ABN 73 117 770 475
SKY AND SPACE COMPANY LTD

ANNUAL REPORT

30 June 2021

Corporate directory

Current Directors

Xavier Kris	*Chairman (appointed 21 July 2020)*
Stephen Gorenstein	*Non-executive Director (appointed 21 July 2020)*
Silvio Salom	*Non-executive Director (appointed 21 July 2020)*
Leon Kempler	*Non-executive Director (appointed 9 March 2021)*
Rich Davis	*Non-executive Director (appointed 9 March 2021)*

Company Secretary

Andrew Metcalfe *(appointed on 8 March 2021)*

Registered Office

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283 Rokeby Road
SUBIACO WA 6008

Postal: PO Box 1288
SUBIACO WA 6904

Telephone: +61 (0)8 9426 0666
Facsimile: +61 (0)8 9481 1947
Website: www.skyandspace.co

Share Registry

Computershare Investor Services Pty Ltd
Street: Level 11, 172 St Georges Terrace
PERTH WA 6000

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

Contents

Directors' report

Your directors present their report on the consolidated entity, consisting of Sky and Space Company Limited (**Parent** or **the Company**) and its controlled entities (collectively **the Group**), for the financial year ended 30 June 2021.

Directors

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

■	Meir Moalem	Managing Director (*resigned 21 July 2020*)
■	Maya Glickman-Pariente	Non-executive Director (*resigned 21 July 2020*)
■	Yonatan Shrama	Non-executive Director (*resigned 21 July 2020*)
■	Xavier Kris	Chairman (*appointed 21 July 2020*)
■	Stephen Gorenstein	Non-executive Director (*appointed 21 July 2020*)
■	Silvio Salom	Non-executive Director (*appointed 21 July 2020*)
■	Leon Kempler	Non-executive Director (*appointed 9 March 2021*)
■	Rich Davis	Non-executive Director (*appointed 9 March 2021*)

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 page 4 of this Directors Report.

Company Secretary

During the year Ian Pamensky resigned as Company Secretary on 8 March 2021, the date on which Andrew Metcalfe was appointed as Company Secretary.

Dividends paid or recommended

There were no dividends paid or recommended during the financial year ended 30 June 2021 (2020: 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 Company Ltd is a 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.

On 27 August 2021, the Company delisted from the ASX, however the Group will continue to aim 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.

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.

Directors' report

Operations Review

The Group's parent company entered a Deed of Company Arrangement (DOCA) in July 2020, with previous directors Meir Moalem, Maya Glickman-Pariente and Yonatan Shrama being removed as directors and Messers Xavier Kris, Silvio Salom and Stephen Gorenstein being appointed as Directors of the Company concurrently. The Group's operations continued as normal, with SAS continuing with its preparations and plans to launch commercial nanosatellites and create a flagship constellation of nanosatellites with space-proven capabilities and infrastructure (Direct Launch).

SAS entered into a strategic partnership with Virgin Orbit in October 2020, with Virgin Orbit acquiring a stake in the Company and entering into new strategic launch services and mutual reseller agreements to support future growth. Virgin Orbit would receive a number of securities in SAS, and the previous $55 million Launch Services Agreement would be terminated with both parties released from all past, current and future obligations. Virgin Orbit and the Company entered into the aforementioned agreement in December 2020.

At the 2020 Annual General Meeting held on 27th January 2021, shareholders approved the consolidation of capital and other particulars of the proposal to effectuate the (DOCA) and recapitalise the Company. The DOCA was formally effectuated on 28th January 2021, releasing $4.85 million (net of costs) to be used in satisfying the conditions of the DOCA as well as working capital to deliver the Company's renewed business objectives. Shareholders also approved the issue to securities to related and non-related parties including Virgin Orbit Group, a change of name to Sky and Space Company Limited and the adoption of a new constitution.

Mr Leon Kempler AM and Mr Richard C Davis were appointed as non-executive directors on 9th March 2021 and Mr Andrew Metcalfe was appointed as company secretary on 8th March 2021.

The Group will continue with its Direct Launch operations which 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 2021 financial year the Group delivered a net loss of $4,215,720 (2020: $14,290,159 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 1aii Statement of significant accounting policies: Going Concern on page 12.

Financial position

The net assets of the Group have increased from 30 June 2021 by $7,168,183 to $(3,520,070) at 30 June 2021 (2020: $(10,688,253)).

As at 30 June 2021, the Group's cash and cash equivalents increased from 30 June 2020 by $1,830,019 to $1,904,327 at 30 June 2021 (2020: $74,308) and had a working capital deficit of $1,685,134 (2020: $(7,694,833) working capital deficit), 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.

On 27 August 2021, the Company announced that after extensive discussions with the ASX, it was unable to agree to reinstatement conditions. The Company will still continue to move forward with its business plan.

On 30 August 2021, the ASX announced that the Company was removed from the official list with effect from the close of trading on Friday, 27 August 2021.

Directors' report

In September 2021, the Company launched a capital raising with CPS Capital that will enable the Company to further fund its operations, including the manufacture of its commercial nanosatellite constellation, with the Company currently finalising the Best-and-Final-Offer (BAFO) process for manufacture of the initial constellation.

In October 2021, the Company also engaged ArgoSat Consulting LLC, a premier specialist space consulting firm to provide support services to the Company for the selection of vendors, construction and launch of the Company's commercial nanosatellite constellation as well as other strategic initiatives as directed by the Company.

On 27 October 2021, the Company raised $6,816,500 before costs via an issuance of convertible notes with a further $2,250,000 in commitments.

There are no other significant after balance date events that are not covered in this Directors' Report or within the financial statements at Note 26 Events subsequent to reporting date.

Future Developments, Prospects and Business Strategies

The Company's September 2021 capital raising will enable the Company to further fund its operations, including the manufacture of its commercial nanosatellite constellation, with the Company currently finalising the Best-and-Final-Offer (BAFO) process for manufacture of the initial constellation, with ArgoSat Consulting providing its support services on this process.

The Company has secured contracts with the European Space Agency as part of its ARTES 4.0 program (as described in the Operations Review), and a consortium led by D-Orbit UK, Ltd as part of the UK-based Cornwall Spacehub Centre for Space Technologies (Spaceport Cornwall). Spaceport Cornwall is a commercial launch site expected to launch satellites to space from 2022 through a consortium that includes Virgin Orbit and Goonhilly Earth Station and represents the first commercial revenues through a partnership with key industry members and is expected to provide continuing revenues with each Spaceport Cornwall launch where SAS provides its services.

The Company continues to market professional services to potential customers, and is also working on cooperation agreements, including Hosted Payload services, onboard its future satellites.

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**
  - Managing Director (Appointed 12 May 2016 and resigned on 21 July 2020)
  - Experience and qualifications
    - 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.

      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

- **Maya Glickman-Pariente**
  - Non-executive Director (Appointed 12 May 2016 and resigned on 21 July 2020)
  - Experience and qualifications
    - 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.

      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.

Directors' report

- Yonatan Shrama
  - Non-executive Director (Appointed 12 May 2016 and resigned on 21 July 2020)

  Experience and qualifications
  - 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.

- Xavier Kris
  - Chairman (Appointed 21 July 2020)

  Experience and qualifications
  - 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.

    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.

    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.

- Stephen Gorenstein
  - Non-executive Director (Appointed 21 July 2020)

  Experience and qualifications
  - 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

    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.

- Silvio Salom
  - Non-executive Director (Appointed 21 July 2020)

  Experience and qualifications
  - 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.

    Silvio holds a Bachelor of Engineering and a Master of Fine Arts and is a Fellow of the Australian Institute of Company Directors.

- Leon Kempler
  - Non-executive Director (Appointed 9 March 2021)

  Experience and qualifications
  - Mr Leon Kempler AM is a highly respected executive who was appointed to the Order of Australia in 1998 and 2018 for his contribution to philanthropic institutions in the areas of culture, education and medicine and for his contribution to furthering Australia-Israel bilateral relations. His career has spanned over 30 years in a range of industries including communications, software and IT.

    His roles are significant and have included: Chairman of ADSone, Director of GBS Inc., Chairman of the Advisory Council of Questacon – the National Science and Technology Centre, President of Museums Board of Victoria, National Chairman of the Australia-Israel Chamber of Commerce, International Advisor to the Israel Science, Technology and Innovation Policy Institute, Honorary Life Governor of the Sir General John Monash Foundation, Patron of the Haven Foundation and Director of the Royal Children's Hospital Foundation.

    Mr Kempler holds an Honorary Doctorate of Science from Deakin University and Fellowships from Monash University, Technion Institute of Science and the Hebrew University of Jerusalem.

Directors' report

- Rich Davis
  Experience and qualifications
  - Non-executive Director (Appointed 9 March 2021)

    Mr. Davis, is a highly experienced executive with over 25 years of experience in corporate finance, private equity and the space industry. He is currently a Managing Director of ADP. He is also a founder and Managing Member of ArgoSat Advisors, a premier global advisory firm focused on the space industry. Prior to ArgoSat, Mr. Davis was President, and later Interim-CFO, for ProtoStar, a communications satellite operator which raised over $500 million and launched two DTH satellites over Asia. Earlier in his career, Mr. Davis was a private equity investor Principal at VantagePoint Venture Partners, a private equity and venture capital firm with $4 billion of assets under management.

    Mr. Davis was formerly an instructor pilot in the United States Air Force. He received his B.S. in Astrophysics (cum laude) from the University of Minnesota, and his MBA from the University of Virginia.

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 Company Ltd under option (listed and unlisted) are as follows:

Grant Date	Date of Expiry	Exercise Price	Number under Option
21 May 2019	21 May 2022	$14.00	117,725
27 Jan 2021	27 Jan 2024	$0.250	5,380,800
27 Jan 2021	27 Jan 2024	$0.310	10,024,250
27 Jan 2021	27 Jan 2024	$0.400	7,000,000
			22,522,775

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

30 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 Company 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://skyandspace.co/wp-content/uploads/2020/11/2020-sas-corporate-governance-statement.pdf

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 2021 has been received and can be found on page 7 of the annual 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

Chairman

Dated this Thursday, 28 October 2021

MOORE

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

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2021, 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	Moore Australia
NEIL PACE	MOORE AUSTRALIA AUDIT (WA)
PARTNER	CHARTERED ACCOUNTANTS

Signed at Perth on the 28th day of October 2021.

Consolidated statement of profit or loss and other comprehensive income

for the year ended 30 June 2021

	Note	2021 $	2020 $
Revenue		-	-
Other income	2	1,688,685	118,181
		1,688,685	118,181
Operating costs		-	(5,788,200)
Professional and consultancy fees		(3,850,042)	(2,274,281)
Marketing expenses		(1,584)	(95,821)
Travel and subsistence costs		(69,102)	(269,076)
Corporate expenses		(146,430)	(125,698)
Directors' fees		(167,225)	(255,338)
DOCA Effectuation payments		(767,400)	-
Employee benefits expense	3a	(275,708)	(1,151,802)
Office and administration costs		(225,601)	(445,766)
Depreciation	3b	(242,212)	(258,135)
Impairment loss	3c	(364,362)	(2,452,456)
Finance costs	3d	(385,855)	(1,002,706)
Other expenses		(140,118)	(313,093)
Loss before tax		(4,946,954)	(14,314,191)
Income tax expense	5	731,234	24,032
Net loss for the year		(4,215,720)	(14,290,159)
Loss for the period attributable to:			
■ Non-controlling interest		(827)	(2,029)
■ Owners of the parent		(4,214,893)	(14,288,130)
Other comprehensive income, net of income tax			
■ Items that may be reclassified subsequently to profit or loss			
□ Foreign currency movement gain/(loss)		(24,307)	260,937
Other comprehensive income for the year, net of tax		(24,307)	260,937
Total comprehensive loss attributable to members of the parent entity		(4,240,027)	(14,029,222)
Total comprehensive income attributable to:			
■ Non-controlling interest		(827)	(8,310)
■ Owners of the parent		(4,239,200)	(14,020,912)
Earnings per share:		¢	¢
Basic and diluted loss per share (cents per share)	6	(15.04)	(0.61)

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 2021

	Note	2021 $	2020 $
Current assets			
Cash and cash equivalents	7	1,904,327	74,308
Trade and other receivables	8	1,186,269	253,596
Total current assets		3,090,596	327,904
Non-current assets			
Plant and equipment	9	48,786	118,388
Intangible assets	10	-	-
Right of use assets	11	295,326	415,283
Total non-current assets		344,112	533,671
Total assets		3,434,708	861,575
Current liabilities			
Trade and other payables	12a	3,450,505	5,391,870
Employee benefits	13	52,212	52,940
Borrowings	14	1,022,527	2,349,442
Current tax liabilities	5c	112,409	82,512
Lease liability	15a	138,077	145,973
Total current liabilities		4,775,730	8,022,737
Non-current liabilities			
Trade and other payables	12b	2,000,000	3,000,000
Lease liability	15b	179,048	527,091
Total non-current liabilities		2,179,048	3,527,091
Total liabilities		6,954,778	11,549,828
Net assets / (liabilities)		(3,520,070)	(10,688,253)
Equity			
Issued capital	16a	73,366,051	62,597,080
Reserves	17	1,011,998	397,066
Accumulated losses		(77,930,829)	(73,715,936)
Equity attributable to equity holders of the parent		(3,552,780)	(10,721,790)
Non-controlling interest	23	32,710	33,537
Total equity / (deficiency)		(3,520,070)	(10,688,253)

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 2021

	Note	Contributed equity $	Option Reserve $	Foreign Currency Translation Reserve $	Accumulated Losses $	Non-Controlling Interest $	Total $
Balance at 1 July 2019		61,078,478	-	129,848	(59,385,534)	41,847	1,864,639
Initial application upon adoption of AASB 16		-	-	-	(42,272)	-	(42,272)
Balance as at 1 July 2019 (restated)		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)	1,822,367
Total comprehensive income for the year attributable owners of the parent		-	-	267,218	(14,288,130)	(8,310)	(12,467,792)
Transaction with owners, directly in equity							
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)
Balance at 1 July 2020		62,597,080	-	397,066	(73,715,936)	33,537	(10,688,253)
Loss for the year		-	-	-	(4,214,893)	(827)	(4,215,720)
Other comprehensive income for the year attributable owners of the parent		-	-	(24,307)	-	-	(24,307)
Total comprehensive income for the year attributable owners of the parent		-	-	(24,307)	(4,214,893)	(827)	(4,240,027)
Transaction with owners, directly in equity							
Shares issued during the year, net of costs	16a	10,768,971	-	-	-	-	10,768,971
Issue of options		-	639,239	-	-	-	639,239
Balance at 30 June 2021		73,366,051	639,239	372,759	(77,930,829)	32,710	(3,520,070)

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 2021

	Note	2021 $	2020 $
Cash flows from operating activities			
Interest received		7	959
Payments to suppliers and employees		(5,161,228)	(3,523,394)
Net Income tax paid		-	(8,677)
Interest paid		(32,534)	(126,023)
Net cash used in operating activities	7d	(5,193,755)	(3,657,135)
Cash flows from investing activities			
Purchase of plant and equipment		(17,922)	(1,191)
R&D rebates and grants received		563,463	2,662,156
Payments for development expenditure		(364,362)	(2,513,648)
Net cash (used in)/provided by investing activities		181,179	147,317
Cash flows from financing activities			
Proceeds from issue of shares and options		8,657,041	1,637,432
Payments for capital raising costs		(305,214)	(118,830)
Payments for lease liabilities		(248,422)	(70,525)
Net proceeds from borrowings		-	319,516
Repayment of borrowings		(1,222,300)	-
Net cash provided by financing activities		6,881,105	1,767,593
Net decrease in cash held		1,868,529	(1,742,225)
Cash and cash equivalents at the beginning of the year		74,308	1,935,055
Foreign exchange movement in cash		(38,510)	(118,522)
Cash and cash equivalents at the end of the year	7b	1,904,327	74,308

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

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Notes to the consolidated financial statements

for the year ended 30 June 2021

Note 1 Statement of significant accounting policies

These are the consolidated financial statements and notes of Sky and Space Company Ltd (**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 28 October 2021 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 $4,215,720 (2020: $14,290,159 loss) and a net operating cash out-flow of $5,193,755 (2020: $3,657,135 out-flow).

Subsequent to year end, the Company raised $6,816,500 before costs via an issuance of convertible notes with a further $2,250,000 in commitments.

Management has prepared a cash flow forecast, which includes, additional capital raisings, 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.

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.

Notes to the consolidated financial statements
for the year ended 30 June 2021

Note 1 Statement of significant accounting policies

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 2021 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 acquire; 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.

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, than 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.

Notes to the consolidated financial statements

for the year ended 30 June 2021

Note 1 Statement of significant accounting policies

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.

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.

Notes to the consolidated financial statements
for the year ended 30 June 2021

Note 1 Statement of significant accounting policies

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.

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.

Notes to the consolidated financial statements

for the year ended 30 June 2021

Note 1 Statement of significant accounting policies

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:

	2021	2020
■ Office equipment	3 – 5 years	3 – 5 years
■ Nano-satellite equipment	3 – 5 years	3 – 5 years

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.

Notes to the consolidated financial statements

for the year ended 30 June 2021

Note 1 Statement of significant accounting policies

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:

	2021	2020
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.

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.

Note 1 Statement of significant accounting policies

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.

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.

Notes to the consolidated financial statements

for the year ended 30 June 2021

Note 1 Statement of significant accounting policies

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.

l. 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.
- 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.

Notes to the consolidated financial statements
for the year ended 30 June 2021

Note 1 Statement of significant accounting policies

(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.

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**)).

Notes to the consolidated financial statements

for the year ended 30 June 2021

Note 1 Statement of significant accounting policies

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.

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.

Notes to the consolidated financial statements

for the year ended 30 June 2021

Note 1 Statement of significant accounting policies

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 compiled 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 Company Ltd, disclosed in note 27 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 Company Ltd.

Investments in subsidiaries remain impaired this year, see note 27 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.

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.

Notes to the consolidated financial statements
for the year ended 30 June 2021

Note 1 Statement of significant accounting policies

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.

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.

Note 2 Revenue and other income	2021 $	2020 $
a. Other income		
Interest income	7	118,181
Government grants	562,603	-
Gain on derecognition of financial liabilities	678,538	-
Gain on modification of financial liabilities – AASB 16	310,925	-
Gain /(loss) on foreign exchange	136,612	-
	1,688,685	118,181

Note 3 Loss before income tax	2021 $	2020 $
a. Employee benefits expense		
Salary and wages	235,252	995,430
Employer’s NI	36,150	143,242
Other employee related costs	4,306	13,130
	275,708	1,151,802
b. Depreciation		
Depreciation	242,212	258,135
	242,212	258,135
c. Impairment loss		
Impairment of intangible assets	364,362	2,452,456
	364,362	2,452,456
d. Finance costs		
Finance costs	385,855	1,002,706
	385,855	1,002,706

Note 4 Auditor's remuneration	Note	2021 $	2020 $
Remuneration of the auditors of the Sky and Space Company Ltd for:			
■ Auditing or reviewing the financial reports – Group auditor	(i)	37,500	49,500
		37,500	49,500

(i) Group auditor for the year ended 30 June 2021 was Moore Australia Audit (WA) (2020: Moore Australia Audit (WA)).

Notes to the consolidated financial statements

for the year ended 30 June 2021

Note 5 Income tax	**Note**	2021 $	2020 $
a. Income tax expense			
Current tax		731,234	24,032
		731,234	24,032
Deferred income tax expense included in income tax expense comprises:			
■ Increase / (decrease) in deferred tax assets		-	-
■ (Increase) / decrease in deferred tax liabilities		-	-
		731,234	24,032
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 26% (2020: 27.5%)		(1,286,208)	(3,936,403)
Add / (Less) tax effect of:			
☐ Non-allowance items - other		42,390	(24,032)
☐ Non-allowable items – Impairment loss		-	674,425
☐ Current year R&D rebate		-	-
☐ Prior year R&D rebate		(773,624)	-
☐ Current year non-deductible R&D expense		-	-
☐ Effect of tax rates in foreign jurisdictions		155,891	310,403
☐ Tax benefit through equity not recognised		(126,558)	(2,188)
☐ DTA/DTL not recognised		1,256,875	2,953,763
Income tax expense / (benefit) attributable to operating loss		(731,234)	(24,032)
		%	%
The applicable weighted average effective tax rates attributable to operating profit are as follows		53.75	0.61
		$	$
Balance of franking account at year end of the parent		nil	nil
c. Current tax liabilities			
Income tax payable		112,409	82,512
		112,409	82,512
d. Deferred tax assets / (liabilities) not brought to accounts			
Tax losses: revenue		11,088,272	9,998,448
Temporary differences		(2,296,084)	(2,463,135)
		8,792,188	7,535,313
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:		16,967,768	15,877,944
		16,967,768	15,877,944

Notes to the consolidated financial statements

for the year ended 30 June 2021

Note 5 Income tax (cont.)

Potential deferred tax assets attributable to tax losses have not been brought to account at 30 June 2021 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)	**Note**	2021 $	2020 $
a. Reconciliation of earnings to profit or loss			
Loss for the year		(4,215,720)	(14,290,159)
Loss used in the calculation of basic and diluted EPS		(4,214,893)	(14,288,130)
		2021 No.	2020 No.
b. Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS		28,019,512	2,341,885,474
		2021 ¢	2020 ¢
c. Earnings per share			
Basic and diluted EPS (cents per share)		(15.04)	(0.61)

d. At the end of the 2021 financial year, the Group has 22,551,780 unissued shares under options (2020: 410,927,596) and no performance shares on issue (2020: nil). The Group does not report diluted earnings per share on annual losses generated by the Group. During the 2021 financial year the Group's unissued shares under option and partly-paid shares were anti-dilutive.

Note 7 Cash and cash equivalents	**Note**	2021 $	2020 $
a. Current			
Cash at bank		1,904,327	74,308
		1,904,327	74,308
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		1,904,327	74,308
		1,904,327	74,308

c. The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in Note 25 Financial risk management.

Notes to the consolidated financial statements

for the year ended 30 June 2021

Note 7 Cash and cash equivalents (cont.)

d. Cash Flow Information

	Note	2021 $	2020 $
Reconciliation of cash flow from operations to (loss)/profit after income tax			
Loss after income tax		(4,215,720)	(14,290,159)
Non-cash flows in (loss)/profit from ordinary activities:			
■ Depreciation and amortisation		242,212	258,135
■ Impairment		364,362	2,452,456
■ Income tax		(731,234)	(32,709)
■ Interest expense		353,321	876,683
■ DOCA effectuation payments		767,400	-
■ Net gain from derecognition of financial liabilities		(678,538)	-
■ Net gain from modification of lease liabilities		(310,925)	-
■ Foreign currency translation		(136,761)	-
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries:			
■ Increase/(decrease) in receivables and other receivables		839,902	99,907
■ Increase/(decrease) in prepayments and other assets		122,888	-
■ (Increase)/decrease in trade and other payables		(1,816,669)	6,978,552
■ (Increase)/decrease in provisions		6,007	-
Cash flow from operations		(5,193,755)	(3,657,135)

e. Credit standby facilities

The Group has no credit standby facilities.

f. Reconciliation of liabilities arising from financing activities

			Non-cash changes			
	2020 $	Cash flows $	Acquisitions[1] $	Foreign Exchange $	Other Changes[2] $	2021 $
Long-term borrowings	2,349,442	(1,222,300)	-	(148,049)	43,434	1,022,527
Lease liabilities	673,064	(248,422)	170,501	(94,797)	(183,221)	317,125
Total	3,022,506	(1,470,722)	170,501	(242,846)	(139,787)	1,339,652

i) Acquisitions relate to new leases recognised under AASB16 Leases
ii) Other changes include interest accrued and lease modifications

Note 8 Trade and other receivables

	Note	2021 $	2020 $
Other receivables	(i)	29,052	26,011
Prepayments	(ii)	19,298	164,873
Deposits paid		32,143	44,161
R&D Tax rebate receivable	(iii)	773,624	-
GST receivable		332,152	18,551
		1,186,269	253,596

Notes to the consolidated financial statements

for the year ended 30 June 2021

Note 8 Trade and other receivables (cont.)

(i) No other receivables have been impaired in the year (2020: nil).

(ii) No prepayments have been impaired for the year (2020: nil)

(iii) R&D tax rebate receivable for the year ended 30 June 2020. The Group also expects to submit a research and development tax credit submitted to UK tax authorities for the 2021 financial year.

(iv) The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in Note 25 Financial risk management.

Note 9 Plant, and equipment	2021 $	2020 $
Office equipment	558,200	573,792
Accumulated depreciation and impairment losses	(509,414)	(455,404)
	48,786	118,388
3 Diamonds	3,635,025	3,533,804
Accumulated depreciation and impairment losses	(3,635,025)	(3,533,804)
	-	-
Pearls	8,544,782	8,305,107
Accumulated depreciation and impairment losses	(8,544,782)	(8,305,107)
	-	-
6U	79,478	77,249
Accumulated depreciation and impairment losses	(79,478)	(77,249)
	-	-
Total plant and equipment	48,786	118,388

		Assets under construction			Total $
Movement in carrying amounts	Office Equipment $	3 Diamonds $	Pearls $	6U $	
Cost					
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
Accumulated depreciation and impairment losses					
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)	(109,560)
Balance at 30 June 2020	455,404	3,533,804	8,305,107	77,249	12,371,564
CWV at 30 June 2020	**118,388**	-	-	-	**118,388**

Notes to the consolidated financial statements

for the year ended 30 June 2021

Note 9 Plant, and equipment (cont.)

Movement in carrying amounts	Office Equipment $	Assets under construction 3 Diamonds $	Pearls $	6U $	Total $
Cost					
Balance at 1 July 2020	573,792	3,533,804	8,305,107	77,249	12,489,952
Additions	17,922	-	-	-	17,922
Effects of movements in foreign exchange rates	(33,514)	101,221	239,675	2,229	309,611
Balance at 30 June 2021	558,200	3,635,025	8,544,782	79,478	12,817,485
Accumulated depreciation and impairment losses					
Balance at 1 July 2020	455,404	3,533,804	8,305,107	77,249	12,371,564
Depreciation	39,702	-	-	-	39,702
Effects of movements in foreign exchange rates	14,308	101,221	239,675	2,229	357,433
Balance at 30 June 2021	509,414	3,635,025	8,544,782	79,478	12,768,699
CWV at 30 June 2021	**48,786**	-	-	-	**48,786**

Note 10 Intangible asset

	2021 $	2020 $
Licences	233,571	224,009
Accumulated amortisation and impairment losses	(233,571)	(224,009)
	-	-
Development costs	16,715,382	16,178,392
Accumulated amortisation and impairment losses	(16,715,382)	(16,178,392)
	-	-
Total Intangible Assets	-	-

Movements	Licences $	Development costs $	Total $
Cost			
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

Notes to the consolidated financial statements

for the year ended 30 June 2021

Note 10 Intangible asset (cont.)

Movement in carrying amounts	Licences $	Development costs $	Total $
Accumulated amortisation and impairment losses			
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
CWV at 30 June 2020	**-**	**-**	**-**
Cost			
Balance at 1 July 2020	224,009	16,178,392	16,402,401
Additions	-	364,362	364,362
Effects of movements in foreign exchange rates	9,562	172,628	182,190
Balance at 30 June 2021	233,571	16,715,382	16,948,953
Accumulated amortisation and impairment losses			
Balance at 1 July 2020	224,009	16,178,392	16,402,401
Amortisation	-	-	-
Impairment losses	-	364,362	364,362
Effects of movements in foreign exchange rates	9,562	172,628	182,190
Balance at 30 June 2021	233,571	16,715,382	16,948,953
CWV at 30 June 2021	**-**	**-**	**-**

Note 11 Right of use asset

	2021 $	2020 $
Leased buildings	779,645	732,853
Less: Accumulated depreciation	(484,319)	(317,570)
Total Right of Use Assets	295,326	415,283
Movement in carrying amounts		
Leased buildings:		
Recognised on Initial application of AASB 16 (previously classified as operating leases under AASB117)	717,256	717,256
Additions	170,501	-
Accumulated depreciation	(484,319)	(317,570)
Gain on modification	(132,764)	-
Effects of movements in foreign exchange rates	24,652	15,597
	295,326	415,283
(i) AASB 16 related amounts recognised in the statement of profit or loss		
Depreciation charge related to right of use assets	202,510	150,210
Interest expense on lease liabilities	180,666	148,843
	383,176	299,053

Notes to the consolidated financial statements

for the year ended 30 June 2021

Note 12 Trade and other payables	**Note**	2021 $	2020 $
Unsecured			
a. Current			
Trade payables	(i)	1,234,224	1,680,756
Accruals	(ii)	1,916,609	3,256,417
Other payables		299,672	454,697
		3,450,505	5,391,870
b. Non-current			
Accruals	(ii)	2,000,000	3,000,000
		2,000,000	3,000,000

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

(ii) 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.

(iii) The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in Note 25 Financial risk management.

Note 13 Employee benefits	2021 $	2020 $
Employee entitlements	52,212	52,940
	52,212	52,940

Movement in carrying amounts	Employee entitlements $	Total $
Balance at 1 July 2020	52,940	52,940
Additional provisions	4,917	4,917
Amounts used	(5,968)	(5,968)
Effects of movements in foreign exchange rates	323	323
Balance at 30 June 2021	52,212	52,212

Note 14 Borrowings	**Note**	2021 $	2020 $
Loan – Telefox Ltd	(i)	709,428	1,718,256
Loan – CSS Alpha (BVI) Ltd	(ii)	313,099	631,186
		1,022,527	2,349,442

Notes to the consolidated financial statements

for the year ended 30 June 2021

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

	2021 $	2020 $
a. Current		
Lease liability	138,077	145,973
	138,077	145,973
b. Non-current		
Lease liability	179,048	527,091
	179,048	527,091
	317,125	673,064
Movement in carrying amounts		
Opening balance	673,064	-
Recognised on Initial application of AASB 16	-	592,168
Additions made during the year	170,501	-
Accrued interest during the year	180,666	148,843
Lease payments made during the year	(248,422)	(70,525)
Lease modifications during the year	(363,886)	-
Effects of movements in foreign exchange rates	(94,798)	2,578
	317,125	673,064

Note 16 Contributed equity

	2021 No.	2020 No.	2021 $	2020 $
Fully paid ordinary shares at no par value	74,700,235	2,502,478,657	73,366,051	62,597,080
a. Ordinary shares				
At the beginning of the period	2,502,478,657	2,175,014,261	62,597,080	61,078,478
2,800:1 share consolidation	(2,501,580,345)	-	-	-
Shares issued during the year:				
■ Share issue on 15 Feb 2021	67,291,893	-	10,591,712	-
■ Share issue on 1 March 2021	6,510,000	-	1,302,000	-
■ Share issue	-	327,453,396	-	1,637,267
■ Options exercised at $0.015 each	-	11,000	-	165
■ Options exercised at $42 each (post consolidation)	30	-	1,260	-
Transaction costs relating to share issues	-	-	(1,126,001)	(118,830)
At reporting date	74,700,235	2,502,478,657	73,366,051	62,597,080

Notes to the consolidated financial statements

for the year ended 30 June 2021

Note 16 Contributed equity (cont.)	2021 No.	2020 No.	2021 $	2020 $
b. Performance shares				
Performance shares	4,750,000	-	-	-
At beginning of the period	-	-	-	-
Performance rights issued during the year:				
■ Class A rights issue	1,750,000	-	-	-
■ Class B rights issue	1,500,000	-	-	-
■ Class C rights issue	1,500,000	-	-	-
Conversion of performance shares to issued capital	-	-	-	-
At reporting date	4,750,000	-	-	-

The Company has 4,750,000 performance shares on issue with the terms outlined below:

Number of Performance Rights	Date of Expiry	Milestone	Vesting Terms
1,750,000	27 January 2025	Completion of the Company's recapitalisation and the reinstatement to trading on ASX within 12 months of the date of issue.	Immediately upon issue
1,500,000	27 January 2025	The Company achieving a US$2 million in revenue between the date of reinstatement on the ASX and five years from the date of issue.	Immediately upon issue
1,500,000	27 January 2025	The Company achieving a US$10 million in revenue between the date of reinstatement on the ASX and five years from the date of issue.	Immediately upon issue

One Class A, B or C Performance Share converts on achievement of the milestone into one Ordinary Share.

	2021 No.	2020 No.	2021 $	2020 $
c. Options				
Options	22,522,775	410,927,596	-	-
At the beginning of the period	410,927,596	329,075,133	-	-
2,800:1 option consolidation	(410,809,841)	-	-	-
Options issued/(lapsed) during the year:				
Options exercisable at $0.015 each expiring 31.5.2021	-	81,863,463	-	-
Options exercisable at $0.25 each expiring 27.01.2024	5,380,800	-	-	-
Options exercisable at $0.31 each expiring 27.01.2024	10,024,250	-	-	-
Options exercisable at $0.40 each expiring 27.01.2024	7,000,000	-	-	-
Options exercised	(30)	(11,000)	-	-
At reporting date	22,522,775	410,927,596	-	-

Notes to the consolidated financial statements

for the year ended 30 June 2021

Note 16 Contributed equity (cont.)

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	2021 $	2020 $
Cash and cash equivalents	7	1,904,327	74,308
Trade and other receivables	8	1,186,269	253,596
Trade and other payables	12	(3,450,505)	(5,391,870)
Provisions	13	(52,212)	(52,940)
Borrowings	14	(1,022,527)	(2,349,442)
Current tax liabilities	5c	(112,409)	(82,512)
Lease liability	15a	(138,077)	(145,973)
Working capital position		(1,685,134)	(7,694,833)

Note 17 Reserves

		2021 $	2020 $
Foreign currency translation reserve	(i)	372,759	397,066
Option reserve	(ii)	639,239	-
		1,011,998	397,066

(i) **Foreign currency translation reserve**

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

(ii) **Option reserve**

The option reserve records items recognised as expenses on the value of directors and employee equity issues.

Notes to the consolidated financial statements

for the year ended 30 June 2021

Note 18 Controlled entities

Parent entity: Sky and Space Company Ltd

	Country of Incorporation	Class of Shares	Percentage Owned 2021	Percentage Owned 2020
Sky and Space Company Ltd	Australia			
Subsidiaries of Sky and Space Company Ltd				
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
Sky and Space sp. z o.o.	Poland	Ordinary	50.0	0
Subsidiaries of Sky and Space Global (UK) Limited				
Sky and Space (Poland) Software Limited	Poland	Ordinary	75.0	75.0
Sky and Space (Israel) Limited	Israel	Ordinary	100.0	100.0
Sky and Space sp. z o.o.	Poland	Ordinary	50.0	0

Investments in subsidiaries are accounted for at cost.

Note 19 Share-based payments	Note	2021 $	2020 $
Share-based payment expense	19b	639,239	-
Gross share-based payments		639,239	-

b. Share-based payment arrangements in effect during the year

i. Advisor options

In consideration for assisting with Deed of Company Arrangement capital raise, the Company issued 5,380,000 options:

Number under Options	Date of Expiry	Exercise Price	Vesting Terms
5,380,800	27 January 2024	$0.25	Immediately upon issue

These shares were valued at $639,239 on grant date.

ii. Performance rights

In consideration for the recapitalisation of the Company, the Company issued 4,750,000 Performance Rights with terms and summaries below:

Number of Performance Rights	Date of Expiry	Milestone	Vesting Terms
1,750,000	27 January 2025	Completion of the Company's recapitalisation and the reinstatement to trading on ASX within 12 months of the date of issue.	Immediately upon issue
1,500,000	27 January 2025	The Company achieving a US$2 million in revenue between the date of reinstatement on the ASX and five years from the date of issue.	Immediately upon issue
1,500,000	27 January 2025	The Company achieving a US$10 million in revenue between the date of reinstatement on the ASX and five years from the date of issue.	Immediately upon issue

These Performance Rights were valued at nil value on grant date.

Notes to the consolidated financial statements

for the year ended 30 June 2021

Note 19 Share-based payments (Cont.)

c. Fair value of options granted during the period

The fair value of the options granted is deemed to represent the value of the services received over the vesting period.

These values were calculated using the Black-Scholes option pricing model, applying the following inputs to options issued this year:

Grant date:	27 Jan 2021
Grant date share price:	$0.20
Option exercise price:	$0.25
Number of options issued:	5,380,800
Expiry Date	27 Jan 2024
Expected share price volatility:	91.40%
Risk-free interest rate:	0.11%
Value per option	$0.1188

Historical volatility has been the basis for determining expected share price volatility as it is assumed that this is indicative of future movements.

The life of the options is based on the historical exercise patterns, which may not eventuate in the future.

d. Fair value of performance rights granted during the period

The fair value of the performance rights granted is deemed to represent the value of the services received over the vesting period.

No value has been allocated to the performance shares due to the significant uncertainty of meeting the performance milestones which are based on future events. To date, none of the Milestones have been met.

Note 20 Key Management Personnel compensation (KMP)

The names and positions of KMP are as follows:

Mr Meir Moalem	Managing Director & Chief Executive Officer (*resigned as director on 21 July 2020*)
Ms Maya Glickman-Pariente	Non-executive Director & Head of Satellite Operations *(resigned as director on 21 July 2020)*
Mr Yonatan Sharma	Non-executive Director (*resigned on21 July 2020*)
Xavier Kris	Chairman (*appointed 21 July 2020*)
Stephen Gorenstein	Non-executive Director (*appointed 21 July 2020*)
Silvio Salom	Non-executive Director (*appointed 21 July 2020*)
Leon Kempler	Non-executive Director (*appointed 9 March 2021*)
Rich Davis	Non-executive Director (*appointed 9 March 2021*)
Mr Meidad Pariente	Chief Innovation Officer

	Note	2021 $	2020 $
Short-term employee benefits		1,959,968	1,583,649
Post-employment benefits		14,415	-
Total		1,974,383	1,583,649

Notes to the consolidated financial statements

for the year ended 30 June 2021

Note 21 Related party transactions

	Transactions 2021 $	Balance at 2021 $	Transactions 2020 $	Balance at 2020 $
Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.				
i) Transactions with Director related entities				
a. 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	360,384	-	461,946	(107,921)
b. 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	185,232	-	832,144	(87,677)
c. Yonatan Shanan Ltd, a company associated with Mr Yonatan Sharma, for reimbursements made to / (amounts owing to) for corporate travel costs	140,000	-	363,867	(29,417)
d. XJRK Management Group Pty Ltd, a company associated with Mr Xavier Kris for reimbursements made to / (amounts owing to) for director and consultancy fees and meeting expenses	248,444	(246,164)	-	-
e. Jorest Pty Ltd, a company associated with Mr Stephen Gorenstein for reimbursements made to / (amounts owing to) for director and consultancy fees	134,896	(134,896)	-	-
f. Solom Pty Ltd, a company associated with Mr Silvio Salom for reimbursements made to / (amounts owing to) for director and consultancy fees	49,734	(49,734)	-	-
g. Coalwell Pty Ltd, a company associated with Mr Leon Kempler for reimbursements made to / (amounts owing to) for director and consultancy fees	16,955	(16,955)	-	-
h. Argosat LLC, a company associated with Mr Rich Davis for reimbursements made to / (amounts owing to) for director and consultancy fees	28,329	(15,484)	-	-

Note 22 Commitments, contingent assets and contingent liabilities

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 2021.

Note 23 Non-controlling Interest

	2021 $	2020 $
Opening balance	33,537	41,847
Foreign exchange movement	-	(6,281)
Share of loss for the year	(827)	(2,029)
	32,710	33,537

Notes to the consolidated financial statements
for the year ended 30 June 2021

Note 24 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**

	2021 $	2020 $
Location of segment assets by geographical location of the assets is disclosed below:		
Australia	1,705,092	10,988
Poland	846,756	166,857
U.K.	357,932	91,819
Israel	524,928	591,911
Total assets	3,434,708	861,575

Note 25 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:

	Floating Interest Rate $	Fixed Interest Rate $	Non-interest Bearing $	2021 Total $	Floating Interest Rate $	Fixed Interest Rate $	Non-interest Bearing $	2020 Total $
Financial Assets								
☐ Cash and cash equivalents	1,904,327	-	-	1,904,327	74,308	-	-	74,308
☐ Other receivables	-	-	1,186,269	1,186,269	-	-	253,596	253,596
Total Financial Assets	1,904,327	-	1,186,269	3,090,596	74,308	-	253,596	327,904
Financial Liabilities								
Financial liabilities at amortised cost								
☐ Trade and other payables	-	-	5,502,717	5,502,717	-	-	8,444,810	8,444,810
☐ Borrowings	-	1,022,527	-	1,022,527	-	2,349,442	-	2,349,442
☐ Lease liability	-	317,125	-	317,125	-	673,064	-	673,064
Total Financial Liabilities	-	1,339,652	5,502,717	6,842,369	-	3,022,506	8,444,810	11,467,316
Net Financial Assets/(Liabilities)	1,904,327	(1,339,652)	(4,316,448)	(3,751,773)	74,308	(3,022,506)	(8,191,214)	(11,139,412)

Notes to the consolidated financial statements
for the year ended 30 June 2021

Note 25 Financial risk management (cont.)

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.

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 2021 $	Impaired 2021 $	Net 2021 $	Past due but not impaired 2020 $
Trade receivables				
Not past due	-	-	-	-
Past due up to 60 days	-	-	-	-
Past due 60 days to 90 months	-	-	-	-
Past due over 90 months	-	-	-	-
	-	-	-	-
Other receivables				
Not past due	1,186,269	-	1,186,269	-
Total	1,186,269	-	1,186,269	-

Notes to the consolidated financial statements
for the year ended 30 June 2021

Note 25 Financial risk management (cont.)

(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.

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	
	2021 $	2020 $	2021 $	2020 $	2021 $	2020 $
Financial liabilities due for payment						
Trade and other payables	3,502,717	5,444,810	2,000,000	3,000,000	5,502,717	8,444,810
Borrowings	1,022,527	2,349,442	-	-	1,022,527	2,349,442
Lease liability	138,077	145,973	179,048	527,091	317,125	673,064
Total contractual outflows	4,663,321	7,940,225	2,179,048	3,527,091	6,842,369	11,467,316
Financial assets						
Cash and cash equivalents	1,904,327	74,308	-	-	1,904,327	74,308
Other receivables	1,186,269	253,596	-	-	1,186,269	253,596
Total anticipated inflows	3,090,596	327,904	-	-	3,090,596	327,904
Net (outflow)/inflow on financial instruments	(1,572,725)	(7,612,321)	(2,179,048)	(3,527,091)	(3,751,773)	(11,139,412)

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.

Notes to the consolidated financial statements
for the year ended 30 June 2021

Note 25 Financial risk management (cont.)

(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 zt) 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.

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

	2021 $	2020 $
Loan denominated in USD	1,022,527	2,349,442
Trade payables in denomination currency		
Trade payables – GBP	281,076	374,039
Trade payables – EUR	20,943	-
Trade payables – USD	72,011	3,968
Trade payables – PLN	150,719	403,714
Trade payables – ILS	28,727	204,324
Trade payables – AUD	135,574	-
Cash and cash equivalents held in denomination currency		
Cash and cash equivalents – GBP	28,335	(10,734)
Cash and cash equivalents – EUR	426	4,409
Cash and cash equivalents – USD	181	971
Cash and cash equivalents – PLN	198	45,564
Cash and cash equivalents – ILS	278,863	144,773
Cash and cash equivalents – AUD	1,490,475	-
Consolidated entity sensitivity		
Exchange rates per AUD as at 30 June		
GBP	0.5425	0.5341
USD	0.7506	0.6848
PLN	2.4407	2.6572
ILS	2.8549	2.3730

Notes to the consolidated financial statements

for the year ended 30 June 2021

Note 25 Financial risk management (cont.)

(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.

(1) ***Interest rates***

	30 June 2021		30 June 2020	
	Profit $	Equity $	Profit $	Equity $
±100 basis points change in interest rates	± 19,043	± 19,043	± 743	± 743

(2) ***Foreign exchange***

	30 June 2021		30 June 2020	
	Profit $	Equity $	Profit $	Equity $
Year ended 30 June 2021				
±10% of Australian dollar strengthening/weakening against the GBP	± 25,274	± nil(i)	± 38,477	± nil(i)
±10% of Australian dollar strengthening/weakening against the EUR	± 2,052	± nil(i)	± 441	± nil(i)
±10% of Australian dollar strengthening/weakening against the USD	± 7,183	± nil(i)	± 300	± nil(i)
±10% of Australian dollar strengthening/weakening against the PLN	± 15,052	± nil(i)	± 35,815	± nil(i)
±10% of Australian dollar strengthening/weakening against the ILS	± 25,014	± nil(i)	± 5,955	± nil(i)

(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 26 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.

On 27 August 2021, the Company announced that after extensive discussions with the ASX, it was unable to agree to reinstatement conditions. The Company will still continue to move forward with its business plan.

On 30 August 2021, the ASX announced that the Company was removed from the official list with effect from the close of trading on Friday, 27 August 2021.

Notes to the consolidated financial statements
for the year ended 30 June 2021

Note 26 Events subsequent to reporting date (cont.)

In September 2021, the Company launched a capital raising with CPS Capital that will enable the Company to further fund its operations, including the manufacture of its commercial nanosatellite constellation, with the Company currently finalising the Best-and-Final-Offer (BAFO) process for manufacture of the initial constellation.

In October 2021, the Company also engaged ArgoSat Consulting LLC, a premier specialist space consulting firm to provide support services to the Company for the selection of vendors, construction and launch of the Company's commercial nanosatellite constellation as well as other strategic initiatives as directed by the Company.

On 27 October 2021, the Company raised $6,816,500 before costs via an issuance of convertible notes with a further $2,250,000 in commitments.

Note 27 Parent entity disclosures	2021 $	2020 $
Financial Position of Sky and Space Company Ltd		
Current assets	1,693,226	10,987
Non-current assets	7,032,294	-
Total assets	8,725,520	10,987
Current liabilities	1,704,567	846,905
Total liabilities	1,704,567	846,905
Net assets	7,020,953	(835,918)
Equity		
Issued capital	105,327,145	93,918,934
Reserves	2,288,311	2,282,930
Accumulated losses	(100,594,503)	(97,037,782)
Total equity	7,020,953	(835,918)
Financial performance of Sky and Space Company Ltd		
Profit / (loss) for the year	(3,556,721)	(4,204,163)
Other comprehensive income	-	-
Total comprehensive income	(3,556,721)	(4,204,163)

Guarantees entered into by Sky and Space Company Ltd for the debts of its subsidiaries

There are no guarantees entered into by Sky and Space Company Ltd for the debts of its subsidiaries as at 30 June 2021 (2020: none).

Note 28 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 8 to 42, 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 2021 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 1aii 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

Chairman

Dated this Thursday, 28 October 2021

MOORE

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SKY AND SPACE COMPANY LTD

Opinion

We have audited the financial report of Sky and Space Company Limited (the Company) and its controlled entities (the "Group"), which comprises the consolidated statement of financial position as at 30 June 2021, 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 the accompanying financial report of Sky and Space Company Ltd and Controlled Entities 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 2021 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 are independent of the Group in accordance with 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 Group, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Directors' Responsibility for the Financial Report

The directors of the Group are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and *Corporations Act 2001*, and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability 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 Group or to cease operations, or has no realistic alternative but to do so.

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

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 include the economic decisions of the 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 Standard Board website at https://www.auasb.gov.au/auditors_responsibilities/ar3.pdf. This description forms part of our audit report.

Neil Pace
NEIL PACE
PARTNER

Moore Australia
MOORE AUSTRALIA AUDIT (WA)
CHARTERED ACCOUNTANTS

Signed at Perth this 28th day of October 2021.