SEPTEMBER 2020 QUARTERLY REPORT

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Highlights:

- Commencement of Deed of Company Arrangement ("DOCA")

Sky and Space Global Ltd (**ASX: SAS**, **'Sky and Space Global'** or the **'Company'**), an ASX-listed UK satellite company with communications, satellite, and software industry expertise, provides its Quarterly Activity Report and Appendix 4C for the period ending 30 September 2020 (Q1 FY21).

DEED OF COMPANY ARRANGEMENT

During the quarter the Deed of Company Arrangement ("DOCA") with Laika Capital Partners Pty Ltd ("Laika") that was approved at the Creditors Meeting on 30 June 2020 was executed by Laika and the Company.

OFFICEHOLDERS

Prior to the execution of the DOCA, Meir Moalem, Maya Glickman-Pariente and Yonatan Sharma were removed as directors and Messers Xavier Kris, Silvio Salom and Stephen Gorenstein were appointed as Directors of the Company concurrently.

Former Company Secretary was re-appointed as Company Secretary.

FINANCIALS

Cash available as at 30 September 2020 was $306,000. During the quarter, the Company entered into two convertible loans of $250,000 and $325,000. As at 30 September 2020 the balance available was $92,000.

Other notable operating cash flow items included: $209,000 of product manufacturing and operating costs, $166,000 on staff costs and $127,000 on administration and corporate costs. The Company received a research and development grant of $215,000.

Payments to related parties over Q1 FY21 were $14,000. These payments represent Director fees, Director consulting fees and re-imbursements of expenses. All transactions involving Directors and associates were on normal commercial terms.

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

The Company remained in voluntary suspension during the quarter.

SUBSEQUENT EVENTS

Post the end of the quarter, the Company announced that Virgin Orbit will acquire a stake in the Company and enter into new strategic launch services and mutual reseller agreements to support future growth.

Investors were advised that they will shortly receive documentation relating to the shareholder meeting, required to approve the particulars of the proposal to effectuate the DOCA, recapitalise the Company and, subject to ASX approval*, recommence trading on the exchange.

** Please note that there is no guarantee that the Company's securities will be reinstated on the ASX for quotation.*

Authorised for release by the SAS Board.

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ABOUT SKY AND SPACE GLOBAL LIMITED

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

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

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

FOR MORE INFORMATION, PLEASE CONTACT:

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Appendix 4C

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

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Name of entity	
Sky and Space Global Ltd	
ABN	**Quarter ended ("current quarter")**
73 117 770 475	30 September 2020

Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (3 months) $A'000**
1.	**Cash flows from operating activities**		
1.1	Receipts from customers		
1.2	Payments for		
	(a) research and development		
	(b) product manufacturing and operating costs	(209)	(209)
	(c) advertising and marketing	-	-
	(d) leased assets	-	-
	(e) staff costs	(166)	(166)
	(f) administration and corporate costs	(127)	(127)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	-	-
1.5	Interest and other costs of finance paid	(2)	(2)
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	215	215
1.8	Other (provide details if material)	-	-
1.9	**Net cash from / (used in) operating activities**	**(289)**	**(289)**

2.	**Cash flows from investing activities**		
2.1	Payments to acquire or for:		
	(a) entities		
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	(41)	(41)

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

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	575	575
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	**Net cash from / (used in) financing activities**	**575**	**575**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	74	74
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(289)	(289)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(41)	(41)

Consolidated statement of cash flows		Current quarter $A'000	Year to date (3 months) $A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	575	575
4.5	Effect of movement in exchange rates on cash held	(13)	(13)
4.6	**Cash and cash equivalents at end of period**	**306**	**306**

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter $A'000	Previous quarter $A'000
5.1	Bank balances	306	74
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	**Cash and cash equivalents at end of quarter (should equal item 4.6 above)**	**306**	**74**

6.	Payments to related parties of the entity and their associates	Current quarter $A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	14
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

All transactions involving Directors and associates were on normal commercial terms. These payments represent Director fees, Director consulting fees and re-imbursements of expenses.

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7.	**Financing facilities** *Note: the term "facility' includes all forms of financing arrangements available to the entity.* *Add notes as necessary for an understanding of the sources of finance available to the entity.*	**Total facility amount at quarter end $A'000**	**Amount drawn at quarter end $A'000**
7.1	Loan facilities	2,925*	2,925*
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	**Total financing facilities**	**2,442***	**2,442***

7.5	**Unused financing facilities available at quarter end**	92

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

** In May 2019 the Company executed an unsecured convertible loan of USD $1.1million (AUD $1.57m) with Telefox Ltd. The outstanding loan bears interest monthly at the rate of 2%, unless converted. The balance at 30 September 2020 was USD $1.213m (AUD $1.703m), which was due to interest accrued on the balance.*

In September 2019 the Company executed a short-term convertible loan with CSS Alpha (BVI) Limited with an interest rate is 2% per month. At 30 September 2020 the balance of this loan was USD $460K (AUD 647K), which was due to interest accrued on the balance.

In Q1 of 2021 the Company entered into two convertible loans of AUD $250k and $325k. As at 30 September 2020 the balance was AUD $92k.

8.	**Estimated cash available for future operating activities**	**$A'000**
8.1	Net cash from / (used in) operating activities (item 1.9)	(289)
8.2	Cash and cash equivalents at quarter end (item 4.6)	306
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	306
8.5	**Estimated quarters of funding available (item 8.4 divided by item 8.1)**	1

Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.

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

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

Answer: Yes, the Company expects to have similar cash flow activity in the next quarter and has entered into additional convertible loans with Laika Capital Partners Pty Ltd for a further AUD$500,000 to assist the company in its operations until effectuation of the DOCA (subject to shareholder approval) and release of further recapitalisation funds.

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

Answer: The Company has come to an arrangement with Laika Capital Partners Pty Ltd as announced on 5 August 2020 and entered into a Deed of Company Arrangement. The Company is taking relevant steps to allow the effectuation of the Deed of Company Arrangement subject to Shareholder approval, and recapitalise the Company, and following this, subject to ASX Approval, recommence trading on the exchange.

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

Answer: Yes, effectuation of the DOCA (subject to shareholder approval) shall result in the release of capital to the company, furthermore, the Company intends to raise additional capital under a prospectus to provide working capital for the company to meet its renewed business objectives.

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

Compliance statement

1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.

2 This statement gives a true and fair view of the matters disclosed.

Date: 30 October 2020

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

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.

2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.

3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.

4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [*name of board committee – eg Audit and Risk Committee*]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".

5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

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