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11 February 2019

ASX Limited
Level 40 Central Park
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Attention: Penelope Reid

Sky and Space Global Ltd

Sky and Space Global Ltd (ASX: SAS) (**Company** or **SAS**) refers to your prospective financial information query letter dated 6 February 2019 and provides the following responses.

1. Please explain in detail the current status of development of the nano-satellites and the basis upon which SAS considers that the first batch launch of 16 nano-satellites will be made in mid-2019.

Following the Company announcement on 22 October 2018 in relation to completion of the Critical Design Review of the Company's first operational nano-satellites called "the Pearls", the first Pearl nano-satellites have progressed to assembly and integration stage. This means that construction of the nanosatellites is currently underway.

In accordance with the Company's contract with GomSpace, the Company expects the nanosatellites to be delivered on time. Exact delivery date of the satellites has not been announced to the market, only the launch of the 1st batch was referred in the past (as is the common practice in the space industry – where the launch date is the key anchor). Following the delivery of the satellites, they will be integrated to the Virgin Orbit Launcher One.

As the Company announced in the past few months, the launch of the first batch of satellites with Virgin Orbit is planned in Mid-2019. Virgin Orbit will provide a specific date only following their first test launch which is scheduled for the next few weeks.

Set out below are examples of specific announcements by the Company that referred to the estimated launch date are:

31/01/2019 in our Quarterly Activities and Cashflow Report

22/1/2019 in the Investor Presentation announcement

8/1/2019 in the Company Update- Two New MoUs and Update on GomSpace Contract announcement

13/12/2018 – in the Company Update announcement

28/11/2018 – in the Distribution Agreement Signed with GlobalSat Group announcement

26/11/2018 – in the Investor Presentation announcement

22/10/2018 - completion of Pearls Critical Design Review

The Company wishes to clarify that the estimated launch in mid-2019 is a “success oriented” date. While the Company has every confidence in achieving this date, it is partially dependent on third parties (such as Virgin Orbit launcher, Gomspace, the UK Space Agency as examples), and also a successful ground testing of the satellites following completion of construction. These are in addition to the inherent risk and uncertainty of a disruptive and innovative company. The launch and operation of a constellation of nanosatellites is a challenging project and bears its own risks.

Should there be any delay in the proposed launch date due to any of these potential circumstances, the Company will inform the market accordingly.

2. In light of the disclosure requirements set out in ASIC’s Regulatory Guide 170, please provide the following information for the Revenue Forecast:

(a) The basis for the Revenue Forecast.

The Revenue Forecast is a conservative estimate based on accumulation of the over 30 customer contracts and agreements signed that the Company has executed and previously announced to ASX over the last 2 years. These announcements detailed the counterparty names, the key terms of the agreements and that the Company expected certain revenues to be generated from the contracts following the successful launch and operation of the Pearls nano-satellites in mid 2019. All the customer contracts entered into by the Company to date are for the services to be provided by the Pearls Equatorial Constellation network, following testing of the SAS narrowband communication network services on the 3-Diamonds commercial demonstration nano-satellites, which were successfully launched in June 2017.

Examples of announcements where financial terms and revenues have been disclosed are set out below:

- Sat Space Africa announcement dated 24/8/2017: 10M-35M USD per annum
- Beepool announcement dated 21/12/2017: 6M USD per annum
- GlobalSat announcement dated 28/11/2018: 5M USD for the first 2 years.

The potential aggregated revenues from the above are 21M-46M USD per annum and are based on the specific terms of the agreements.

This information was provided in past announcements and presentations made by the Company, including, for example, the Company presentation announcement dated 26/11/2018 (p. 20), or WSBW Company presentation announcement dated 13/9/2018 (p.2).

In providing the revenue forecast included in the last Company presentation for the 1st batch of Pearls to be launched in 2019, from the above agreements, the Company used the following assumptions:

- Use of the lowest contracted revenue generation from the SSA contract (10M USD)
- The Company has ignored all potential revenues due from voice calls services (even though these will be technically available) to be additionally conservative in its assumptions.

- Additional discounts have been applied for:
 - Potential delays in terminal supply schedule.
 - Potential technical issues during first months of customer onboarding.
 - 1st batch capability limits, that is 16 satellites.
 - Unknown unexpected issues – an additional discount
- Aggregated total discount applied is ~50% on these expected contracted revenues.

The total aggregated revenues from the above agreements, using the conservative assumptions set out above are ~10-12M AUD per annum, which is what the Company has included in the recent presentation dated 22 January 2019.

The Company therefore believes the estimated revenues which were included in the recent company presentation are not new to the market and therefore did not require any separate, dedicated announcement.

In addition to these 3 binding agreements used for the Revenue Forecast, the Company has entered into another 26 agreements over the past 18 months to provide data services starting the with 1st batch of Pearls, which are not included in the Revenue Forecast or any other company information at this point.

To summarize the above, the annual revenue forecast of A\$10-12m from all the executed and announced commercial contracts for customers to use of the services provided by the first batch of operational Pearls as set out in the Company's Investor Presentation, is, in the opinion of the Company, a very conservative, post risked estimate based on the aggregated value of announced agreements.

(b) The material assumptions underpinning the Revenue Forecast.

The material assumptions underpinning the Revenue Forecast are a combination of contractual commitments and the risked probability estimations for success of each contract to estimate the revenues that are expected to be generated from each contract. The Company considers that it used conservative assumptions which allow for delays together with possible technical issues and commercial issues that could all impact the quantum and timing of revenues.

The material assumptions used by the Company underpinning the Revenue Forecast provided are:

- Removing all revenues due from delivery of voice services: although the satellites can technically provide voice services (including real time voice calls), due to the small numbers of satellites launched and the limited coverage, the Company decided to exclude all voice related revenues from the forecast.
- Assume potential delays in terminal supply schedule: as the onboarding process for customers include delivery of ground terminals, the Company assumed there will be delays across the logistic supply chain, which will result in a slower onboarding process and a slower ramp up of revenues.
- Assume technical issues during first months of satellites operation: as launching and operating a constellation of satellites for communication services is a technology challenge, among others, the Company assumed that technical issues may result in lower revenues.
- 1st batch capability limits some services to some customers.
- Unknown and unexpected issues which will limit revenues.

For each of the above material assumptions the company attached a discount figure, with the total aggregated discount to be ~50%.

The Company considers that the application of the above assumptions has led to a very conservative revenue forecast.

All of the above material assumptions are in addition to the inherent risk and uncertainty of a disruptive and innovative Company. The launch and operation of a constellation of nanosatellites is a challenging project and bears its own risks.

(c) The factors which SAS believes give it a reasonable basis to publish the Revenue Forecast.

The factors which SAS believes gives it a reasonable basis to publish the Revenue Forecast are the defined contractual payments and the accumulation of binding agreements with detailed financial terms, including expected payment and commitments from customers. A binding agreement will include usually number of committed ground devices, a monthly payment (recurring, may include a service package) and pricing of services (M2M/IoT unit, voice call per minute, txt message etc.). revenue forecast is based only on the recurring payments. revenue forecast does not include the cost of the ground devices or the additional expected payments for additional use.

In addition, the Company believes the revenue numbers included in the recent Company presentation are not new and where known to the market, as explained at (a) above.

(d) What steps did SAS take to verify the reasonableness and reliability of the Revenue Forecast?

SAS took the following steps to verify the reasonableness and reliability of the Revenue Forecast:

- Market research: over the last 2 years the Company has conducted satellite communications market research, competitive landscape research, addressable market research, product research and more, and collected knowledge and information. The result of this ongoing effort is an understanding of the market the Company is part of, including all commercial parameters such as pricing, type of contracts and agreements, required SLA/s etc. the accumulated knowledge provides the Company with a high confidence level when estimating revenues from the 1st batch of Pearls.
- Due Diligence for customers: for each customer, as part of the standard commercial process, the Company performs a due diligence on the customer, to gain confidence in the ability of the customer to meet the defined financial commitments. In addition to this due diligence, the Company defines a probability parameter for each contract, which is gradually growing as the commercial relationship evolve. On top of this, the Company uses a conservative method to discount further the projected revenues, to allow for any delays, failures etc, which results in the announced estimated revenues on an annualized basis.

(e) Any independent or objectively verifiable sources of information that SAS has to establish that there are reasonable grounds for the Revenue Forecast.

There are no independent or objectively verifiable sources of information that the Company is aware of, other than the information secured through the due diligence process that has been referred to in the response at (d) above and the market reports referred at (a) above.

3. Please explain why the Company Presentation is price sensitive and why no separate announcement containing the Revenue Forecast was released on MAP.

The Company has a general policy of classifying all Investor Presentations as price sensitive to bring them to the attention of shareholders, and the information relating to the Revenue Forecast has been disclosed to the market in prior releases to ASX by the Company over the last 2 years. As such, a standalone announcement was not warranted in the circumstances.

4. Please confirm that SAS is in compliance with the Listing Rules and, in particular, Listing Rule 3.1.

The Company confirms that it is in compliance with the Listing Rules and, in particular, Listing Rule 3.1.

5. Please confirm that SAS's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its Board or an officer of SAS with delegated authority from the Board to respond to ASX on disclosure matters.

The Company confirms that its responses to the questions above have been authorised and approved by its Board.

Yours faithfully

Meir Moalem
Managing Director
For and on behalf of Sky and Space Global Ltd



6 February 2019

Mr Steven Wood
Company Secretary
Sky and Space Global Ltd

By email: sw@grangeconsulting.com.au

Dear Mr Wood

Sky and Space Global Ltd ('SAS'): Prospective financial information query

ASX refers to the following:

- A. SAS's announcement titled 'Company Presentation' lodged on the ASX Market Announcements Platform ('MAP') on 22 January 2019 (the 'Announcement').
- B. The Announcement contained statements including:
- '...expected annualized revenue of \$10-\$12M AUD from 1st batch of Pearls (Q4 2019 onwards)'
 - 'Previously announced signed contracts expected value of \$40-\$65M USD (over 5 years)...'
- (together, the 'Revenue Forecast').
- C. SAS's announcement titled 'Quarterly Activities and Cashflow Report' lodged on MAP on 31 January 2019 that repeats the expected annualised revenue of \$10-12 million that is in the Announcement:
- 'On track for 1st batch launch of 16 nano-satellites mid-2019, with expected annualised revenue of \$10-12 million from existing customers'
- D. ASIC's *Regulatory Guide 170: Prospective financial information*, in particular:
- RG 170.11 - We believe the general test of whether prospective financial information must be disclosed is whether it is:*
 - (a) relevant to its audience; and*
 - (b) reliable (i.e. there must be a reasonable basis for it: see GIO Australia Holdings Ltd v. AMP Insurance Investment Holdings Pty Ltd (1998) 29 ACSR 584).*
 - RG 170.17 - The making of a statement that contains prospective financial information (i.e. a forward looking statement) must have reasonable grounds or it will be taken to be misleading under s728(2) or 769C of the Corporations Act. What are 'reasonable grounds' should be determined objectively in light of all of the circumstances at the time of the statement, so that a reasonable person would view as reasonable the grounds for the statement.*
 - RG 170.18 - We consider that prospective financial information based on hypothetical assumptions (rather than reasonable grounds) is likely to be misleading and provide little information value to investors. In our view, prospective financial information without reasonable grounds is not material to investors, nor would an investor reasonably require it or reasonably expect to find it in a disclosure document or PDS.*
 - RG 170.41 - We generally consider that prospective financial information for a period of more than two years may require independent or objectively verifiable sources of information to establish that there are reasonable grounds to provide it. However, for an existing business preparing a statement on estimates for up to two years, we will generally not regard as necessary independent verification if there otherwise appear to be reasonable grounds to*

make the statement. Directors should state why they believe the information is objectively reasonable. We may still take action on a statement on estimates for up to two years if we believe there are no reasonable grounds to provide it.

- e. RG 170.42- The reasonable grounds requirement means that there should be a relevant factual foundation for the prospective financial information and that the information is not contrived: see George v. Rockett (1990) 170 CLR 104 and Re Aldred & Dept of the Treasury (1994) 35 ALD 685.*
- f. RG 170.50 - The general principles in this regulatory guide also apply to advertising because of the interaction of s769C and 1041H.*

Section 769C states:

For the purposes of this Chapter, or of a proceeding under this Chapter, if:

a person makes a representation with respect to any future matter (including the doing of, or refusing to do, any act); and(b) the person does not have reasonable grounds for making the representation; the representation is taken to be misleading. Section 1041H states:

A person must not, in this jurisdiction, engage in conduct, in relation to a financial product or a financial service that is misleading or deceptive or is likely to mislead or deceive.

- g. RG 170.59 - Investors should be given enough information to enable them to:(a) assess whether the prospective financial information is relevant and reliable (i.e. to form their own view about how reasonable the grounds are for making the statement); and (b) identify with certainty the facts and circumstances that support prospective financial information, as well as being able to demonstrate that the information is reasonable.*
- h. RG 170.61 - A disclosure document or PDS must specifically disclose any assumptions used in compiling prospective financial information that materially affect the forecast outcome. The assumptions should be detailed and specific enough to enable the investor to work through all of the prospective financial information. This may require details about how returns are calculated during each year that the information covers. Among other things, assumptions about expenditures, revenues, inflation rates and other such variables should be clearly disclosed and highlighted if different assumptions have been used for different parts of the term that the prospective financial information covers.*
- i. RG 170.62 Investors must be able to assess:(a) the validity of the assumptions on which the prospective financial information is based;(b) the likelihood of the assumptions actually occurring; and(c) the effect on the prospective financial information if the assumptions vary.*
- j. RG 170.63 - We expect a disclosure document or PDS to disclose material assumptions about: (a) specific future economic conditions; and (b) particular circumstances affecting a company or financial product and the industries relevant to that company or financial product.*
- k. RG 170.64 - Disclosure of the material assumptions allows an investor or adviser to make an informed assessment of an issuer's prospects, or a person as a retail client to make an informed decision whether to acquire the product.*
- l. RG 170.65 - An assessment of the impact of these assumptions on prospective financial information should also be included. However, a disclosure document or PDS does not have to: (a) state general assumptions, such as the absence of war or natural disasters, unless the forecast takes these events into account; or (b) disclose assumptions that would not materially affect the prospective financial information.*

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- m. RG 170.66 - It is not sufficient to state the general nature of an assumption. Specific quantities or amounts should be set out. For example, it may not be sufficient to state that prospective financial information is based on an anticipated recovery in equity markets, without setting out the amount of the required recovery: see *GIO Australia Holdings Ltd v. AMP Insurance Investment Holdings Pty Ltd*(1998) 29 ACSR 584.
- n. RG 170.67 - We consider that because the presence or absence of reasonable assumptions is a factor in any determination of whether an issuer has satisfied the relevant disclosure obligation, the basis for the assumptions underlying the prospective financial information should be stated in the disclosure document or PDS in order that an investor has some means of assessing that information: see *Miba Pty Ltd v. Nescor Industries* (1996) 141 ALR 525 and *Wesfi Ltd v. Blend Investments Pty Ltd* (1999) 31 ACSR69. RG 170.68 - Disclosure of the basis for prospective financial information may reduce the capacity of the information to mislead because such disclosure assists the assessment/decision of an investor or retail client.
- o. RG 170.78 - Investors must be able to assess the reliability of prospective financial information. To do this, they should be able to assess whether the key assumptions are likely to occur. Therefore, a disclosure document or PDS must disclose material details about the enquiries and research undertaken and the process followed in preparing the information.

A complete copy of the Regulatory Guide is available at:

<http://download.asic.gov.au/media/1240943/rq170-010411.pdf>

- E. Section 4.15 of ASX's Guidance Note 8 Continuous Disclosure: Listing Rules 3.1 – 3.1B "Guidelines on the contents of announcements under Listing Rule 3.1" which states, amongst other things that:

"Similarly, depending on the circumstances, ASX would generally expect an announcement about the signing of a market sensitive contract with a customer to include information about:

- *the name of the customer;*
- *the term of the contract;*
- *the nature of the products or services to be supplied to the customer;*
- *the significance of the contract to the entity;*
- *any material conditions that need to be satisfied before the customer becomes legally bound to proceed with the contract; and*
- *any other material information relevant to assessing the impact of the contract on the price or value of the entity's securities.*

In disclosing the significance of the contract to the entity, regard should be had to the guidance below about forward looking statements. For example, a statement about the projected revenue to be derived from a customer contract or any other projection that is a proxy for revenue will be a forward looking statement and therefore must have a reasonable basis in fact or else it will be deemed to be misleading."

"See notes 114 and 115 and accompanying text. Note also that if an entity does make a statement about the projected revenue to be derived from a customer contract or any other projection that is a proxy for revenue and the entity becomes aware that the projection is materially overstated, that may trigger an obligation under Listing Rule 3.1 to make a corrective announcement."

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- F. Listing Rule 3.1, which requires a listed entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities

Request for Information

Having regard to the above, ASX asks SAS to respond separately to each of the following questions and requests for information in a form suitable for release to the market.

1. Please explain in detail the current status of development of the nano-satellites and the basis upon which SAS considers that the first batch launch of 16 nano-satellites will be made in mid-2019;
2. In light of the disclosure requirements set out in ASIC's Regulatory Guide 170, please provide the following information for the Revenue Forecast:
 - 2.1 The basis for the Revenue Forecast;
 - 2.2 The material assumptions underpinning the Revenue Forecast;
 - 2.3 The factors which SAS believes give it a reasonable basis to publish the Revenue Forecast;
 - 2.4 What steps did SAS take to verify the reasonableness and reliability of the Revenue Forecast; and
 - 2.5 Any independent or objectively verifiable sources of information that SAS has to establish that there are reasonable grounds for the Revenue Forecast.
3. Please explain why the Company Presentation is price sensitive and why no separate announcement containing the Revenue Forecast was released on MAP.
4. Please confirm that SAS is in compliance with the Listing Rules, and in particular Listing Rule 3.1.
5. Please confirm that SAS's responses to the questions above have been authorised and approved under its published continuous disclosure policy or otherwise by its board or an officer of SAS with delegated authority from the board to respond to ASX on disclosure matters.

Once ASX has received and analysed the information above, it is likely to make further enquiries of SAS.

When and where to send your response

This request is made under Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by no later than **3 PM AWST Monday, 11 February 2019**. You should note that if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, SAS's obligation is to disclose the information "immediately". This may require the information to be disclosed before the deadline set out in the previous paragraph and may require SAS to request a trading halt immediately.

Trading Halt

If you wish to request a trading halt, you must tell us:

- the reasons for the trading halt;
- how long you want the trading halt to last;
- the event you expect to happen that will end the trading halt;
- that you are not aware of any reason why the trading halt should not be granted; and
- any other information necessary to inform the market about the trading halt, or that we ask for.

We require the request for a trading halt to be in writing. The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted.

You can find further information about trading halts in Guidance Note 16 *Trading Halts & Voluntary Suspensions*.

ASX reserves the right to release a copy of this letter and your response on the ASX Market Announcements Platform under Listing Rule 18.7A. Accordingly, your response should be in a form suitable for release to the market.

Your response should be sent to me by e-mail at ListingsCompliancePerth@asx.com.au. It should not be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

Listing Rules 3.1 and 3.1A

In responding to this letter, you should have regard to SAS's obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure*: Listing Rules 3.1 – 3.1B. It should be noted that SAS's obligation to disclose information under Listing Rule 3.1 is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

Suspension

If you are unable to respond to this letter by the time specified above ASX will likely suspend trading in SAS's securities under Listing Rule 17.3.

Enquiries

If you have any queries or concerns about any of the above, please contact me immediately.

Yours sincerely

Penelope Reid
Adviser, Listings Compliance (Perth)