      | -          | -   | -   |
| Yonatan Sharma                        | -                        | -                            | -                         | -                             | -                      | -                      | -          | -   | -   |
| Maya Glickman-Pariente <sup>(5)</sup> | -                        | -                            | -                         | -                             | -                      | -                      | -          | -   | -   |
| Meidad Pariente                       | -                        | -                            | -                         | -                             | -                      | -                      | -          | -   | -   |
|                                       | 5,500,000                | -                            | -                         | (5,500,000)                   | -                      | -                      | -          | -   | -   |

<sup>(2)</sup> Resigned 31 October 2018

<sup>(3)</sup> Resigned 3 December 2018

<sup>(4)</sup> Appointed 1 November 2018 and resigned 8 April 2019

<sup>(5)</sup> Appointed 4 December 2018 and resigned 8 April 2019

<sup>(6)</sup> Maya Glickman-Pariente is the wife of Meidad Pariente.

#### e. Options in Sky and Space Global Limited held by each KMP

| 2020 – Group                          |                          | Granted as                   |                           | Other changes/              |                        |                        |            |     |     |
|---------------------------------------|--------------------------|------------------------------|---------------------------|-----------------------------|------------------------|------------------------|------------|-----|-----|
| Group KMP                             | Balance at start of year | Remuneration during the year | Exercised during the year | resignation during the year | Balance at end of year | Vested and Exercisable | Not Vested |     |     |
|                                       | No.                      | No.                          | No.                       | No.                         | No.                    | No.                    | No.        | No. | No. |
| Meir Moalem                           | 6,666,667                | -                            | -                         | 1,251,000                   | 7,917,667              | -                      | 7,917,667  | -   | -   |
| Maya Glickman-Pariente <sup>(1)</sup> | -                        | -                            | -                         | -                           | -                      | -                      | -          | -   | -   |
| Yonatan Shrama                        | 1,666,666                | -                            | -                         | -                           | 1,666,666              | -                      | 1,666,666  | -   | -   |
| Meidad Pariente                       | 1,666,666                | -                            | -                         | -                           | 1,666,666              | -                      | 1,666,666  | -   | -   |
|                                       | 9,999,999                | -                            | -                         | 1,251,000                   | 11,250,999             | -                      | 11,250,999 | -   | -   |

<sup>(1)</sup> Maya Glickman-Pariente is the wife of Meidad Pariente.

## Directors' report

## Remuneration report (audited)

| 2019 – Group                          | Balance at    | Granted as   | Exercised       | Other changes      | Balance at        | Vested and  | Not Vested |
|---------------------------------------|---------------|--------------|-----------------|--------------------|-------------------|-------------|------------|
| Group KMP                             | start of year | Remuneration | during the year | during the year    | end of year       | Exercisable | No.        |
|                                       | No.           | No.          | No.             | No. <sup>(6)</sup> | No.               | No.         | No.        |
| Meir Moalem                           | -             | -            | -               | 6,666,667          | 6,666,667         | -           | 6,666,667  |
| Brett Mitchell <sup>(1)</sup>         | -             | -            | -               | -                  | .. <sup>(5)</sup> | -           | -          |
| Peter Wall <sup>(2)</sup>             | -             | -            | -               | -                  | .. <sup>(5)</sup> | -           | -          |
| Michael Malone <sup>(3)</sup>         | -             | -            | -               | -                  | .. <sup>(5)</sup> | -           | -          |
| Di Fulton <sup>(4)</sup>              | -             | -            | -               | -                  | .. <sup>(5)</sup> | -           | -          |
| Yonatan Sharma                        | -             | -            | -               | 1,666,666          | 1,666,666         | -           | 1,666,666  |
| Maya Glickman-Pariente <sup>(7)</sup> | -             | -            | -               | -                  | -                 | -           | -          |
| Meidad Pariente                       | -             | -            | -               | 1,666,666          | 1,666,666         | -           | 1,666,666  |
|                                       | -             | -            | -               | 9,999,999          | 9,999,999         | -           | 9,999,999  |

<sup>(1)</sup> Resigned 31 October 2018<sup>(2)</sup> Resigned 3 December 2018<sup>(3)</sup> Appointed 1 November 2018 and resigned 8 April 2019<sup>(4)</sup> Appointed 4 December 2018 and resigned 8 April 2019<sup>(5)</sup> Closing balance at date of resignation<sup>(6)</sup> Closing balance at date of resignation Net other changes are as a result of shares allotted on share issues and other movements due to changes in directors and directors' related entities.<sup>(7)</sup> Maya Glickman-Pariente is the wife of Meidad Pariente.

## e. Other Equity-related KMP Transactions

There have been no other transactions involving equity instruments other than those described in the tables above relating to options, rights and shareholdings.

## f. Other transactions with KMP and or their Related Parties

Refer to Note 20 Related party transactions for details of other transactions with KMP and their related parties.

**END OF REMUNERATION REPORT**

## **Directors' report**

This Report of the Directors, incorporating the Remuneration Report, is signed in accordance with a resolution of directors made pursuant to s.298(2) of the *Corporations Act 2001* (Cth).



**XAVIER KRIS**

Executive Chairman

Dated this Friday, 6 November 2020

**AUDITOR'S INDEPENDENCE DECLARATION  
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001  
TO THE DIRECTORS OF SKY AND SPACE GLOBAL LTD**

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2020, there have been:

- a) no contraventions of the auditor independence requirements as set out in *the Corporations Act 2001* in relation to the audit, and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.



NEIL PACE  
PARTNER



MOORE AUSTRALIA AUDIT (WA)  
CHARTERED ACCOUNTANTS

Signed at Perth on the 6<sup>th</sup> day of November 2020.

**Consolidated statement of profit or loss and other comprehensive income**

for the year ended 30 June 2020

|  | Note | 2020<br>\$          | 2019<br>\$          |
|--|------|---------------------|---------------------|
| Revenue  |      | -                   | -                   |
| Other income   | 2    | 118,181             | 20,411              |
|  |      | 118,181             | 20,411              |
| Operating costs  | 12   | (5,788,200)         | -                   |
| Professional and consultancy fees  |      | (2,274,281)         | (2,898,898)         |
| Marketing expenses   |      | (95,821)            | (555,243)           |
| Travel and subsistence costs   |      | (269,076)           | (677,656)           |
| Corporate expenses   |      | (125,698)           | (160,714)           |
| Directors' fees  |      | (255,338)           | (596,726)           |
| Employee benefits expense  | 3a   | (1,151,802)         | (2,151,689)         |
| Office and administration costs  |      | (445,766)           | (1,018,087)         |
| Depreciation   | 3b   | (258,135)           | (1,057,375)         |
| Amortisation   | 3c   | -                   | (94,962)            |
| Impairment loss  | 3d   | (2,452,456)         | (24,037,042)        |
| Finance costs  | 3e   | (1,002,706)         | (35,151)            |
| Other expenses   |      | (313,093)           | (510,072)           |
| Loss before tax  |      | (14,314,191)        | (33,773,204)        |
| Income tax expense   | 5    | 24,032              | 3,377,498           |
| <b>Net loss for the year</b>   |      | <b>(14,290,159)</b> | <b>(30,395,706)</b> |
| <i>Other comprehensive income, net of income tax</i>                         |      |                     |                     |
| ■ Items that may be reclassified subsequently to profit or loss              |      |                     |                     |
| □ Foreign currency movement gain/(loss)                                      |      | 260,937             | (2,871)             |
| <b>Other comprehensive income for the year, net of tax</b>                   |      | <b>260,937</b>      | <b>(2,871)</b>      |
| <b>Total comprehensive loss attributable to members of the parent entity</b> |      | <b>(14,029,222)</b> | <b>(30,398,577)</b> |
| <i>Loss for the period attributable to:</i>                                  |      |                     |                     |
| ■ Non-controlling interest   |      | (2,029)             | 19,097              |
| ■ Owners of the parent   |      | (14,288,130)        | (30,414,803)        |
| <i>Total comprehensive income attributable to:</i>                           |      |                     |                     |
| ■ Non-controlling interest   |      | (8,310)             | 19,933              |
| ■ Owners of the parent   |      | (14,020,912)        | (30,418,510)        |
| <i>Earnings per share:</i>   |      |                     |                     |
| Basic and diluted loss per share (cents per share)                           | 6    | ¢<br>(0.61)         | ¢<br>(1.56)         |

The consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the accompanying notes.



**Consolidated statement of financial position**

as at 30 June 2020

|   | Note | 2020<br>\$          | 2019<br>\$       |
|---|------|---------------------|------------------|
| <i>Current assets</i>                               |      |                     |                  |
| Cash and cash equivalents                           | 7    | 74,308              | 1,935,055        |
| Trade and other receivables                         | 8    | 253,596             | 3,015,659        |
| <b>Total current assets</b>                         |      | <b>327,904</b>      | <b>4,950,714</b> |
| <i>Non-current assets</i>                           |      |                     |                  |
| Plant and equipment                                 | 9    | 118,388             | 215,362          |
| Intangible assets                                   | 10   | -                   | -                |
| Right of use assets                                 | 11   | 415,283             | -                |
| <b>Total non-current assets</b>                     |      | <b>533,671</b>      | <b>215,362</b>   |
| <b>Total assets</b>                                 |      | <b>861,575</b>      | <b>5,166,076</b> |
| <i>Current liabilities</i>                          |      |                     |                  |
| Trade and other payables                            | 12a  | 5,391,870           | 1,545,099        |
| Employee benefits                                   | 13   | 52,940              | 70,236           |
| Borrowings  | 14   | 2,349,442           | 1,570,152        |
| Current tax liabilities                             | 5c   | 82,512              | 115,950          |
| Lease liability                                     | 15a  | 145,973             | -                |
| <b>Total current liabilities</b>                    |      | <b>8,022,737</b>    | <b>3,301,437</b> |
| <i>Non-current liabilities</i>                      |      |                     |                  |
| Trade and other payables                            | 12b  | 3,000,000           | -                |
| Lease liability                                     | 15b  | 527,091             | -                |
| <b>Total non-current liabilities</b>                |      | <b>3,527,091</b>    | <b>-</b>         |
| <b>Total liabilities</b>                            |      | <b>11,549,828</b>   | <b>3,301,437</b> |
| <b>Net assets / (liabilities)</b>                   |      | <b>(10,688,253)</b> | <b>1,864,639</b> |
| <i>Equity</i>                                       |      |                     |                  |
| Issued capital                                      | 16a  | 62,597,080          | 61,078,478       |
| Reserves  | 17   | 397,066             | 129,848          |
| Accumulated losses                                  |      | (73,715,936)        | (59,385,534)     |
| Equity attributable to equity holders of the parent |      | (10,721,790)        | 61,208,326       |
| Non-controlling interest                            | 22   | 33,537              | 41,847           |
| <b>Total equity / (deficiency)</b>                  |      | <b>(10,688,253)</b> | <b>1,822,792</b> |

The consolidated statement of financial position is to be read in conjunction with the accompanying notes.

**Consolidated statement of changes in equity**

for the year ended 30 June 2020

|   | Note | Contributed equity | Share Based Payment Reserve | Foreign Currency Translation Reserve | Accumulated Losses | Non-Controlling Interest | Total        |
|---|------|--------------------|-----------------------------|--------------------------------------|--------------------|--------------------------|--------------|
|   |      | \$                 | \$                          | \$                                   | \$                 | \$                       | \$           |
| <i>Balance at 1 July 2018</i>   |      | 51,252,611         | 473,000                     | 133,555                              | (28,970,731)       | 21,914                   | 22,910,349   |
| Loss for the year   |      | -                  | -                           | -                                    | (30,414,803)       | 19,097                   | (30,395,706) |
| Other comprehensive income for the period attributable owners of the parent |      | -                  | -                           | (3,707)                              | -                  | 836                      | (2,871)      |
| Total comprehensive income for the year attributable owners of the parent   |      | -                  | -                           | (3,707)                              | (30,414,803)       | 19,933                   | (30,398,577) |
| <i>Transaction with owners, directly in equity</i>                          |      | -                  | -                           | -                                    | -                  | -                        | -            |
| Shares issued during the year   | 16a  | 9,352,867          | -                           | -                                    | -                  | -                        | 9,352,867    |
| Transfer to issued capital  | 16c  | 473,000            | (473,000)                   | -                                    | -                  | -                        | -            |
| Transaction costs   | 16a  | -                  | -                           | -                                    | -                  | -                        | -            |
| Balance at 30 June 2019   |      | 61,078,478         | -                           | 129,848                              | (59,385,534)       | 41,847                   | 1,864,639    |
| <i>Balance at 1 July 2019</i>   |      | 61,078,478         | -                           | 129,848                              | (59,385,534)       | 41,847                   | 1,864,639    |
| Initial application upon adoption of AASB 16                                |      | -                  | -                           | -                                    | (42,272)           | -                        | (42,272)     |
| <i>Balance as at 30 June 2019 (restated)</i>                                |      | 61,078,478         | -                           | 129,848                              | (59,427,806)       | 41,847                   | 1,822,367    |
| Loss for the year   |      | -                  | -                           | -                                    | (14,288,130)       | (2,029)                  | (14,290,159) |
| Other comprehensive income for the year attributable owners of the parent   |      | -                  | -                           | 267,218                              | -                  | (6,281)                  | 260,937      |
| Total comprehensive income for the year attributable owners of the parent   |      | -                  | -                           | 267,218                              | (14,288,130)       | (8,310)                  | (14,029,222) |
| <i>Transaction with owners, directly in equity</i>                          |      | -                  | -                           | -                                    | -                  | -                        | -            |
| Shares issued during the year, net of costs                                 | 16a  | 1,518,602          | -                           | -                                    | -                  | -                        | 1,518,602    |
| Balance at 30 June 2020   |      | 62,597,080         | -                           | 397,066                              | (73,715,936)       | 33,537                   | (10,688,253) |

The consolidated statement of changes in equity is to be read in conjunction with the accompanying notes.

**Consolidated statement of cash flows**

for the year ended 30 June 2020

|  | Note | 2020<br>\$         | 2019<br>\$         |
|--|------|--------------------|--------------------|
| <i>Cash flows from operating activities</i>                |      |                    |                    |
| Interest received  |      | 959                | 20,411             |
| Payments to suppliers and employees                        |      | (3,523,394)        | (8,280,570)        |
| Net Income tax paid  |      | (8,677)            | (5,862)            |
| Interest paid  |      | (126,023)          | -                  |
| <b>Net cash used in operating activities</b>               | 7d   | <b>(3,657,135)</b> | <b>(8,266,021)</b> |
| <i>Cash flows from investing activities</i>                |      |                    |                    |
| Purchase of plant and equipment                            |      | (1,191)            | (1,322,235)        |
| R&D rebates and grants received                            |      | 2,662,156          | 1,442,775          |
| Payments for development expenditure                       |      | (2,513,648)        | (9,375,556)        |
| <b>Net cash (used in)/provided by investing activities</b> |      | <b>147,317</b>     | <b>(9,255,016)</b> |
| <i>Cash flows from financing activities</i>                |      |                    |                    |
| Proceeds from issue of shares and options                  |      | 1,637,432          | 9,872,258          |
| Payments for capital raising costs                         |      | (118,830)          | (544,747)          |
| Payments for lease liabilities                             |      | (70,525)           | -                  |
| Net proceeds from borrowings                               |      | 319,516            | 1,427,411          |
| <b>Net cash provided by financing activities</b>           |      | <b>1,767,593</b>   | <b>10,754,922</b>  |
| <b>Net decrease in cash held</b>                           |      | <b>(1,742,225)</b> | <b>(6,766,115)</b> |
| Cash and cash equivalents at the beginning of the year     |      | 1,935,055          | 8,888,289          |
| Foreign exchange movement in cash                          |      | (118,522)          | (187,119)          |
| <b>Cash and cash equivalents at the end of the year</b>    | 7b   | <b>74,308</b>      | <b>1,935,055</b>   |

*The consolidated statement of cash flows is to be read in conjunction with the accompanying notes.*

**Notes to the consolidated financial statements**

for the year ended 30 June 2020

**Note 1 Statement of significant accounting policies**

These are the consolidated financial statements and notes of Sky and Space Global Limited (**SAS or the Company**) and controlled entities (collectively **the Group**). The Company is a company limited by shares, domiciled and incorporated in Australia.

The financial statements were authorised for issue on 6 November 2020 by the directors of the Company.

**a. Basis of preparation**

The consolidated financial statements comprise the consolidated financial statements of the Group. For the purposes of preparing the consolidated financial statements, the Group is a for-profit entity. Material accounting policies adopted in the preparation of these financial statements are presented below. They have been consistently applied unless otherwise stated.

**i. Statement of compliance**

These financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board (**AAS Board**) and International Financial Reporting Standards (**IFRS**) as issued by the International Accounting Standards Board (**IASB**), and the *Corporations Act 2001* (Cth).

Australian Accounting Standards (**AASBs**) set out accounting policies that the AAS Board has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with AASBs ensures that the financial statements and notes also comply with IFRS as issued by the IASB.

**ii. Going concern**

The financial report has been prepared on a going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the ordinary course of business following the effectuation of the DOCA.

The Group incurred a loss for the year of \$14,290,159 (2019: \$30,395,706 loss) and a net operating cash out-flow of \$3,657,135 (2019: \$8,266,021 out-flow).

On 24 December 2019 the Company raised \$1,637,432 net off costs as announced on 23 March 2020. During the 2020 financial year, the Group received \$2,662,156 in R & D tax claims from 2019 and government grants. The Group expects to continue to receive R & D tax claims and government grants in future years.

On 6 April 2020, the Company announced that it had appointed Voluntary Administrators of Sky and Space Global Limited and were undertaking a preliminary review of the operations to determine if the Company can be recapitalised.

1 July 2020, the Company announced that it had entered into a Deed of Company Arrangement ("**DOCA**") presented by Laika Capital Partners Pty Ltd which was ultimately executed on 21 July 2020.

The ability of the Group to continue as a going concern is principally dependent upon the ability of the Company to secure funds from capital raisings and manage its contractual and discretionary cash outflows in line with available funds to enable the Group to meet both its current obligations and its committed future expenditure, as disclosed at note 9 to the financial report.

Management has prepared a cash flow forecast, which includes anticipated proceeds from effectuation of the DOCA, receipt of research and development tax claim from UK authorities, receipt of other grants from European grant providers and conversion or restructure of existing loans. The directors are satisfied that the going concern basis of preparation of the financial report is appropriate, on the basis of:

- Effectuation of the DOCA and subsequent capital raisings post effectuation;
- Completed settlement agreement with GomSpace in January 2020;
- Completed Settlement Agreement with Virgin Orbit in October 2020 terminating the LSA Agreement;
- Company's history of receiving research and development tax claims and grants; and
- The ability of the Company to negotiate successfully with key suppliers to delay or renegotiate committed future expenditure if required due to funds constraints.

**Notes to the consolidated financial statements**

for the year ended 30 June 2020

**Note 1 Statement of significant accounting policies**

The ability of the Company to raise sufficient funds to enable it to successfully launch the Group's nano-satellites and to meet its contractual expenditure commitments, represents a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern. 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 report of the Company does 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 and liabilities as and when they fall due.

Given the circumstances detailed above, the Directors have concluded that a going concern basis is appropriate for the preparation of the financial statements.

**iii. Use of estimates and judgments**

The preparation of consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. These estimates and associated assumptions are based on historical experience and various factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Judgements made by management in the application of AASBs that have significant effect on the consolidated financial statements and estimates with a significant risk of material adjustment in the next year are discussed in Note 1y.

**iv. Comparative figures**

Where required by AASBs comparative figures have been adjusted to conform with changes in presentation for the current financial year.

Where the Group retrospectively applies an accounting policy, makes a retrospective restatement or reclassifies items in its financial statements, an additional (third) statement of financial position as at the beginning of the preceding period in addition to the minimum comparative financial statements is presented.

**b. Accounting Policies**

The Group has consistently applied the following accounting policies to all periods presented in the financial statements. The Group has considered the implications of new and amended Accounting Standards applicable for annual reporting periods beginning after 1 July 2020 but determined that their application to the financial statements is either not relevant or not material.

**c. Principles of consolidation**

As at reporting date, the assets and liabilities of all controlled entities have been incorporated into the consolidated financial statements as well as their results for the year then ended. Where controlled entities have entered (left) the Consolidated Group during the year, their operating results have been included (excluded) from the date control was obtained (ceased).

**i. Business combinations**

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control exists when the Group is exposed to variable returns from another entity and has the ability to affect those returns through its power over the entity.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

**Notes to the consolidated financial statements**

for the year ended 30 June 2020

**Note 1 Statement of significant accounting policies**

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

**ii. Subsidiaries**

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

A list of controlled entities is contained in Note 18 Controlled Entities of the financial statements.

**iii. Loss of control**

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

**iv. Transactions eliminated on consolidation**

All intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

**d. Current and Non-Current classification**

The group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period; or
- A Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when it is:

- Expected to be settled in normal operating cycle;
- Held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

**e. Foreign currency transactions and balances****i. Functional and presentation currency**

The functional currency of the Group is measured using the currency of the primary economic environment in which that entity operates. The financial statements are presented in Australian dollars which is the Group's functional and presentation currency.

**ii. Transaction and balances**

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

**Notes to the consolidated financial statements**

for the year ended 30 June 2020

**Note 1 Statement of significant accounting policies**

Exchange differences arising on the translation of monetary items are recognised in the profit or loss except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in other comprehensive income to the extent that the gain or loss is directly recognised in other comprehensive income, otherwise the exchange difference is recognised in the profit or loss.

**iii. Group Companies**

On consolidation, the assets and liabilities of foreign operations are translated into Australian dollars at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation purposes are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

**f. Taxation****i. Income tax**

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date in countries where the Group's subsidiaries and associates operate and generate taxable income. The current income tax expense includes the amount due to the Group in relation to the R&D claim filed by Sky and Space Global (UK) Limited in respect of qualifying R&D costs. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the period as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited outside profit or loss when the tax relates to items recognised outside profit or loss.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

**Notes to the consolidated financial statements**

for the year ended 30 June 2020

**Note 1 Statement of significant accounting policies****ii. Goods and services tax (GST)**

Goods and services tax (GST) is the generic term for the broad-based consumption taxes that the Group is exposed to such as:

- Australia (Goods and Services Tax or GST);
- United Kingdom (Value-added tax or VAT);
- USA (Value-added tax or VAT);
- Poland (Value-added tax or VAT); and
- Israel (Value-added tax or VAT)

hereafter collectively referred to as GST.

Revenues, expenses, and assets are recognised net of the amount GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

The net amount of GST recoverable from, or payable to, the Australian Taxation Office (or jurisdictional equivalent) is included as a current asset or liability in the balance sheet.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

**g. Plant and equipment****i. Recognition and measurement**

Items of plant and equipment are measured at cost less accumulated depreciation (see below) and impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads.

Where parts of an item of plant and equipment have different useful lives, they are accounted for as separate items of plant and equipment.

Gains and losses on disposal of an item of plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of plant and equipment and are recognised net within "other income" in profit or loss.

The carrying amount of plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have not been discounted to their present values in determining recoverable amounts.

**ii. Subsequent costs**

The cost of replacing part of an item of plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of the day-to-day servicing of plant and equipment are recognised in the income statement as an expense as incurred.

**iii. Depreciation**

Depreciation is charged to the income statement on a diminishing balance basis over the estimated useful lives of each part of an item of plant and equipment, except to the extent that they are included in the carrying amount of another asset as an allocation of production overheads.

Depreciation rates and methods are reviewed annually for appropriateness. The depreciation rates used for the current and comparative period are:

|                            | 2020        | 2019        |
|----------------------------|-------------|-------------|
| ■ Office equipment         | 3 – 5 years | 3 – 5 years |
| ■ Nano-satellite equipment | 3 – 5 years | 3 – 5 years |



**Notes to the consolidated financial statements**

for the year ended 30 June 2020

**Note 1 Statement of significant accounting policies**

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

**h. Cash and cash equivalents**

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

**i. Intangible assets**

Intangible assets acquired as part of a business combination or asset acquisition, other than goodwill, are initially measured at their fair value at the date of acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. The gains and losses recognised in profit or loss arising from the de-recognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The amortisation method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

**i. Research and software development costs**

Research costs are expensed as incurred. Development expenditures constitute costs relating to the design and development of software for satellites. The design costs are integral to the software being developed and therefore the design and development costs are recognised together as one intangible asset under the heading software development costs. These costs are recognised as an intangible asset where the Group can demonstrate:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- its intention to complete the intangible asset and use or sell it;
- its ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Following initial recognition of the software development costs as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete, and the asset is available for use. It is amortised over the period of expected future benefit. Amortisation is recorded in administrative expenditure. During the period of development, the asset is assessed for impairment annually.

The estimated useful lives are as follows:

|                              | 2020        | 2019        |
|------------------------------|-------------|-------------|
| ■ Licences                   | 1 – 5 years | 1 – 5 years |
| ■ Software development costs | 3 – 5 years | 3 – 5 years |

**j. Fair Value****i. Fair Value of Assets and Liabilities**

The Group measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable AASB.

Fair value is the price the Group would receive to sell an asset or would have to pay to transfer a liability in an orderly unforced transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

**Notes to the consolidated financial statements**

for the year ended 30 June 2020

**Note 1 Statement of significant accounting policies**

To the extent possible, market information is extracted from either the principal market for the asset or liability (i.e. the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (i.e. the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also considers a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

The fair value of liabilities and the entity's own equity instruments (excluding those related to share-based payment arrangements) may be valued, where there is no observable market price in relation to the transfer of such financial instruments, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted and, where significant, are detailed in the respective note to the financial statements.

**ii. Fair value hierarchy**

AASB 13 *Fair Value Measurement* requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurements into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

| Level 1  | Level 2  | Level 3   |
|--|--|---|
| Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. | Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. | Measurements based on unobservable inputs for the asset or liability. |

The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

**iii. Valuation techniques**

The Group selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by the Group are consistent with one or more of the following valuation approaches:

- *Market approach*: valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets or liabilities.
- *Income approach*: valuation techniques that convert estimated future cash flows or income and expenses into a single discounted present value.
- *Cost approach*: valuation techniques that reflect the current replacement cost of an asset at its current service capacity.

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the Group gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

**k. Impairment of non-financial assets**

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

**Notes to the consolidated financial statements**

for the year ended 30 June 2020

**Note 1 Statement of significant accounting policies**

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in the income statement, unless the asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through the income statement. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortisation, if no impairment loss had been recognised.

**I. Financial instruments – assets****i. Classification**

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

**ii. Recognition and derecognition**

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

**iii. Measurement**

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

**(1) Debt instruments**

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

**Notes to the consolidated financial statements**

for the year ended 30 June 2020

**Note 1 Statement of significant accounting policies**

■ **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.

■ **FVTPL:** Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

**(2) Equity instruments**

■ The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

■ Changes in the fair value of financial assets at FVTPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

**iv. Impairment**

The Group assesses on a forward-looking basis, the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

**m. Financial instruments - liabilities****i. Classification**

The Group classifies its financial liabilities in the following measurement categories:

- those to be measured subsequently at FVTPL, and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial liabilities and the contractual terms of the cash flows.

For financial liabilities measured at FVTPL, gains and losses, including any interest expenses will be recorded in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

For financial liabilities measured at amortised cost, the effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

**ii. Recognition and derecognition**

Regular way purchases of financial liabilities are recognised on trade-date, the date on which the Group commits to purchase the financial liability. Financial liabilities are derecognised when the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liabilities derecognised and the consideration paid and payable is recognised in profit or loss.

**iii. Measurement**

At initial recognition, the Group measures financial liabilities at its fair value plus, in the case of financial liabilities not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial liabilities. Transaction costs of financial liabilities carried at FVTPL are expensed in profit or loss.

**Notes to the consolidated financial statements**

for the year ended 30 June 2020

**Note 1 Statement of significant accounting policies****n. Finance income and expenses**

The Group's finance income and finance costs include interest income and interest expense.

Interest income or expense is recognised using the effective interest method.

All revenue is stated net of the amount of GST or Sales taxes (note 1f.ii Goods and services tax (GST)).

**o. Employee benefits****i. Defined contribution superannuation funds**

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions onto a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution superannuation funds are recognised as an expense in the income statement as incurred.

**ii. Short-term benefits**

Liabilities for employee benefits for wages, salaries and annual leave that are expected to be settled within 12 months of the reporting date represent present obligations resulting from employees' services provided to the reporting date and are calculated at undiscounted amounts based on remuneration wage and salary rates that the Group expects to pay at the reporting date including related on-costs, such as workers compensation insurance and payroll tax.

Non-accumulating non-monetary benefits, such as medical care, housing, cars and free or subsidised goods and services, are expensed based on the net marginal cost to the Group as the benefits are taken by the employees.

**iii. Other long-term benefits**

The Group's obligation in respect of long-term employee benefits other than definite benefit plans is the amount of future benefit that employees have earned in return for their service in the current and prior periods plus related on-costs; that benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The discount rate is the Reserve Bank of Australia's cash rate at the report date that have maturity dates approximating the terms of the Group's obligations. Any actuarial gains or losses are recognised in profit or loss in the period in which they arise.

**iv. Other benefits**

A provision is made for the Group's liability for employee benefits arising from services rendered by employees to reporting date. Employee benefits that are expected to be settled within one period have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs.

The Group has an auto-enrolment pension scheme for UK employees. Contributions are charged to the statement of comprehensive income in the period they are payable.

**p. Provisions**

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, when appropriate, the risks specific to the liability.

**q. Revenue from contracts with customers**

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control over a good or service to a customer.

All revenue is stated net of the amount of GST (Note 1f.ii Goods and services tax (GST)).

**r. Interest revenue**

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

**s. Segment reporting**

An operating segment is a component of the consolidated group that engages in business activities from which it may earn revenues and incur expenses. Including revenues and expenses that relate to transactions with any of the consolidated group's other components.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors.

**Notes to the consolidated financial statements**

for the year ended 30 June 2020

**Note 1 Statement of significant accounting policies****t. Contributed equity**

Issued and paid up capital is recognised at the fair value of the consideration received by the Group. Any transactions costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the proceeds received.

**u. Share-based payments**

Share-based compensation relating to share options are recognised at fair value. The fair value of the options is recognised as an employee benefit expense in the statement of profit or loss and other comprehensive income, with a corresponding increase in equity. The total amount to be expenses is determined by reference to the fair value of the options granted, which includes any market performance conditions and the impact of any non-vesting conditions but excludes the impact of any service and non-market performance vesting conditions.

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are satisfied.

Upon exercise of share options, the proceeds received net of any directly attributable transaction costs are allocated to share capital.

**v. Government grants**

Government grants are recognised when there is a reasonable assurance that the grant will be received, and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

**w. Earnings per share****i. Basic earnings per share**

Basic earnings per share is calculated by dividing the net profit or loss after income tax attributable to equity holders of the Group, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial period, adjusted for bonus elements in ordinary shares issued during the period.

**ii. Diluted earnings per share**

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary share and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

**x. Parent entity financial information**

The financial information for the parent entity, Sky and Space Global Limited, disclosed in note 26 has been prepared on the same basis as the consolidated financial statements, except as set out below:

**i. Investments in subsidiaries, associates and joint ventures entities**

Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the financial statements of Sky and Space Global Ltd.

Investments in subsidiaries remain impaired this year, see note 26 for further details.

**y. Critical Accounting Estimates and Judgments**

Management discusses with the Board the development, selection and disclosure of the Group's critical accounting policies and estimates and the application of these policies and estimates. The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

**i. Key Estimate – Taxation**

The group has carried forward tax losses which have not been recognised as deferred tax assets as it is not considered sufficiently probable that these losses will be recouped by means of future profits taxable in the relevant jurisdictions.

Refer Note 5 Income Tax.

**ii. Key judgements and estimates – Software development costs**

Work performed by certain employees and consultants relates specifically to the development and design of the nano-satellite technology and is therefore capitalised once the criteria set out in Note 1i is met. Management continue to review and assess the work performed by these employees and consultants and review the asset for impairment annually.

**Notes to the consolidated financial statements**

for the year ended 30 June 2020

**Note 1 Statement of significant accounting policies****iii. Key judgements and estimates – Impairment**

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use.

**iv. Key judgements and estimates – Contractual commitments**

The Group has significant contracts and agreements in relation to the construction and launching of nano-satellites for which estimates are made as to any potential liability. Management are reviewing these agreements on an ongoing basis to assess whether the criteria are met to give rise to either a liability or commitment.

The estimated liability recorded as at 30 June 2020 in relation to the contract and agreements has increased in comparison to that estimated as at 30 June 2019 based on the terms of Settlement Agreement of the Virgin Orbit Contract disclosed in note 12 and variations to other contracts concluded subsequent to 30 June 2020.

**z. New, revised or amending Accounting Standards and Interpretations adopted**

The Group has adopted all of the new, revised or amending Accounting Standards and Interpretations (AASB) issued by the Australian Accounting Standards Board (AASB Board) that are mandatory for the current reporting period.

Any new, revised or amending AASBs that are not yet mandatory have not been early adopted.

**i. AASB 16: Leases (applicable to annual reporting periods commencing on or after 1 January 2019).**

A number of new or amended standards become applicable for the current reporting period and the Group had to change its accounting policies and make retrospective adjustments as a result of adopting AASB 16 Leases.

The Group has adopted AASB16 Leases retrospectively with the cumulative effect of initially applying AASB 16 recognised at 1 July 2019. In accordance with AASB 16 the comparatives for the 2019 reporting period have not been restated.

The Group has recognised a lease liability and right-of-use asset for all leases (with the exception of short-term and low-value leases) recognised as operating leases under AASB 117 Leases where the Group is a lessee.

Lease liabilities are measured at the present value of the remaining lease payments. The Group's incremental borrowing rate as at 1 July 2019 was used to discount the lease payments.

The right-of-use assets for remaining leases have been measured and recognised in the statement of financial position as at 1 July 2019 by taking into consideration the lease liability and the prepaid and accrued lease payments previously recognised as at 1 July 2019 (that are related to the lease).

The following practical expedients have been used by the Group in applying AASB 16 for the first time:

- For a portfolio of leases that have reasonably similar characteristics, a single discount rate has been applied
- Leases that have a remaining lease term of less than 12 months as at 1 July 2019 have been accounted for in the same way as short-term leases
- The use of hindsight to determine lease terms on contracts that have options to extend or terminate
- Applying AASB 16 to leases previously identified as leases under AASB 117 and Interpretation 4: Determining whether an arrangement contains a lease without reassessing whether they are, or contain, a lease at the date of initial application.
- Not applying AASB 16 to leases previously not identified as containing a lease under AASB 117

AASB16 related amounts recognise right-of-use assets relate to the following type of assets:

|   | 1 July<br>2019 | 30 June<br>2020 |
|---|----------------|-----------------|
|   | \$             | \$              |
| <b>Assets</b>                               |                |                 |
| Leased buildings                            | 717,256        | 732,853         |
| Less: accumulated depreciation for the year | (167,360)      | (317,570)       |
| <b>Total assets</b>                         | <b>549,896</b> | <b>415,283</b>  |
| <b>Liabilities</b>                          |                |                 |
| Lease liability                             | 592,168        | 673,064         |



**Notes to the consolidated financial statements**

for the year ended 30 June 2020

**Note 1 Statement of significant accounting policies****Equity**

|                       |                 |                  |
|-----------------------|-----------------|------------------|
| Retained earnings     | (42,272)        | (42,272)         |
| Loss after income tax | -               | (299,053)        |
| <b>Total equity</b>   | <b>(42,272)</b> | <b>(341,325)</b> |

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs; and
- restoration costs

- ii. AASB Interpretation 23: Uncertainty over income tax treatments (applicable to annual reporting periods commencing on or after 1 January 2019)

AASB Interpretation 23 provides new guidance on the application of AASB 112 Income Taxes in situations where there is uncertainty over the appropriate income tax treatment of a transaction or class of transactions, and about whether a treatment will be accepted by a tax authority.

AASB Interpretation 23 applies to income taxes within the scope of AASB 112 only, which are those based on profits, such as, company tax. Taxes that are not based on profits (for example GST) are outside the scope of this Interpretation. AASB Interpretation 23 should be applied consistently to the recognition of both current and deferred taxes.

Adopting AASB Interpretation 23 has not impacted the Group.

- aa. New Accounting Standards and Interpretations not yet mandatory or early adopted

A number of new standards, amendments to standards and interpretations issued by the AASB which are not yet mandatorily applicable to the Group have not been applied in preparing these financial statements. The Group does not plan to adopt these standards early.



**Notes to the consolidated financial statements**

for the year ended 30 June 2020

**Note 2 Revenue and other income**
**a. Other income**

Interest income

| 2020    | 2019   |
|---------|--------|
| \$      | \$     |
| 118,181 | 20,411 |
| 118,181 | 20,411 |

**Note 3 Loss before income tax**
**a. Employee benefits expense**

Salary and wages

Employer's NI

Other employee related costs

| 2020      | 2019      |
|-----------|-----------|
| \$        | \$        |
| 995,430   | 1,958,690 |
| 143,242   | 152,843   |
| 13,130    | 40,156    |
| 1,151,802 | 2,151,689 |

**b. Depreciation**

Depreciation

|         |           |
|---------|-----------|
| 258,135 | 1,057,375 |
| 258,135 | 1,057,375 |

**c. Amortisation**

Amortisation

|   |        |
|---|--------|
| - | 94,962 |
| - | 94,962 |

**d. Impairment loss**

Impairment of plant and equipment

Impairment of intangible assets

Impairment of trade and other receivables

|           |            |
|-----------|------------|
| -         | 10,093,194 |
| 2,452,456 | 13,914,803 |
| -         | 29,045     |
| 2,452,456 | 24,037,042 |

**e. Finance costs**

Finance costs

|           |        |
|-----------|--------|
| 1,002,706 | 35,151 |
| 1,002,706 | 35,151 |

**Note 4 Auditor's remuneration**

Remuneration of the auditors of the Sky and Space Global Limited for:

■ Auditing or reviewing the financial reports – Group auditor

■ Auditing or reviewing the financial reports – Subsidiaries auditor

| Note | 2020   | 2019    |
|------|--------|---------|
|      | \$     | \$      |
| (i)  | 49,500 | 99,525  |
| (ii) | -      | 117,616 |
|      | 49,500 | 217,141 |

(i) Group auditor in the year to June 2020 was Moore Australia Audit (WA), in the year to June 2019 the group auditor was KPMG.

(ii) Subsidiaries auditor in the year to June 2020 was Moore Australia Audit (WA), in the year to June 2019 the subsidiaries auditor was KPMG UK

**Notes to the consolidated financial statements**

for the year ended 30 June 2020

**Note 5 Income tax****a. Income tax expense**

|   |        |           |
|---|--------|-----------|
| Current tax   | 24,032 | (67,059)  |
| Current year R&D rebate                               | -      | 2,544,938 |
| Changes in estimate related to prior years R&D rebate | -      | 899,619   |

|  |        |           |
|--|--------|-----------|
|  | 2020   | 2019      |
|  | \$     | \$        |
|  | 24,032 | 3,377,498 |

Deferred income tax expense included in income tax expense comprises:

- Increase / (decrease) in deferred tax assets
- (Increase) / decrease in deferred tax liabilities

|  |        |           |
|--|--------|-----------|
|  | -      | -         |
|  | -      | -         |
|  | 24,032 | 3,377,498 |

**b. Reconciliation of income tax expense to prima facie tax payable**

The prima facie tax payable / (benefit) on loss from ordinary activities before income tax is reconciled to the income tax expense as follows:

Prima facie tax on operating loss at 27.5% (2019: 27.5%)

|             |             |
|-------------|-------------|
| (3,936,403) | (9,287,631) |
|-------------|-------------|

Add / (Less) tax effect of:

- ☐ Non-allowance items - other
- ☐ Non-allowable items – Impairment loss
- ☐ Current year R&D rebate
- ☐ Prior year R&D rebate
- ☐ Current year non-deductible R&D expense
- ☐ Effect of tax rates in foreign jurisdictions
- ☐ Tax benefit through equity not recognised
- ☐ DTA/DTL not recognised

|           |             |
|-----------|-------------|
| (24,032)  | 164,628     |
| 674,425   | 6,607,172   |
| -         | (2,544,938) |
| -         | (899,619)   |
| -         | 1,426,245   |
| 310,403   | 537,500     |
| (2,188)   | (9,654)     |
| 2,953,763 | 628,799     |

Income tax expense / (benefit) attributable to operating loss

|          |             |
|----------|-------------|
| (24,032) | (3,377,498) |
|----------|-------------|

|   |   |
|---|---|
| % | % |
|---|---|

The applicable weighted average effective tax rates attributable to operating profit are as follows

|      |       |
|------|-------|
| 0.61 | 36.37 |
|------|-------|

|    |    |
|----|----|
| \$ | \$ |
|----|----|

Balance of franking account at year end of the parent

|     |     |
|-----|-----|
| nil | nil |
|-----|-----|

**c. Current tax liabilities**

Income tax payable

|        |         |
|--------|---------|
| 82,512 | 115,950 |
| 82,512 | 115,950 |

**d. Deferred tax assets / (liabilities) not brought to accounts**

Tax losses: revenue

Temporary differences

|             |             |
|-------------|-------------|
| 9,998,448   | 8,640,408   |
| (2,463,135) | (4,058,858) |
| 7,535,313   | 4,581,550   |

**e. Tax losses and deductible temporary differences**

Unused tax losses and deductible temporary differences for which no deferred tax asset has been recognised, that may be utilised to offset tax liabilities:

|            |            |
|------------|------------|
| 15,877,944 | 14,519,904 |
| 15,877,944 | 14,519,904 |

**Notes to the consolidated financial statements**

for the year ended 30 June 2020

**Note 5 Income tax (cont.)**

Potential deferred tax assets attributable to tax losses have not been brought to account at 30 June 2020 because the directors do not believe it is appropriate to regard realisation of the deferred tax assets as probable at this point in time. These benefits will only be obtained if:

- i. the Group derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the loss to be realised;
- ii. the Group continues to comply with conditions for deductibility imposed by law; and
- iii. no changes in tax legislation adversely affect the Group in realising the benefit from the deductions for the loss.

**Note 6 Earnings per share (EPS)****a. Reconciliation of earnings to profit or loss**

Loss for the year

Loss used in the calculation of basic and diluted EPS

| Note | 2020 | 2019 |
|------|------|------|
|      | \$   | \$   |

(14,290,159) (30,395,706)

(14,288,130) (30,414,803)

|  | 2020 | 2019 |
|--|------|------|
|  | No.  | No.  |

**b. Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS**

2,341,885,474 1,945,150,170

|  | 2020 | 2019 |
|--|------|------|
|  | ¢    | ¢    |

**c. Earnings per share**

Basic and diluted EPS (cents per share)

(0.61) (1.56)

- d. At the end of the 2020 financial year, the Group has 410,927,596 unissued shares under options (2019: 329,075,133) and no performance shares on issue (2019: nil). The Group does not report diluted earnings per share on annual losses generated by the Group. During the 2020 financial year the Group's unissued shares under option and partly-paid shares were anti-dilutive.

**Note 7 Cash and cash equivalents****a. Current**

Cash at bank

| Note | 2020 | 2019 |
|------|------|------|
|      | \$   | \$   |

74,308 1,935,055

74,308 1,935,055

**b. Reconciliation of cash**

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:

- Cash and cash equivalents

74,308 1,935,055

74,308 1,935,055

- c. The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in Note 24 Financial risk management.

**Notes to the consolidated financial statements**

for the year ended 30 June 2020

**Note 7 Cash and cash equivalents (cont.)****d. Cash Flow Information**

Reconciliation of cash flow from operations to (loss)/profit after income tax

Loss after income tax

*Non-cash flows in (loss)/profit from ordinary activities:*

■ Depreciation and amortisation

■ Impairment

■ Income tax

■ Interest expense

■ Foreign currency translation expense

*Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries:*

■ Increase/(decrease) in receivables and other receivables

■ (Increase)/decrease in trade and other payables

Cash flow from operations

| Note | 2020<br>\$   | 2019<br>\$   |
|------|--------------|--------------|
|      | (14,290,159) | (30,395,706) |
|      | 258,135      | 1,152,337    |
|      | 2,452,456    | 24,037,042   |
|      | (32,709)     | (3,377,498)  |
|      | 876,683      | 36,572       |
|      | -            | 44,725       |
|      |              |              |
|      | 99,907       | 246,265      |
|      | 6,978,552    | (9,758)      |
|      | (3,657,135)  | (8,266,021)  |

**e. Credit standby facilities**

The Group has no credit standby facilities.

**Note 8 Trade and other receivables**

Other receivables

Prepayments

Deposits paid

R&amp;D Tax rebate receivable

GST receivable

| Note  | 2020<br>\$ | 2019<br>\$ |
|-------|------------|------------|
| (i)   | 26,011     | 2,513      |
| (ii)  | 164,873    | 239,022    |
|       | 44,161     | 63,735     |
| (iii) | -          | 2,544,934  |
|       | 18,551     | 165,455    |
|       | 253,596    | 3,015,659  |

(i) No other receivables have been impaired in the year (2019: \$18,083).

(ii) Includes prepayment of interest of \$104,677. No prepayments have been impaired for the year (2019:\$10,962)

(iii) No R&amp;D tax rebate is receivable at 30 June 2020, however the Group expects to submit a research and development tax credit submitted to UK tax authorities for the 2020 financial year.

(iv) The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in Note 24 Financial risk management.

**Notes to the consolidated financial statements**

for the year ended 30 June 2020

**Note 9 Plant, and equipment**

|  | 2020<br>\$  | 2019<br>\$  |
|--|-------------|-------------|
| Office equipment                               | 573,792     | 562,816     |
| Accumulated depreciation and impairment losses | (455,404)   | (347,454)   |
|  | 118,388     | 215,362     |
| 3 Diamonds                                     | 3,533,804   | 3,566,131   |
| Accumulated depreciation and impairment losses | (3,533,804) | (3,566,131) |
|  | -           | -           |
| Pearls   | 8,305,107   | 8,381,653   |
| Accumulated depreciation and impairment losses | (8,305,107) | (8,381,653) |
|  | -           | -           |
| 6U   | 77,249      | 77,961      |
| Accumulated depreciation and impairment losses | (77,249)    | (77,961)    |
|  | -           | -           |
| Total plant and equipment                      | 118,388     | 215,362     |

|   | Assets under construction |                  |              |          | Total<br>\$    |
|---|---------------------------|------------------|--------------|----------|----------------|
|   | Office<br>Equipment<br>\$ | 3 Diamonds<br>\$ | Pearls<br>\$ | 6U<br>\$ |                |
| Movement in carrying amounts                          |                           |                  |              |          |                |
| <b>Cost</b>   |                           |                  |              |          |                |
| Balance at 1 July 2018                                | 389,851                   | 3,729,722        | 7,413,407    | -        | 11,532,980     |
| Additions   | 164,824                   | -                | 863,821      | 77,961   | 1,106,606      |
| Reclassification to intangible assets                 | -                         | (187,922)        | -            | -        | (187,922)      |
| Effects of movements in foreign exchange rates        | 8,141                     | 24,331           | 104,425      | -        | 136,897        |
| Balance at 30 June 2019                               | 562,816                   | 3,566,131        | 8,381,653    | 77,961   | 12,588,561     |
| <b>Accumulated depreciation and impairment losses</b> |                           |                  |              |          |                |
| Balance at 1 July 2018                                | 82,038                    | 1,127,074        | -            | -        | 1,209,112      |
| Depreciation  | 113,974                   | 943,401          | -            | -        | 1,057,375      |
| Reclassification to intangible assets                 | -                         | (28,761)         | -            | -        | (28,761)       |
| Impairment loss                                       | 150,320                   | 1,483,261        | 8,381,653    | 77,961   | 10,093,195     |
| Effects of movements in foreign exchange rates        | 1,122                     | 41,156           | -            | -        | 42,278         |
| Balance at 30 June 2019                               | 347,454                   | 3,566,131        | 8,381,653    | 77,961   | 12,373,199     |
| <b>CWV at 30 June 2019</b>                            | <b>215,362</b>            | <b>-</b>         | <b>-</b>     | <b>-</b> | <b>215,362</b> |

**Notes to the consolidated financial statements**

for the year ended 30 June 2020

**Note 9 Plant, and equipment (cont.)**

|   | Assets under construction |                  |              |          | Total<br>\$    |
|---|---------------------------|------------------|--------------|----------|----------------|
|   | Office<br>Equipment<br>\$ | 3 Diamonds<br>\$ | Pearls<br>\$ | 6U<br>\$ |                |
| Movement in carrying amounts                          |                           |                  |              |          |                |
| <b>Cost</b>   |                           |                  |              |          |                |
| Balance at 1 July 2019                                | 562,816                   | 3,566,131        | 8,381,653    | 77,961   | 12,588,561     |
| Additions   | 1,191                     | -                | -            | -        | 1,191          |
| Effects of movements in foreign exchange rates        | 9,785                     | (32,327)         | (76,546)     | (712)    | (99,800)       |
| Balance at 30 June 2020                               | 573,792                   | 3,533,804        | 8,305,107    | 77,249   | 12,489,952     |
| <b>Accumulated depreciation and impairment losses</b> |                           |                  |              |          |                |
| Balance at 1 July 2019                                | 347,454                   | 3,566,131        | 8,381,653    | 77,961   | 12,373,199     |
| Depreciation  | 107,925                   | -                | -            | -        | 107,925        |
| Effects of movements in foreign exchange rates        | 25                        | (32,327)         | (76,546)     | (712)    | 118,388        |
| Balance at 30 June 2020                               | 2,176,780                 | 14,135,216       | 33,220,428   | 308,996  | -              |
| <b>CWV at 30 June 2020</b>                            | <b>118,388</b>            | <b>-</b>         | <b>-</b>     | <b>-</b> | <b>118,388</b> |

**Note 10 Intangible asset**

|  | 2020<br>\$   | 2019<br>\$   |
|--|--------------|--------------|
| Licences                                       | 224,009      | 227,154      |
| Accumulated amortisation and impairment losses | (224,009)    | (227,154)    |
|  | -            | -            |
| Development costs                              | 16,178,392   | 13,777,769   |
| Accumulated amortisation and impairment losses | (16,178,392) | (13,777,769) |
|  | -            | -            |
| Total Intangible Assets                        | -            | -            |

|  | Licences<br>\$ | Development<br>costs<br>\$ | Total<br>\$ |
|--|----------------|----------------------------|-------------|
| Movements                                      |                |                            |             |
| <b>Cost</b>                                    |                |                            |             |
| Balance at 1 July 2018                         | -              | 4,211,064                  | 4,211,064   |
| Additions                                      | 36,584         | 9,507,292                  | 9,543,876   |
| Reclassification from plant and equipment      | 187,922        | -                          | 187,922     |
| Effects of movements in foreign exchange rates | 2,648          | 59,413                     | 62,061      |
| Balance at 30 June 2019                        | 227,154        | 13,777,769                 | 14,004,923  |

**Notes to the consolidated financial statements**

for the year ended 30 June 2020

**Note 10 Intangible asset (cont.)**

Movement in carrying amounts

**Accumulated amortisation and impairment losses**

Balance at 1 July 2018

Amortisation

Reclassification from plant and equipment

Impairment losses

Effects of movements in foreign exchange rates

Balance at 30 June 2019

**CWV at 30 June 2019****Cost**

Balance at 1 July 2019

Additions

Effects of movements in foreign exchange rates

Balance at 30 June 2020

**Accumulated amortisation and impairment losses**

Balance at 1 July 2019

Amortisation

Impairment losses

Effects of movements in foreign exchange rates

Balance at 30 June 2020

**CWV at 30 June 2020**

|   | Licences<br>\$ | Development<br>costs<br>\$ | Total<br>\$ |
|---|----------------|----------------------------|-------------|
| Movement in carrying amounts                          |                |                            |             |
| Balance at 1 July 2018                                | -              | -                          | -           |
| Amortisation  | 94,962         | -                          | 94,962      |
| Reclassification from plant and equipment             | 28,761         | -                          | 28,761      |
| Impairment losses                                     | 137,034        | 13,777,769                 | 13,914,803  |
| Effects of movements in foreign exchange rates        | (33,603)       | -                          | (33,603)    |
| Balance at 30 June 2019                               | 227,154        | 13,777,769                 | 14,004,923  |
| <b>CWV at 30 June 2019</b>                            | -              | -                          | -           |
| <b>Cost</b>   |                |                            |             |
| Balance at 1 July 2019                                | 227,154        | 13,777,769                 | 14,004,923  |
| Additions   | -              | 2,452,456                  | 2,452,456   |
| Effects of movements in foreign exchange rates        | (3,145)        | (51,833)                   | (54,978)    |
| Balance at 30 June 2020                               | 224,009        | 16,178,392                 | 16,402,401  |
| <b>Accumulated amortisation and impairment losses</b> |                |                            |             |
| Balance at 1 July 2019                                | 227,154        | 13,777,769                 | 14,004,923  |
| Amortisation  | -              | -                          | -           |
| Impairment losses                                     | -              | 2,452,456                  | 2,452,456   |
| Effects of movements in foreign exchange rates        | (3,145)        | (51,833)                   | (54,978)    |
| Balance at 30 June 2020                               | 224,009        | 16,178,392                 | 16,402,401  |
| <b>CWV at 30 June 2020</b>                            | -              | -                          | -           |

**Note 11 Right of use asset**

Leased buildings

Less: Accumulated depreciation

Total Right of Use Assets

Movement in carrying amounts

Leased buildings:

Recognised on Initial application of AASB 16 (previously classified as operating leases under AASB117)

Accumulated depreciation

Effects of movements in foreign exchange rates

(i) AASB 16 related amounts recognised in the statement of profit or loss

Depreciation charge related to right of use assets

Interest expense on lease liabilities

|  | 2020<br>\$ | 2019<br>\$ |
|--|------------|------------|
| Leased buildings   | 732,853    | -          |
| Less: Accumulated depreciation   | (317,570)  | -          |
| Total Right of Use Assets  | 415,283    | -          |
| Movement in carrying amounts   |            |            |
| Leased buildings:  |            |            |
| Recognised on Initial application of AASB 16 (previously classified as operating leases under AASB117) | 717,256    | -          |
| Accumulated depreciation   | (317,570)  | -          |
| Effects of movements in foreign exchange rates   | 15,597     | -          |
|  | 415,283    | -          |
| (i) AASB 16 related amounts recognised in the statement of profit or loss                              |            |            |
| Depreciation charge related to right of use assets   | 150,210    | -          |
| Interest expense on lease liabilities  | 148,843    | -          |
|  | 299,053    | -          |

**Notes to the consolidated financial statements**

for the year ended 30 June 2020

**Note 12 Trade and other payables***Unsecured***a. Current**

Trade payables

Accruals

Other payables

**b. Non-current**

Accruals

| Note | 2020<br>\$ | 2019<br>\$ |
|------|------------|------------|
|      |            |            |
| (i)  | 1,680,756  | 862,452    |
| (ii) | 3,256,417  | 313,100    |
|      | 454,697    | 369,547    |
|      | 5,391,870  | 1,545,099  |
|      |            |            |
| (ii) | 3,000,000  | -          |
|      | 3,000,000  | -          |

(i) Trade payables are non-interest bearing and usually settled within the lower of terms of trade or 30 days.

(ii) Subsequent to year end, the Group entered into a Settlement Agreement with Virgin Orbit to terminate the previous LSA Agreement which contained disputed future commitments of A\$55m. The total estimated consideration of the new agreement is \$5,788,200, being \$3,000,000 in cash paid quarterly in advance over 3 years from 1 July 2021 plus 11,000,000 shares at A\$0.20 per share and 7,000,000 options exercise price A\$0.40 each and an expiry date three years after issue. This has been recognised in the financial statements for the year ended 30 June 2020.

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in Note 24 Financial risk management.

**Note 13 Employee benefits**

## Employee entitlements

## Movement in carrying amounts

Balance at 1 July 2019

Additional provisions

Amounts used

Effects of movements in foreign exchange rates

Balance at 30 June 2020

|  | 2020<br>\$                  | 2019<br>\$  |
|--|-----------------------------|-------------|
|  |                             |             |
|  | 52,940                      | 70,236      |
|  | 52,940                      | 70,236      |
|  |                             |             |
|  | Employee entitlements<br>\$ | Total<br>\$ |
|  |                             |             |
|  | 70,236                      | 70,236      |
|  | 215,837                     | 215,837     |
|  | (232,550)                   | (232,550)   |
|  | (583)                       | (583)       |
|  | 52,940                      | 52,940      |

**Note 14 Borrowings**

Loan – Telefox Ltd

Loan – CSS Alpha (BVI) Ltd

| Note | 2020<br>\$ | 2019<br>\$ |
|------|------------|------------|
|      |            |            |
| (i)  | 1,718,256  | 1,570,152  |
| (ii) | 631,186    | -          |
|      | 2,349,442  | 1,570,152  |



**Notes to the consolidated financial statements**

for the year ended 30 June 2020

**Note 14 Borrowings (cont.)**

- (i) In May 2019 the Group executed an unsecured convertible loan of USD\$1.1m with Telefox Ltd ('Telefox'). The loan bears interest monthly at the rate of 2%, unless converted. The maturity date is 16 May 2020. On 5 May 2020, the Group entered into a Heads of Agreement with Laika Capital Partners Pty Ltd to repay an agreed amount of USD\$0.644m(A\$0.898m) upon effectuation of the DOCA. The balance of the loan will be issued into a new convertible note with the ability for Telefox to convert the debt to equity 4 months after recommencement of trading on the ASX. The loan from 5 May 2020 will bear an interest rate of 10% per annum.
- (ii) In September 2019 the Group executed a short-term convertible loan of USD \$550,000 with CSS Alpha (BVI) Limited ('CSS') with an interest rate is 2% per month. The Group repaid USD \$250,000 in the quarter ended 31 December 2019. The repayment date of the loan is 29 February 2020. On 21 May 2020, the Group entered into a Heads of Agreement with Laika Capital Partners Pty Ltd to repay an agreed amount of USD\$0.233m(A\$0.324m) upon effectuation of the DOCA. The balance of the loan will be issued into a new convertible note with the ability for CSS to convert the debt to equity 4 months after recommencement of trading on the ASX. The loan from 21 May 2020 will bear an interest rate of 10% per annum.

**Note 15 Lease liability****a. Current**

Lease liability

| 2020 | 2019 |
|------|------|
| \$   | \$   |

|         |   |
|---------|---|
| 145,973 | - |
|---------|---|

|         |   |
|---------|---|
| 145,973 | - |
|---------|---|

**b. Non-current**

Lease liability

|         |   |
|---------|---|
| 527,091 | - |
|---------|---|

|         |   |
|---------|---|
| 527,091 | - |
|---------|---|

|         |   |
|---------|---|
| 673,064 | - |
|---------|---|

*Movement in carrying amounts*

Recognised on Initial application of AASB 16 (previously classified as operating leases under AASB117)

|         |  |
|---------|--|
| 592,168 |  |
|---------|--|

Accrued interest during the year

|         |  |
|---------|--|
| 148,843 |  |
|---------|--|

Lease payments made during the year

|          |  |
|----------|--|
| (70,525) |  |
|----------|--|

Effects of movements in foreign exchange rates

|       |  |
|-------|--|
| 2,578 |  |
|-------|--|

|         |   |
|---------|---|
| 673,064 | - |
|---------|---|

**Note 16 Contributed equity**

Fully paid ordinary shares at no par value

**a. Ordinary shares**

At the beginning of the period

| 2020 | 2019 | 2020 | 2019 |
|------|------|------|------|
| No.  | No.  | \$   | \$   |

|               |               |            |            |
|---------------|---------------|------------|------------|
| 2,502,478,657 | 2,175,014,261 | 62,597,080 | 61,078,478 |
|---------------|---------------|------------|------------|

Shares issued during the year:

■ Conversion of Milestone 3 Performance Rights for the board on 20 July 18 at \$0.086

|               |               |            |            |
|---------------|---------------|------------|------------|
| 2,175,014,261 | 1,840,439,128 | 61,078,478 | 51,252,611 |
|---------------|---------------|------------|------------|

|   |           |   |         |
|---|-----------|---|---------|
| - | 5,500,000 | - | 473,000 |
|---|-----------|---|---------|

■ Share issue

|   |             |   |           |
|---|-------------|---|-----------|
| - | 260,503,568 | - | 7,815,107 |
|---|-------------|---|-----------|

■ Share issue

|   |           |   |         |
|---|-----------|---|---------|
| - | 9,999,999 | - | 300,000 |
|---|-----------|---|---------|

■ Share issue

|   |            |   |           |
|---|------------|---|-----------|
| - | 58,571,566 | - | 1,757,151 |
|---|------------|---|-----------|

■ Share issue

|             |   |           |   |
|-------------|---|-----------|---|
| 327,453,396 | - | 1,637,267 | - |
|-------------|---|-----------|---|

■ Options exercised at \$0.015 each

|        |   |     |   |
|--------|---|-----|---|
| 11,000 | - | 165 | - |
|--------|---|-----|---|

Transaction costs relating to share issues

|   |   |           |           |
|---|---|-----------|-----------|
| - | - | (118,830) | (519,391) |
|---|---|-----------|-----------|

At reporting date

|               |               |            |            |
|---------------|---------------|------------|------------|
| 2,502,478,657 | 2,175,014,261 | 62,597,080 | 61,078,478 |
|---------------|---------------|------------|------------|

**Notes to the consolidated financial statements**

for the year ended 30 June 2020

**Note 16 Contributed equity (cont.)**

|  | 2020<br>No. | 2019<br>No. | 2020<br>\$ | 2019<br>\$ |
|--|-------------|-------------|------------|------------|
| <b>b. Performance shares</b>                           |             |             |            |            |
| Performance shares                                     | -           | -           | -          | -          |
| At beginning of the period                             | -           | 5,500,000   | -          | -          |
| Conversion of performance shares to issued capital     | -           | (5,500,000) | -          | -          |
| At reporting date                                      | -           | -           | -          | -          |
| <b>c. Options</b>                                      |             |             |            |            |
| Options  | 410,927,596 | 329,075,133 | -          | -          |
| At the beginning of the period                         | 329,075,133 | -           | -          | -          |
| Options issued/(lapsed) during the year:               |             |             |            |            |
| Options exercisable at \$0.05 each expiring 21.5.2022  | -           | 329,075,133 | -          | -          |
| Options exercisable at \$0.015 each expiring 31.5.2021 | 81,863,463  | -           | -          | -          |
| Options exercised                                      | (11,000)    | -           | -          | -          |
| At reporting date                                      | 410,927,596 | 329,075,133 | -          | -          |

**d. Capital Management**

The Directors' objectives when managing capital are to ensure that the Group can maintain a capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the availability of liquid funds in order to meet its short-term commitments.

The focus of the Group's capital risk management is the current working capital position against the requirements of the Group in respect to its operations, software developments programmes, and corporate overheads. The Group's strategy is to ensure appropriate liquidity is maintained to meet anticipated operating requirements, with a view to initiating appropriate capital raisings as required.

The working capital position of the Group were as follows:

|                             | Note | 2020<br>\$  | 2019<br>\$  |
|-----------------------------|------|-------------|-------------|
| Cash and cash equivalents   | 7    | 74,308      | 1,935,055   |
| Trade and other receivables | 8    | 253,596     | 3,015,659   |
| Trade and other payables    | 12   | (5,391,870) | (1,545,099) |
| Provisions                  | 13   | (52,940)    | (70,236)    |
| Borrowings                  | 14   | (2,349,442) | (1,570,152) |
| Current tax liabilities     | 5c   | (82,512)    | (115,950)   |
| Lease liability             | 15a  | (145,973)   | -           |
| Working capital position    |      | (7,694,833) | 1,649,277   |

**Notes to the consolidated financial statements**

for the year ended 30 June 2020

**Note 17 Reserves**

|                                      |      | 2020<br>\$ | 2019<br>\$ |
|--------------------------------------|------|------------|------------|
| Foreign currency translation reserve | (i)  | 397,066    | 129,848    |
| Share-based payment reserve          | (ii) | -          | -          |
|                                      |      | 397,066    | 129,848    |

**(i) Foreign currency translation reserve**

The foreign exchange reserve records exchange differences arising on translation of foreign controlled subsidiaries.

**(ii) Share-based payment reserve**

The share-based payment reserve includes performance rights, service and deferred rights service. It arises on the granting and vesting of equity instruments.

**Note 18 Controlled entities****Parent entity:** Sky and Space Global Limited

|  | Country of<br>Incorporation | Class of<br>Shares | Percentage Owned |       |
|--|-----------------------------|--------------------|------------------|-------|
|  |                             |                    | 2020             | 2019  |
| Sky and Space Global Limited                             | Australia                   |                    |                  |       |
| <b>Subsidiaries of Sky and Space Global Limited</b>      |                             |                    |                  |       |
| Sky and Space Global (UK) Limited                        | UK                          | Ordinary           | 100.0            | 100.0 |
| Burleson Energy Holding Inc                              | USA                         | Ordinary           | 100.0            | 100.0 |
| Burleson Energy Inc                                      | USA                         | Ordinary           | 100.0            | 100.0 |
| Burleson Energy Limited Partnership                      | USA                         | Ordinary           | 100.0            | 100.0 |
| <b>Subsidiaries of Sky and Space Global (UK) Limited</b> |                             |                    |                  |       |
| Sky and Space (Poland) Software Limited                  | Poland                      | Ordinary           | 75.0             | 75.0  |
| Sky and Space (Israel) Limited                           | Israel                      | Ordinary           | 100.0            | 100.0 |

Investments in subsidiaries are accounted for at cost.

**Note 19 Key Management Personnel compensation (KMP)**

The names and positions of KMP are as follows:

|                           |  |
|---------------------------|--|
| Mr Meir Moalem            | Non-executive Chairman                                     |
| Ms Maya Glickman-Pariente | Non-executive Director                                     |
| Mr Yonatan Sharma         | Non-executive Director                                     |
| Mr Brett Mitchell         | Non-executive Director ( <i>resigned 31 October 2018</i> ) |
| Mr Peter Wall             | Non-executive Director ( <i>resigned 3 December 2018</i> ) |
| Mr Michael Malone         | Non-executive Director ( <i>resigned 8 April 2019</i> )    |
| Mr Di Fulton              | Non-executive Director ( <i>resigned 8 April 2019</i> )    |
| Mr Meidad Pariente        | Chief Technical Officer                                    |

Information regarding individual directors and executives' compensation and some equity instruments disclosures as required by the Corporations Regulations 2M.3.03 is provided in the Remuneration report table on page 11.

|                              | Note | 2020<br>\$ | 2019<br>\$ |
|------------------------------|------|------------|------------|
| Short-term employee benefits |      | 1,583,649  | 1,657,934  |
| Post-employment benefits     |      | -          | 2,009      |
| Total                        |      | 1,583,649  | 1,659,943  |

**Notes to the consolidated financial statements**

for the year ended 30 June 2020

**Note 20 Related party transactions**

|   | Transactions<br>2020<br>\$ | Balance at<br>2020<br>\$ | Transactions<br>2019<br>\$ | Balance at<br>2019<br>\$ |
|---|----------------------------|--------------------------|----------------------------|--------------------------|
| Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.                              |                            |                          |                            |                          |
| <b>i) Transactions with Director related entities</b>   |                            |                          |                            |                          |
| a. Sibella Capital Pty Ltd, a company associated with Mr Brett Mitchell for reimbursements made for corporate administration costs and charges for director fees.                                 | -                          | -                        | 58,056                     | -                        |
| b. MGC Pharmaceuticals, a company associated with Mr Brett Mitchell for reimbursements made to / (amounts owing to) for corporate administration costs  | -                          | -                        | 2,826                      | -                        |
| c. Steinepreis Paganin Lawyers and Consultants, a company associated with Mr Peter Wall for reimbursements made to / (amounts owing to) for corporate legal costs                                 | -                          | -                        | 7,650                      | -                        |
| d. Multimodis M.M. Ltd, a company associated with Mr Meir Moalem for reimbursements made to / (amounts owing to) for corporate travel costs and charges for director and consultancy fees         | 461,946                    | (107,921)                | 527,710                    | (37,248)                 |
| e. Spacecialist Ltd, a company associated with Ms Maya Glickman-Pariente for reimbursements made to / (amounts owing to) for corporate travel costs and charges for director and consultancy fees | 832,144                    | (87,677)                 | 635,573                    | (29,417)                 |
| f. Chieftain Securities Pty Ltd, a company associated with Mr Brett Mitchell for charges for corporate and capital raising fees   | -                          | -                        | 22,630                     | -                        |
| i. Yonatan Shanan Ltd, a company associated with Mr Yonatan Sharma, for reimbursements made to / (amounts owing to) for corporate travel costs  | -                          | -                        | 363,867                    | (29,417)                 |
| j. PHI Capital, a company associated with Mr Michael Malone, for recharges made for travel costs and charges for director fees  | 290,748                    | (87,677)                 | 32,035                     | -                        |

**Note 21 Commitments, contingent assets and contingent liabilities**

|   | 2020<br>\$ | 2019<br>\$  |
|---|------------|-------------|
| Operating lease commitments due:  |            |             |
| Not later than 12 months  | -          | 178,857     |
| Between 12 months and five years  | -          | -           |
| Later than five years   | -          | -           |
| Total operating lease commitments   | -          | 178,857     |
| Commitments for which no provisions were included in the financial statements are as follows: |            |             |
| Not later than 12 months  | -          | 9,064,680   |
| Between 12 months and five years  | -          | 148,544,986 |
|   | -          | 157,609,666 |

The contractual commitments in 2019 related to the completion of the design, engineering, construction and supply of the 6U nano-satellites by GomSpace, the completion of a network management simulator, deployment services to be provided by D-Orbit and four launches of nano-satellites by Virgin Orbit's LauncherOne Vehicle.

In January 2020 the Company and GomSpace announced that they had agreed a full and final settlement and release of any potential claims and commitments in connection with the original Pearls agreement from 2017 (as amended).

**Notes to the consolidated financial statements**

for the year ended 30 June 2020

**Note 21 Commitments, contingent assets and contingent liabilities (cont.)**

In October 2020, the Company entered into a LSA Settlement Agreement with Virgin Orbit ("Settlement Agreement") to terminate a previous agreement dated 12 September 2016 ("LSA Agreement"). Virgin alleged that the Company still owed Virgin A\$55m under the LSA Agreement which the Company disputed. The parties entered into the LSA Settlement Agreement which included full and final settlement of any alleged liabilities under the LSA Agreement as well as a future services agreement. The total estimated consideration of the Settlement Agreement is \$5,788,200 being \$3,000,000 in cash paid quarterly in advance over 3 years from 1 July 2021 plus 11,000,000 shares at A\$0.20 per share and 7,000,000 options exercise price A\$0.40 each and an expiry date three years after issue.

The Company has reviewed its remaining suppliers and services contracts relating to its planned future nano-satellite construction and launch activities as at the date of this report. The Company is confident that they do not give rise to substantial purchase obligations beyond the amounts recorded as liabilities as at 30 June 2020.

The commitments in the table shown above are nil because of the impact of the matters noted above.

**Note 22 Non-controlling Interest**

|                            | 2020<br>\$ | 2019<br>\$ |
|----------------------------|------------|------------|
| Opening balance            | 41,847     | 21,914     |
| Foreign exchange movement  | (6,281)    | 836        |
| Share of loss for the year | (2,029)    | 19,097     |
|                            | 33,537     | 41,847     |

**Note 23 Operating segments****a. Identification of reportable segments**

The Group has identified its operating segment based on the internal reports that are reviewed and used by the Board of Directors (Chief operating decision makers) in assessing performance and determining the allocation of resources.

The Group operates primarily in the deployment of nano-satellite constellations. The financial information presented in the consolidated statement of comprehensive income and the consolidated statement of financial position is the same as that presented to the chief operating decision maker.

Unless stated otherwise, all amounts reported to the Board of directors as the chief operating decision maker is in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group. During the current period, the Group is considered to operate in one segment, being the deployment of nano-satellite constellations for global communication infrastructure.

**b. Assets by geographical location**

|   | 2020<br>\$ | 2019<br>\$ |
|---|------------|------------|
| Location of segment assets by geographical location of the assets is disclosed below: |            |            |
| Australia   | 10,988     | 908,011    |
| Poland  | 166,857    | 2,806,915  |
| U.K.  | 91,819     | 156,660    |
| Israel  | 591,911    | 1,294,490  |
| Total assets  | 861,575    | 5,166,076  |

**Note 24 Financial risk management****a. Financial Risk Management Policies**

This note presents information about the Group's exposure to each of the above risks, its objectives, policies and procedures for measuring and managing risk, and the management of capital.

The Group's financial instruments consist mainly of deposits with banks, short-term investments, and accounts payable and receivable.

The Group does not speculate in the trading of derivative instruments.

A summary of the Group's Financial Assets and Liabilities is shown below:

**Notes to the consolidated financial statements**

for the year ended 30 June 2020

|  | Floating<br>Interest<br>Rate<br>\$ | Fixed<br>Interest<br>Rate<br>\$ | Non-<br>interest<br>Bearing<br>\$ | 2020<br>Total<br>\$ | Floating<br>Interest<br>Rate<br>\$ | Fixed<br>Interest<br>Rate<br>\$ | Non-<br>interest<br>Bearing<br>\$ | 2019<br>Total<br>\$ |
|--|------------------------------------|---------------------------------|-----------------------------------|---------------------|------------------------------------|---------------------------------|-----------------------------------|---------------------|
| <b>Financial Assets</b>                            |                                    |                                 |                                   |                     |                                    |                                 |                                   |                     |
| <input type="checkbox"/> Cash and cash equivalents | 74,308                             | -                               | -                                 | 74,308              | 869,397                            | -                               | 1,065,658                         | 1,935,055           |
| <input type="checkbox"/> Other receivables         | -                                  | -                               | 253,596                           | 253,596             | -                                  | -                               | 3,015,659                         | 3,015,659           |
| <b>Total Financial Assets</b>                      | <b>74,308</b>                      | <b>-</b>                        | <b>253,596</b>                    | <b>327,904</b>      | <b>869,397</b>                     | <b>-</b>                        | <b>4,081,317</b>                  | <b>4,950,714</b>    |
| <b>Financial Liabilities</b>                       |                                    |                                 |                                   |                     |                                    |                                 |                                   |                     |
| <b>Financial liabilities at<br/>amortised cost</b> |                                    |                                 |                                   |                     |                                    |                                 |                                   |                     |
| <input type="checkbox"/> Trade and other payables  | -                                  | -                               | 8,444,810                         | 8,444,810           | -                                  | -                               | 1,615,335                         | 1,615,335           |
| <input type="checkbox"/> Borrowings                | -                                  | 2,349,442                       | -                                 | 2,349,442           | -                                  | 1,570,152                       | -                                 | 1,570,152           |
| <input type="checkbox"/> Lease liability           | -                                  | 673,064                         | -                                 | 673,064             | -                                  | -                               | -                                 | -                   |
| <b>Total Financial Liabilities</b>                 | <b>-</b>                           | <b>3,022,506</b>                | <b>8,444,810</b>                  | <b>11,467,316</b>   | <b>-</b>                           | <b>1,570,152</b>                | <b>1,615,335</b>                  | <b>3,185,487</b>    |
| <b>Net Financial<br/>Assets/(Liabilities)</b>      | <b>74,308</b>                      | <b>(3,022,506)</b>              | <b>(8,191,214)</b>                | <b>(11,139,412)</b> | <b>869,397</b>                     | <b>(1,570,152)</b>              | <b>2,465,982</b>                  | <b>1,765,227</b>    |

**b. Specific Financial Risk Exposures and Management**

The main risk the Group is exposed to through its financial instruments are credit risk, liquidity risk and market risk consisting of interest rate, foreign currency risk and equity price risk.

The Board of directors has overall responsibility for the establishment and oversight of the risk management framework. The Board adopts practices designed to identify significant areas of business risk and to effectively manage those risks in accordance with the Group's risk profile. This includes assessing, monitoring and managing risks for the Group and setting appropriate risk limits and controls. The Group is not of a size nor is its affairs of such complexity to justify the establishment of a formal system for risk management and associated controls. Instead, the Board approves all expenditure, is intimately acquainted with all operations and discuss all relevant issues at the Board meetings. The operational and other compliance risk management have also been assessed and found to be operating efficiently and effectively.

**(i) Credit risk**

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the Group.

The Group does not have any material credit risk exposure to any single receivable or group of receivables under financial instruments entered into by the Group.

**Notes to the consolidated financial statements**

for the year ended 30 June 2020

**Note 24 Financial risk management (cont.)**

The objective of the Group is to minimise the risk of loss from credit risk. Although revenue from operations is minimal, the Group trades only with creditworthy third parties.

In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is insignificant. The Group's maximum credit risk exposure is limited to the carrying value of its financial assets as indicated on the statement of financial position.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables.

■ *Credit risk exposures*

The maximum exposure to credit risk is to its alliance partners and is limited to the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements.

Credit risk related to balances with banks and other financial institutions is managed by the Group in accordance with approved Board's policy. Such policy requires that surplus funds are only invested with financial institutions residing in Australia, where ever possible.

■ *Impairment losses*

The ageing of the Group's trade and other receivables at reporting date was as follows:

|                               | Gross<br>2020<br>\$ | Impaired<br>2020<br>\$ | Net<br>2020<br>\$ | Past due but not<br>impaired<br>2019<br>\$ |
|-------------------------------|---------------------|------------------------|-------------------|--|
| <b>Trade receivables</b>      |                     |                        |                   |  |
| Not past due                  | -                   | -                      | -                 | -  |
| Past due up to 60 days        | -                   | -                      | -                 | -  |
| Past due 60 days to 90 months | -                   | -                      | -                 | -  |
| Past due over 90 months       | -                   | -                      | -                 | -  |
|                               | -                   | -                      | -                 | -  |
| <b>Other receivables</b>      |                     |                        |                   |  |
| Not past due                  | 253,596             | -                      | 253,596           | -  |
| <b>Total</b>                  | 253,596             | -                      | 253,596           | -  |

(ii) Liquidity risk

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities.

The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and ensuring sufficient cash and marketable securities are available to meet the current and future commitments of the Group.

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Typically, the Group ensures that it has sufficient cash to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

**Notes to the consolidated financial statements**

for the year ended 30 June 2020

**Note 24 Financial risk management (cont.)**

The financial liabilities of the Group are confined to trade and other payables as disclosed in the statement of financial position. All trade and other payables are non-interest bearing and due within 30 days of the reporting date.

■ **Contractual Maturities**

The following are the contractual maturities of financial liabilities of the Group:

|  | Within 1 Year      |                  | Greater Than 1 Year |          | Total               |                  |
|--|--------------------|------------------|---------------------|----------|---------------------|------------------|
|  | 2020               | 2019             | 2020                | 2019     | 2020                | 2019             |
|  | \$                 | \$               | \$                  | \$       | \$                  | \$               |
| Financial liabilities due for payment                |                    |                  |                     |          |                     |                  |
| Trade and other payables                             | 5,444,810          | 1,615,335        | 3,000,000           | -        | 8,444,810           | 1,615,335        |
| Borrowings   | 2,349,442          | 1,570,152        | -                   | -        | 2,349,442           | 1,570,152        |
| Lease liability                                      | 145,973            | -                | 527,091             | -        | 673,064             | -                |
| <b>Total contractual outflows</b>                    | <b>7,940,225</b>   | <b>3,185,487</b> | <b>3,527,091</b>    | <b>-</b> | <b>11,467,316</b>   | <b>3,185,487</b> |
| Financial assets                                     |                    |                  |                     |          |                     |                  |
| Cash and cash equivalents                            | 74,308             | 1,935,055        | -                   | -        | 74,308              | 1,935,055        |
| Other receivables                                    | 253,596            | 3,015,659        | -                   | -        | 253,596             | 3,015,659        |
| <b>Total anticipated inflows</b>                     | <b>327,904</b>     | <b>4,950,714</b> | <b>-</b>            | <b>-</b> | <b>327,904</b>      | <b>4,950,714</b> |
| <b>Net (outflow)/inflow on financial instruments</b> | <b>(7,612,321)</b> | <b>1,765,227</b> | <b>(3,527,091)</b>  | <b>-</b> | <b>(11,139,412)</b> | <b>1,765,227</b> |

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

(iii) **Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Board meets on a regular basis and considers the Group's interest rate risk.

(1) **Interest rate risk**

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments. The Group is also exposed to earnings volatility on floating rate instruments.

Due to the low amount of debt exposed to floating interest rates, interest rate risk is not considered a high risk to the Group. Movement in interest rates on the Group's financial liabilities and assets is not material.

(2) **Foreign exchange risk**

Exposure to foreign exchange risk may result in the fair value or future cash flows of a financial instrument fluctuating due to movement in foreign exchange rates of currencies in which the Group holds financial instruments which are other than the AUD functional currency of the Group.

The group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the British Pound (GBP £), the Euro (€), the United States Dollars (USD \$), the Polish Zloty (PLN zł) and the Israeli Shekel (ILS₪).

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using cash flow forecasting.

The Group has not entered into any derivative financial instruments to hedge such transactions and anticipated future receipts or payments that are denominated in a foreign currency. The board manages the purchase of foreign currency to meet operational requirements.



**Notes to the consolidated financial statements**

for the year ended 30 June 2020

**Note 24 Financial risk management (cont.)**

The Group's exposure to foreign currency risk at the reporting date was as follows:

|  | 2020<br>\$ | 2019<br>\$ |
|--|------------|------------|
| <b>Loan denominated in USD</b>                                 | 2,349,442  | 1,570,152  |
| <b>Trade payables in denomination currency</b>                 |            |            |
| Trade payables – GBP   | 374,039    | 119,146    |
| Trade payables – EUR   | -          | 19,863     |
| Trade payables – USD   | 3,968      | 101,476    |
| Trade payables – PLN   | 403,714    | 298,639    |
| Trade payables – ILS   | 204,324    | 578,662    |
| <b>Cash and cash equivalents held in denomination currency</b> |            |            |
| Cash and cash equivalents – GBP                                | (10,734)   | 26,484     |
| Cash and cash equivalents – EUR                                | 4,409      | 17,500     |
| Cash and cash equivalents – USD                                | 971        | 20,078     |
| Cash and cash equivalents – PLN                                | 45,564     | 41,548     |
| Cash and cash equivalents – ILS                                | 144,773    | 2,297,260  |
| <b>Consolidated entity sensitivity</b>                         |            |            |
| Exchange rates per AUD as at 30 June                           |            |            |
| GBP  | 0.5341     | 0.5530     |
| USD  | 0.6848     | 0.7020     |
| PLN  | 2.6572     | 2.6213     |
| ILS  | 2.3730     | 2.5045     |

**(3) Price risk**

Price risk relates to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Group does not presently hold material amounts subject to price risk. As such the Board considers price risk as a low risk to the Group.

**(iv) Sensitivity Analyses**

The following table illustrates sensitivities to the Group's exposures to changes in interest rates. The table indicates the impact on how profit and equity values reported at balance sheet date would have been affected by changes in the relevant risk variable that management considers to be reasonably possible. These sensitivities assume that the movement in a particular variable is independent of other variables. Foreign exchange risk relates solely to the translation of the Group's foreign subsidiary, and as such has no effect on profit.

**Notes to the consolidated financial statements**

for the year ended 30 June 2020

**Note 24 Financial risk management (cont.)****(1) Interest rates**

|  | 30 June 2020 |              | 30 June 2019 |              |
|--|--------------|--------------|--------------|--------------|
|  | Profit<br>\$ | Equity<br>\$ | Profit<br>\$ | Equity<br>\$ |
| ±100 basis points change in interest rates | ± 743        | ± 743        | ± 8,694      | ± 8,694      |

**(2) Foreign exchange**

|   | 30 June 2020 |                      | 30 June 2019 |                      |
|---|--------------|----------------------|--------------|----------------------|
|   | Profit<br>\$ | Equity<br>\$         | Profit<br>\$ | Equity<br>\$         |
| <b>Year ended 30 June 2020</b>                                    |              |                      |              |                      |
| ±10% of Australian dollar strengthening/weakening against the GBP | ± 38,477     | ± nil <sup>(i)</sup> | ± 9,266      | ± nil <sup>(i)</sup> |
| ±10% of Australian dollar strengthening/weakening against the EUR | ± 441        | ± nil <sup>(i)</sup> | ± 236        | ± nil <sup>(i)</sup> |
| ±10% of Australian dollar strengthening/weakening against the USD | ± 300        | ± nil <sup>(i)</sup> | ± 165,155    | ± nil <sup>(i)</sup> |
| ±10% of Australian dollar strengthening/weakening against the PLN | ± 35,815     | ± nil <sup>(i)</sup> | ± 25,709     | ± nil <sup>(i)</sup> |
| ±10% of Australian dollar strengthening/weakening against the ILS | ± 5,955      | ± nil <sup>(i)</sup> | ± 171,860    | ± nil <sup>(i)</sup> |

(i) No effect as this relates solely to the translation of the foreign entity.

**Net Fair Values**

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

**Note 25 Events subsequent to reporting date**

The impact of the COVID-19 outbreak continues to evolve at the date of this report. The Group is therefore uncertain as to the full impact that the pandemic will have on its financial condition, liquidity, and future results of operation during future years.

Management is actively monitoring the global situation and its impact on the Group's financial condition, liquidity, operations, supplied, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb the spread, the Group is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition or liquidity in future years.

Although the Group cannot estimate the length or gravity of the impact of the COVID-19 outbreak at this time, if the pandemic continues, it may have a material adverse effect on the Group's results of future operations, financial position, and liquidity in future years.

In July 2020 and August 2020, the Company has entered into two convertible loans with Laika Capital Partners Pty Ltd totalling A\$575,000 to assist the Group in completing the necessary steps to allow the effectuation of the DOCA subject to Shareholder and ASX approval to recapitalise the Company and recommence trading on the ASX.

In October 2020, the Company entered into a LSA Settlement Agreement with Virgin Orbit ("Settlement Agreement") to terminate a previous agreement dated 12 September 2016 ("LSA Agreement"). Virgin alleged that the Company still owed Virgin A\$55m under the LSA Agreement which the Company disputed. The parties entered into the LSA Settlement Agreement which included full and final settlement of any alleged liabilities under the LSA Agreement as well as a future services agreement. The total estimated consideration of the Settlement Agreement is \$5,788,200 being \$3,000,000 in cash paid quarterly in advance over 3 years from 1 July 2021 plus 11,000,000 shares at A\$0.20 per share and 7,000,000 options exercise price A\$0.40 each and an expiry date three years after issue.

**Notes to the consolidated financial statements**

for the year ended 30 June 2020

**Note 26 Parent entity disclosures****Financial Position of Sky and Space Global Limited**

Current assets

Non-current assets

**Total assets**

Current liabilities

**Total liabilities****Net assets***Equity*

Issued capital

Share based payment reserve

Accumulated losses

**Total equity****Financial performance of Sky and Space Global Limited**

Profit / (loss) for the year

Other comprehensive income

**Total comprehensive income**

|  | 2020<br>\$   | 2019<br>\$   |
|--|--------------|--------------|
|  | 10,987       | 2,000,000    |
|  | -            | -            |
|  | 10,987       | 2,000,000    |
|  | 846,905      | 242,199      |
|  | 846,905      | 242,199      |
|  | (835,918)    | 1,757,801    |
|  | 93,918,934   | 92,400,333   |
|  | 2,282,930    | 2,282,930    |
|  | (97,037,782) | (92,925,462) |
|  | (835,918)    | 1,757,801    |
|  | (4,204,163)  | (30,474,085) |
|  | -            | -            |
|  | (4,204,163)  | (30,474,085) |

**Guarantees entered into by Sky and Space Global Limited for the debts of its subsidiaries**

There are no guarantees entered into by Sky and Space Global Limited for the debts of its subsidiaries as at 30 June 2020 (2019: none).

**Note 27 Company details****The registered office of the Company is:***Street + Postal:* Barringtons House

283 Rokeby Road

Subiaco WA 6008

*Telephone:* +61 (0)8 6141 3394*Facsimile:* +61 (0)8 6141 3101

**Directors' declaration**

The Directors of the Company declare that:

1. The financial statements and notes, as set out on pages 17 to 52, are in accordance with the *Corporations Act 2001* (Cth) and:
  - (a) comply with Accounting Standards;
  - (b) are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board, as stated in Note 1 to the financial statements; and
  - (c) give a true and fair view of the financial position as at 30 June 2020 and of the performance for the year ended on that date of the Group.
  - (d) the Directors have been given the declarations required by s.295A of the *Corporations Act 2001* (Cth);
2. in the directors' opinion there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable, based on the factors outlined in Note 1a(ii) Going concern.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:



**XAVIER KRIS**

Executive Chairman

Dated this Friday, 6 November 2020

**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF SKY AND SPACE GLOBAL LTD****Opinion**

We have audited the financial report of Sky and Space Global Limited (the Company) and its controlled entities (the "Group"), which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion:

- a) the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:
  - i. giving a true and fair view of the Group's financial position as at 30 June 2020 and of its financial performance for the year then ended; and
  - ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

**Basis for Opinion**

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the "Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

**Emphasis of Matter – Comparative Figures**

The previous auditor, KPMG, issued an adverse opinion in relation to the financial position of the Group as at 30 June 2019 and the financial performance of the Group for the year then ended. The basis for their adverse opinion was that the financial report did not include a provision for contract termination clauses contained within various supplier and services contracts which were assessed to represent onerous contracts. Had the Group accounted for the provision in accordance with AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* an expense would have been recorded in the consolidated statement of profit or loss and other comprehensive income for an amount estimated to be approximately \$118 million with the recognition of a current liability for the same amount.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SKY AND SPACE GLOBAL LTD (CONTINUED)**

### **Emphasis of Matter – Comparative Figures (continued)**

Subsequent to 30 June 2020 a number of the supplier and services contracts referred to by KPMG have been either terminated or renegotiated, as referred to in Note 1Y and Note 12 of the financial statements, such that the estimated liability under those contracts has now been determined and recorded as an estimate in the financial statements as at 30 June 2020. Any remaining contracts have been reviewed by us and as a result we are satisfied that no material additional liabilities, in addition to that recorded as at 30 June 2020, should arise pursuant to the termination or renegotiation of the contracts.

In our opinion, the adjustment to the amounts provided in respect of liabilities arising from the supplier and services contracts referred to above represents a change in accounting estimates and not a correction of errors. A change in accounting estimate is accounted for prospectively by including it in profit or loss in the period of change, unlike a correction of prior period errors which would require a restatement of comparative financial information.

Our audit report in relation to the comparative financial information is unqualified, which differs from the opinion issued by the predecessor auditor, primarily for the reasons that subsequent information we have been able to obtain has enabled us to conclude that the provision recorded as at 30 June 2020 for such liabilities relating to the contracts referred to above is appropriate and that changes in these liabilities recognised since 30 June 2019 represent a change in accounting estimates which are appropriate to recognise in the statement of profit or loss and other comprehensive income for the year ended 30 June 2020.

Our opinion is not modified in respect of this matter.

### **Emphasis of Matter – Material Uncertainty Regarding Going Concern**

Without modification to our conclusion expressed above, we draw attention to Note 1(a)(ii) of the financial statements which states that the financial statements have been prepared on a going concern basis. The ability to continue as a going concern for at least the next twelve months will require the Company to achieve various requirements, as set out in Note 1(a)(ii), including undertake capital raisings post effectuation of the Deed of Company Arrangement. Should the Company be unable to achieve the requirements outlined in Note 1(a)(ii), it may be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts other than as stated in the financial report.

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SKY AND SPACE GLOBAL LTD (CONTINUED)

### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| Unrecorded Liabilities and Contractual Commitments   |  |
|--|--|
| Refer to Notes 1(y), 12 & 21   |  |
| <p>For the year ended 30 June 2020, the Group has recorded \$14.432 million expenditure as well as trade and other payables of \$8.392 million, as recorded in the Group's statement of financial position.</p> <p>As at 30 June 2020, ongoing contractual commitments are disclosed as \$nil.</p> <p>We considered this to be a key audit matter due to the significance of contractual based liabilities and commitments to the Group combined with the associated inherent risk with underreporting expenditure and therefore liabilities and commitments.</p> <p>We also consider this to be a key audit matter as it was the basis on which an adverse opinion was issued by the previous auditor in the previous financial year.</p> | <p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>• Tested a sample of subsequent period expenditure payments by inspecting underlying documentation and information, including supplier invoices and statements, to assess the completeness of liabilities and expenditure disclosed at the reporting date;</li> <li>• Examined significant contracts, contract variations and settlement agreements for existence of potential unrecorded liabilities and commitments as at reporting date;</li> <li>• Inquired with management as to the presence of any liabilities or commitments in relation to significant contracts. This was compared to the information provided and our understanding from reviewing the terms of each contract entered into;</li> <li>• Assessed the appropriateness of disclosures contained in the financial report, specifically in relation to settled contractual commitments which were disclosed as committed in the prior year. This assessment was inclusive of our understanding obtained from our testing, discussions with management, review of ASX announcements and minutes of meetings of Directors to-date on the Group's current activities.</li> </ul> |

### Other Information

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2020, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SKY AND SPACE GLOBAL LTD (CONTINUED)**

### **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 internal 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.

In preparing the financial report, the directors are responsible for assessing the ability of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

### **Auditor's Responsibility for the Audit of the Financial Report**

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:

[http://www.auasb.gov.au/admin/file/content102/c3/ar1\\_2020.pdf](http://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf). This description forms part of our audit report.

### **Report on the Remuneration Report**

#### **Opinion on the Remuneration Report**

We have audited the Remuneration Report as included in the directors' report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of Sky and Space Global Ltd, for the year ended 30 June 2020 complies with section 300A of the *Corporations Act 2001*.

#### **Responsibilities**

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.



NEIL PACE  
PARTNER



MOORE AUSTRALIA AUDIT (WA)  
CHARTERED ACCOUNTANTS

Signed at Perth this 6th day of November 2020.



**Additional Information for Listed Public Companies**

The following additional information is required by the Australian Securities Exchange in respect of listed public companies and is applicable as at 1 November 2020.

**1 Capital**

## a. Ordinary share capital

2,502,478,657 ordinary fully paid shares held by 9,404 shareholders.

## b. Options over Unissued Shares and Performance Shares

- The Company has an additional 410,927,596 options on issue in accordance with the Directors' Report.
- The Company has no performance shares on issue, in accordance with Note 16b Performance shares of the financial statements.

## c. Voting Rights

The voting rights attached to each class of equity security are as follows:

- **Ordinary shares:** Each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.
- **Unlisted Options:** Options do not entitle the holders to vote in respect of that equity instrument, nor participate in dividends, when declared, until such time as the options are exercised or performance shares convert and subsequently registered as ordinary shares.

## d. Distribution of Shareholders as at 1 November 2020.

| Category (size of holding) | Total Holders | Number Ordinary      | % Held of Issued Ordinary Capital |
|----------------------------|---------------|----------------------|-----------------------------------|
| 1 – 1,000                  | 223           | 50,576               | 0.00                              |
| 1,001 – 5,000              | 1,290         | 4,560,658            | 0.18                              |
| 5,001 – 10,000             | 1,421         | 11,273,166           | 0.45                              |
| 10,001 – 100,000           | 4,438         | 178,416,950          | 7.13                              |
| 100,001 – and over         | 2,032         | 2,308,177,307        | 92.24                             |
|                            | <b>9,404</b>  | <b>2,502,478,657</b> | <b>100.00</b>                     |

## e. Unmarketable Parcels as at 1 November 2020

As at 1 November 2020 there were 5,183 fully paid ordinary shareholders holding less than a marketable parcel of shares, comprising 59,204,652 shares.

## f. On-Market Buy-Back

There is no current on-market buy-back.

## g. Restricted Securities

The Company has no restricted securities on issue.

## Additional Information for Listed Public Companies

## h. 20 Largest Shareholders — Ordinary Shares as at as at 1 November 2020

| Rank         | Name   | Number of Ordinary Fully Paid Shares Held | % Held of Issued Ordinary Capital |
|--------------|--|---|-----------------------------------|
| 1.           | MR MEIR MOALEM   | 303,333,333                               | 12.12                             |
| 2.           | MR MEIDAD PARIENTE   | 301,666,666                               | 12.05                             |
| 3.           | YONATAN SHRAMA   | 301,666,666                               | 12.05                             |
| 4.           | HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED                                | 57,924,728                                | 2.31                              |
| 5.           | CITICORP NOMINEES PTY LIMITED  | 41,563,658                                | 1.66                              |
| 6.           | J P MORGAN NOMINEES AUSTRALIA PTY LIMITED                                | 36,032,139                                | 1.44                              |
| 7.           | BRISPOT NOMINEES PTY LTD <HOUSE HEAD NOMINEE A/C>                        | 34,768,166                                | 1.39                              |
| 8.           | MORGAN STANLEY AUSTRALIA SECURITIES (NOMINEE) PTY LIMITED <NO 1 ACCOUNT> | 29,132,071                                | 1.16                              |
| 9.           | MULTIMODIS M M LTD (IL)  | 27,337,334                                | 1.09                              |
| 10.          | MISS PINGZHEN LIU  | 24,242,541                                | 0.97                              |
| 11.          | UBS NOMINEES PTY LTD   | 19,449,756                                | 0.78                              |
| 12.          | SPACECIALIST LTD   | 18,000,000                                | 0.72                              |
| 13.          | YONATAN SHANAN LTD   | 17,000,000                                | 0.68                              |
| 14.          | BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT<br>DRP>            | 10,872,665                                | 0.43                              |
| 15.          | MR PATRICK SHANNON PATTISON  | 10,714,284                                | 0.43                              |
| 16.          | EVANDON PTY LTD <KRISMICH SUPER A/C>                                     | 9,861,457                                 | 0.39                              |
| 17.          | MR ROBERT BRUCE SUTTON   | 9,300,921                                 | 0.37                              |
| 18.          | EFFEX PTY LTD <EFFEX SUPER FUND A/C>                                     | 9,000,000                                 | 0.36                              |
| 19.          | CS FOURTH NOMINEES PTY LTD < HSBC CUST NOM AU LTD 11<br>A/C>             | 8,001,840                                 | 0.32                              |
| 20.          | J & J STUART PTY LTD <STUART FAMILY SUPER A/C>                           | 8,000,000                                 | 0.32                              |
| <b>TOTAL</b> |  | <b>1,277,868,225</b>                      | <b>51.04</b>                      |

## 2 Unquoted Securities

As at 1 November 2020, the following unquoted securities are on issue:

- 329,075,133 Options Expiring 21 May 2022 @ \$0.05 – 456 holders
- 81,852,463 Options Expiring 31 May 2021 @ \$0.015 – 1,071 holders

a. Holders with more than 20%

Nil

## 3 The Company Secretary is Ian Pamensky.

## 4 Principal registered office

As disclosed in Note 27 Company details on page 52 of this Annual Report.

## 5 Registers of securities

As disclosed in the Corporate directory on page i of this Annual Report.

**Additional Information for Listed Public Companies**

**6 Stock exchange listing**

Quotation has been granted for all the ordinary shares of the Company on all Member Exchanges of the Australian Securities Exchange Limited, As disclosed in the Corporate directory on page i of this Annual Report.

**7 Use of funds**

The Group has used its funds in accordance with its initial business objectives.

