



**ABN 73 117 770 475**  
**SKY AND SPACE COMPANY LTD**

# **INTERIM FINANCIAL REPORT**

**31 December 2021**

**Corporate directory****Directors**

Xavier Kris	<i>Chairman</i>
Stephen Gorenstein	<i>Non-executive Director</i>
Silvio Salom	<i>Non-executive Director</i>
Leon Kempler	<i>Non-executive Director</i>
Rich Davis	<i>Non-executive Director</i>

**Company Secretary**

Andrew Metcalfe

**Registered Office**

Street: 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: [skyandspace.co](http://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

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## Directors' report

Your directors present their report on the consolidated entity, consisting of Sky and Space Company Limited (Formerly Sky and Space Global Limited) (**Parent** or **the Company**) and its controlled entities (collectively **the Group**), for the half-year ended 31 December 2021.

### Directors

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

■	Xavier Kris	Chairman
■	Stephen Gorenstein	Non-executive Director
■	Silvio Salom	Non-executive Director
■	Richard Davis	Non-executive Director
■	Leon Kempler	Non-executive Director

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

### Company Secretary

Andrew Metcalfe

### Dividends paid or recommended

There were no dividends paid or recommended during the period to 31 December 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.

### Operations Review

The Group's operations 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).

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 period ended 31 December 2021 the Group delivered a net loss of \$2,696,521 (31 December 2020: \$1,757,494 loss).

The financial statements have been prepared on a going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the ordinary course of business. Details of the Company's assessment in this regard can be found in Note 1a(ii) Statement of significant accounting policies: Going Concern on page 8.

**Directors' report****Financial position**

The net assets of the Group have decreased from 30 June 2021 by \$2,259,678 to \$(5,779,748) at 31 December 2021 (30 June 2021: \$(3,520,070)).

As at 31 December 2021, the Group's cash and cash equivalents increased from 30 June 2021 by \$7,784,646 to \$9,688,973 at 31 December 2021 (30 June 2021: \$1,904,327) and had a working capital deficit of \$5,230,161 (2021: \$(1,685,134) working capital deficit).

**Events Subsequent to Reporting Date**

There are no significant after balance date events that are not covered in this Directors' Report or within the financial statements at Note 18 Events subsequent to reporting date.

**Future Developments, Prospects and Business Strategies**

Future capital raises 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.

**Auditor's independence declaration**

The lead auditor's independence declaration under section 307C of the *Corporations Act 2001* (Cth) for the half-year ended 31 December 2021 has been received and can be found on page 3 of the interim report.

**XAVIER KRIS**

Executive Chairman

Dated this Monday, 9 May 2022



**Moore Australia Audit (WA)**

Level 15, Exchange Tower,  
2 The Esplanade, Perth, WA 6000  
PO Box 5785, St Georges Terrace, WA 6831

T +61 8 9225 5355

F +61 8 9225 6181

[www.moore-australia.com.au](http://www.moore-australia.com.au)

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

As auditor for the review of Sky and Space Company Limited and its controlled entities for the half-year ended 31 December 2021, I declare that, to the best of my knowledge and belief, there have been:

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

NEIL PACE  
PARTNER

MOORE AUSTRALIA AUDIT (WA)  
CHARTERED ACCOUNTANTS

Signed at Perth on the 9<sup>th</sup> day of May 2022.

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

for the half year ended 31 December 2021

	Note	31 Dec 21 \$	31 Dec 20 \$
Revenue	2a	24,234	-
Other income	2b	124,692	367,181
		148,926	367,181
Professional and consultancy fees		(1,417,736)	(1,370,556)
Marketing expenses		(806)	(788)
Travel and subsistence costs		(13,973)	(10,780)
Corporate expenses		(60,157)	(20,659)
Directors' fees		(120,000)	(64,257)
Employee benefits expense	3a	(217,396)	(122,116)
Office and administration costs		(45,819)	(241,426)
Shared based payments		(73,414)	-
Depreciation and amortisation	3b	(83,858)	(104,939)
Finance costs	3c	(1,020,908)	(109,245)
Impairment reversal	8	291,490	-
Other expenses		(108,752)	(77,644)
Loss before tax		(2,722,403)	(1,755,229)
Income tax expense		25,882	(2,265)
<b>Net loss for the period</b>		<b>(2,696,521)</b>	<b>(1,757,494)</b>
<i>Loss after income tax for the period attributable to:</i>			
■ Non-controlling interest		-	(842)
■ Owners of the parent		(2,696,521)	(1,756,652)
		(2,696,521)	(1,757,494)
<i>Other comprehensive income, net of income tax</i>			
■ Items that may be reclassified subsequently to profit or loss			
□ Foreign currency movement gain/(loss)		116,204	175,473
<b>Other comprehensive income for the period, net of tax</b>		<b>116,204</b>	<b>175,473</b>
<i>Total comprehensive loss attributable to members of the parent entity:</i>		<b>(2,580,317)</b>	<b>(1,582,021)</b>
■ Non-controlling interest		-	(842)
■ Owners of the parent		(2,580,317)	(1,581,179)
<b>Total comprehensive loss for the period</b>		<b>(2,580,317)</b>	<b>(1,582,021)</b>
<i>Earnings per share:</i>			
Basic and diluted loss per share (cents per share)	4	¢ (3.60)	¢ (0.07)

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 31 December 2021

	Note	31 Dec 21 \$	30 Jun 21 \$
<i>Current assets</i>			
Cash and cash equivalents	5	9,688,973	1,904,327
Trade and other receivables	6	614,958	1,186,269
<b>Total current assets</b>		<b>10,303,931</b>	<b>3,090,596</b>
<i>Non-current assets</i>			
Plant and equipment	7	359,092	48,786
Intangible assets	8	528,332	-
Right of use assets	9	98,453	295,326
<b>Total non-current assets</b>		<b>985,877</b>	<b>344,112</b>
<b>Total assets</b>		<b>11,289,808</b>	<b>3,434,708</b>
<i>Current liabilities</i>			
Trade and other payables	10	3,018,320	3,450,505
Employee benefits	11	42,909	52,212
Borrowings	12	5,687,589	1,022,527
Embedded derivative	12	6,616,357	-
Current tax liabilities		92,262	112,409
Lease liability	13	76,655	138,077
<b>Total current liabilities</b>		<b>15,534,092</b>	<b>4,775,730</b>
<i>Non-current liabilities</i>			
Trade and other payables	10	1,500,000	2,000,000
Lease liability	13	35,464	179,048
<b>Total non-current liabilities</b>		<b>1,535,464</b>	<b>2,179,048</b>
<b>Total liabilities</b>		<b>17,069,556</b>	<b>6,954,778</b>
<b>Net assets / (liabilities)</b>		<b>(5,779,748)</b>	<b>(3,520,070)</b>
<i>Equity</i>			
Issued capital	14	73,613,276	73,366,051
Reserves	15	1,201,616	1,011,998
Accumulated losses		(80,627,350)	(77,930,829)
Equity attributable to equity holders of the parent		(5,812,458)	(3,552,780)
Non-controlling interest		32,710	32,710
<b>Total equity / (deficiency)</b>		<b>(5,779,748)</b>	<b>(3,520,070)</b>

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



**SKY AND SPACE COMPANY LIMITED**

AND CONTROLLED ENTITIES  
ABN 73 117 770 475

**INTERIM REPORT**

31 December 2021

**Consolidated statement of changes in equity**

for the half year ended 31 December 2021

	Note						
		Contributed Equity	Other Equity	Share Based Payment Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Non-Controlling Interest
		\$	\$	\$	\$	\$	\$
Balance at 1 July 2020		62,597,080	-	-	397,066	(73,715,936)	33,537
Loss for the year		-	-	-	-	(1,756,652)	( 842)
Other comprehensive income for the period attributable owners of the parent		-	-	-	175,473	-	-
Total comprehensive income for the year attributable owners of the parent		-	-	-	175,473	(1,756,652)	( 842)
Transaction with owners, directly in equity							
Value of conversion rights – Convertible notes		-	450,000	-	-	-	-
Balance at 31 December 2020		62,597,080	450,000	-	572,539	(75,472,588)	32,695
Balance as at 1 July 2021		73,366,051	-	639,239	372,759	(77,930,829)	32,710
Loss for the year		-	-	-	-	(2,696,521)	-
Other comprehensive income for the year attributable owners of the parent		-	-	-	116,204	-	-
Total comprehensive income for the period attributable owners of the parent		-	-	-	116,204	(2,696,521)	-
Transaction with owners, directly in equity							
Shares issued in lieu of director fees	14a	247,225	-	-	-	-	-
Performance rights		-	-	73,414	-	-	-
Balance at 31 December 2021		73,613,276	-	712,653	488,963	(80,627,350)	32,710

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

**Consolidated statement of cash flows**

for the half year ended 31 December 2021

	31 Dec 21 \$	31 Dec 20 \$
<i>Cash flows from operating activities</i>		
Interest received	-	5
Payments to suppliers and employees	(2,954,475)	(1,175,284)
Net Income tax paid	(29,719)	-
Interest paid	(54,775)	(16,283)
<b>Net cash used in operating activities</b>	<b>(3,038,969)</b>	<b>(1,191,562)</b>
<i>Cash flows from investing activities</i>		
Purchase of plant and equipment	(89,309)	-
R&D rebates and grants received	818,624	367,176
Payments for development expenditure	(236,842)	-
<b>Net cash provided by investing activities</b>	<b>492,473</b>	<b>367,176</b>
<i>Cash flows from financing activities</i>		
Proceeds from issue of convertible notes, shares and options	10,504,599	450,000
Payments for capital raising costs	-	-
Net proceeds from borrowings	(222,774)	675,000
Repayment of lease liabilities	(54,823)	-
<b>Net cash provided by financing activities</b>	<b>10,227,002</b>	<b>1,125,000</b>
<b>Net decrease in cash held</b>	<b>7,680,506</b>	<b>300,614</b>
Cash and cash equivalents at the beginning of the period	1,904,327	74,308
Foreign exchange movement in cash	104,140	(220)
<b>Cash and cash equivalents at the end of the period</b>	<b>9,688,973</b>	<b>374,702</b>

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

**Notes to the consolidated financial statements**

for the period ended 31 December 2021

**Note 1 Statement of significant accounting policies**

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

The financial statements were authorised for issue on 9 May 2022 by the directors of the Company.

**a. Basis of preparation**

This interim financial report is intended to provide users with an update on the latest annual financial statements of Sky and Space Company Limited and its controlled entities. As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group. It is therefore recommended that this financial report be read in combination with the annual financial statements of the Group for the year ended 30 June 2021, together with any public announcements made during the half-year.

All amounts are presented in Australian Dollars unless otherwise noted. For the purposes of preparing the report, the half year has been treated as a discrete reporting period.

**i. Statement of compliance**

The half-year financial report is a general purpose financial report prepared in accordance with the *Corporations Act 2001* and AASB 134 *Interim Financial Reporting*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'. The half-year report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the most recent annual financial report.

The financial statements have been prepared on an accruals basis and are based on historical costs modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

**ii. Going concern**

The Group incurred a loss for the year of \$2,696,521 (2020: \$1,757,494 loss) and a net operating cash out-flow of \$3,038,969 (2020: \$1,191,562 out-flow) and had a deficiency of working capital and net assets as at 31 December 2021.

Notwithstanding this, 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.

The financial report has been prepared on a going concern basis, primarily for the following reasons:

- the directors are confident of raising additional capital from one or more sources currently under consideration, which will be necessary to fund the launch of its satellites and to implement and develop its communications infrastructure on a commercial scale.
- the Company has engaged with parties to manufacture and launch its satellites and to implement its communications infrastructure, from which it expects to generate continuing revenues.
- the directors are confident that the convertible notes referred to in Note 12, will ultimately be converted to fully paid issued shares and will therefore not require to be redeemed for cash.

Management has also prepared a cash flow forecast for the next 12 months, which includes, additional capital raisings, debt funding, receipt of research and development tax claim from UK authorities, receipt of other grants from a number of grant providers and conversion of existing loans. This cash flow forecast supports the directors view that they expect the Company to remain a going concern for at least the next 12 months.

Notwithstanding the matters noted above, significant work needs to be done by the Company to successfully raise additional capital and to implement its business plans. Consequently significant uncertainties still exist at this time in relation to the Company's ability to remain a going concern.

No adjustments have been made to carrying values of assets or liabilities or classifications of such in the statement of financial position which may be necessary if the going concern assumption was to no longer be appropriate.

**iii. Accounting Policies**

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements.

**b. Use of estimates and judgments**

The preparation of the interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amount of assets and liabilities, income and expenses. Actual results may differ from these estimates.

**Notes to the consolidated financial statements**

for the period ended 31 December 2021

**Note 1 Statement of significant accounting policies**

In preparing these interim financial statements, significant judgements made by management in applying the Company's accounting policies and key sources of estimation uncertainty were the same as those that were applied to the consolidated financial statements as at and for the year ended 30 June 2021.

**c. New and amended standards adopted by the Group**

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

**i. Other standards not yet applicable**

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

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

Professional services

**b. Other income**

Interest income

Government grants

Net gain/(loss) from the derecognition of financial liabilities measured at amortised cost

Net gain/(loss) from the modification/derecognition of financial liabilities – AAS 16

Discounts received

Grant income

Foreign exchange gains/(loss)

	31 Dec 21 \$	31 Dec 20 \$
	24,234	-
	24,234	-
	-	5
	-	367,176
	71,380	-
	(3,519)	-
	104,229	-
	19,118	-
	(66,516)	-
	124,692	367,181

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

Salary and wages

Employer's NI

Other employee related costs

**b. Depreciation**

Depreciation

**c. Finance costs**

Finance costs

	31 Dec 21 \$	31 Dec 20 \$
	179,026	62,762
	36,152	4,351
	2,218	55,003
	217,396	122,116
	83,858	104,939
	83,858	104,939
	1,020,908	109,245
	1,020,908	109,245

**Notes to the consolidated financial statements**

for the period ended 31 December 2021

**Note 4 Earnings per share (EPS)**
**a. Reconciliation of earnings to profit or loss**

Loss for the year

Less: loss attributable to non-controlling equity interest

Loss used in the calculation of basic and diluted EPS

**Note**

31 Dec 21	31 Dec 20
\$	\$
(2,696,521)	(1,757,494)
-	( 842)
(2,696,521)	(1,756,652)
31 Dec 21	31 Dec 20
No.	No.
74,895,400	2,502,478,657
2021	2020
¢	¢
(3.60)	(0.07)

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

Basic and diluted EPS (cents per share)

d. At the end of the period, the Group has 22,522,775 unissued shares under options (31 December 2020: 410,927,596) and 6,050,000 performance shares on issue (31 December 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 5 Cash and cash equivalents**
**a. Current**

Cash at bank

**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

**Note**

31 Dec 21	30 Jun 21
\$	\$
9,688,973	1,904,327
9,688,973	1,904,327
9,688,973	1,904,327
9,688,973	1,904,327

**Note 6 Trade and other receivables**

Other receivables

Other debtors

Prepayments

Deposits paid

R&amp;D tax rebate receivable

GST receivable

**Note**

31 Dec 21	30 Jun 21
\$	\$
28,552	29,052
24,143	-
116,755	19,298
36,022	32,143
-	773,624
409,486	332,152
614,958	1,186,269

**Notes to the consolidated financial statements**  
 for the period ended 31 December 2021

**Note 7 Plant, and equipment**

	31 Dec 21 \$	30 Jun 21 \$
Office equipment	598,531	558,200
Accumulated depreciation and impairment losses	(542,396)	(509,414)
	56,135	48,786
3 Diamonds	3,669,639	3,635,025
Accumulated depreciation and impairment losses	(3,669,639)	(3,635,025)
	-	-
Pearls	8,626,744	8,544,782
Accumulated depreciation and impairment losses	(8,626,744)	(8,544,782)
	-	-
6U	80,241	79,478
Accumulated depreciation and impairment losses	(80,241)	(79,478)
	-	-
16 Sats	302,957	-
Accumulated depreciation and impairment losses	-	-
	302,957	-
Total plant and equipment	359,092	48,786

	Assets under construction				Total \$
	Office Equipment \$	3 Diamonds \$	Pearls \$	6U \$	
Movement in carrying amounts					
<b>Cost</b>					
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
<b>Accumulated depreciation and impairment losses</b>					
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

**Notes to the consolidated financial statements**

for the period ended 31 December 2021

**Note 7 Plant, and equipment (cont.)**

	Assets under construction					Total \$
	Office Equipment \$	3 Diamonds \$	Pearls \$	6U \$	16 Sats \$	
Movement in carrying amounts						
<b>Cost</b>						
Balance at 1 July 2021	558,200	3,635,025	8,544,782	79,478	-	12,817,485
Additions	4,077	-	-	-	302,957	307,034
Effects of movements in foreign exchange rates	36,254	34,614	81,962	763	-	153,593
Balance at 31 December 2021	598,531	3,669,639	8,626,744	80,241	302,957	13,278,112
<b>Accumulated depreciation and impairment losses</b>						
Balance at 1 July 2021	509,414	3,635,025	8,544,782	79,478	-	12,768,699
Depreciation	40,003	-	-	-	-	40,003
Effects of movements in foreign exchange rates	(7,021)	34,614	81,962	763	-	110,318
Balance at 31 December 2021	542,396	3,669,639	8,626,744	80,241	-	12,919,020
CWV at 31 December 2021	56,135	-	-	-	302,957	359,092

**Note 8 Intangible asset**

	31 Dec 21 \$	30 Jun 21 \$
Licences	228,795	233,571
Accumulated amortisation and impairment losses	(228,795)	(233,571)
	-	-
Development costs	16,761,039	16,715,382
Accumulated amortisation and impairment losses	(16,232,707)	(16,715,382)
	528,332	-
Total Intangible Assets	528,332	-

	Licences \$	Development costs \$	Total \$
Movement in carrying amounts			
<b>Cost</b>			
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

**Notes to the consolidated financial statements**  
for the period ended 31 December 2021

**Note 8 Intangible asset (cont.)**

Movement in carrying amounts

**Accumulated amortisation and impairment losses**

Balance at 1 July 2020

Amortisation

Impairment losses

Effects of movements in foreign exchange rates

Balance at 30 June 2021

CWV at 30 June 2021

**Cost**

Balance at 1 July 2021

Additions

Effects of movements in foreign exchange rates

Balance at 31 December 2021

**Accumulated amortisation and impairment losses**

Balance at 1 July 2021

Amortisation

Effects of movements in foreign exchange rates

Impairment reversal

Balance at 31 December 2021

CWV at 31 December 2021

	Licences \$	Development costs \$	Total \$
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	-	-	-
Balance at 1 July 2021	233,571	16,715,382	16,948,953
Additions	-	236,842	236,842
Effects of movements in foreign exchange rates	(4,776)	(191,185)	(195,961)
Balance at 31 December 2021	228,795	16,761,039	16,989,834
Balance at 1 July 2021	233,571	16,715,382	16,948,953
Amortisation	-	-	-
Effects of movements in foreign exchange rates	(4,776)	(191,185)	(195,961)
Impairment reversal	-	(291,490)	(291,490)
Balance at 31 December 2021	228,795	16,232,707	16,461,502
CWV at 31 December 2021	-	528,332	528,332

**Note 9 Right of use asset**

Leased buildings

Less: accumulated depreciation

Total Right of use assets

*Movement in carrying amounts*

Leased buildings:

Opening balance

Additions

Depreciation

Gain on modification/derecognition

Effects of movements in foreign exchange rates

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

Depreciation charge related to right of use assets

Interest expense on lease liabilities

	31 Dec 21 \$	30 Jun 21 \$
Leased buildings	189,261	779,645
Less: accumulated depreciation	(90,808)	(484,319)
Total Right of use assets	98,453	295,326
Leased buildings:		
Opening balance	295,326	415,283
Additions	47,570	170,501
Depreciation	(43,855)	(182,346)
Gain on modification/derecognition	(230,306)	(132,764)
Effects of movements in foreign exchange rates	29,718	24,652
	98,453	295,326
(i) AASB 16 related amounts recognised in the statement of profit or loss		
Depreciation charge related to right of use assets	43,855	202,510
Interest expense on lease liabilities	13,826	180,666
	57,681	383,176



**Notes to the consolidated financial statements**

for the period ended 31 December 2021

**Note 10 Trade and other payables****a. Current**

Trade payables

Accruals

Other payables

**b. Non-current**

Accruals

Note	31 Dec 21 \$	30 Jun 21 \$
(i)	856,342	1,234,224
(ii)	1,882,305	1,916,609
	279,673	299,672
	3,018,320	3,450,505
(ii)	1,500,000	2,000,000
	1,500,000	2,000,000

(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.

**Note 11 Employee benefits**

Employee entitlements

31 Dec 21 \$	30 Jun 21 \$
42,909	52,212
42,909	52,212

**Note 12 Borrowings**

Loan – Telefox Ltd

Loan – CSS Alpha (BVI) Ltd

Convertible notes

Loan – Premium Funding

Note	31 Dec 21 \$	30 Jun 21 \$
(i)	738,869	709,428
(ii)	-	313,099
(iii)	4,894,542	-
	54,178	-
	5,687,589	1,022,527

(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. The loan was repaid in full during the half-year ended 31 December 2021.

**Notes to the consolidated financial statements**

for the period ended 31 December 2021

**Note 12 Borrowings (continued)**

- (iii) During the half-year ended 31 December 2021, the Company issued 11,296,500 unsecured convertible notes to raise \$11,296,500 before transactions costs. Interest rate of 10% per annum is payable on the notes in the event the loans are not converted into shares in accordance with the agreement. The notes have a maturity date of 31 December 2022. Under the agreement the convertible notes will automatically convert at a 30% discount rate to \$1.50 (being \$1.05) if the Company completes its Second Raising by the maturity date.
- As at the date of this report, the Company believes it will complete its Second Raising by the maturity date and therefore have not recognised any accrued interest on the convertible notes.

Net Proceeds from issue of convertible notes	11,296,500	-
Transaction costs	(737,908)	-
Embedded derivative	(6,616,357)	-
Embedded derivative - unwound	952,307	-
	4,894,542	-

**Note 13 Lease liability****a. Current**

Lease liability

31 Dec 21	30 Jun 21
\$	\$
76,655	138,077
76,655	138,077

**b. Non-current**

Lease liability

31 Dec 21	30 Jun 21
\$	\$
35,464	179,048
35,464	179,048
112,119	317,125

*Movement in carrying amounts*

Opening balance	317,125	673,064
Additions made during the year	47,570	170,501
Accrued interest during the year	13,826	180,666
Lease payments made during the year	(54,823)	(248,422)
Lease modification/derecognition during the year	(194,880)	(363,886)
Effects of movements in foreign exchange rates	(16,699)	(94,798)
	112,119	317,125

**Note 14 Contributed equity**

Fully paid ordinary shares at no par value

**a. Ordinary shares**

At the beginning of the period

2,800:1 share consolidation

Shares issued during the year:

■ Share issue on 15 Feb 2021

■ Share issue on 1 March 2021

■ Share issue in lieu of director fees

■ Options exercised at \$42 each (post consolidation)

Transaction costs relating to share issues

At reporting date

31 Dec 21	30 Jun 21	31 Dec 21	30 Jun 21
\$	\$	\$	\$
75,931,795	74,700,235	73,613,276	73,366,051
74,700,235	2,502,478,657	73,366,051	62,597,080
-	(2,501,580,345)	-	-
-	67,291,893	-	10,591,712
-	6,510,000	-	1,302,000
1,231,560	-	247,225	-
-	30	-	1,260
-	-	-	(1,126,001)
75,931,795	74,700,235	73,613,276	73,366,051

**Notes to the consolidated financial statements**

for the period ended 31 December 2021

**Note 14 Contributed equity (continued)**

	31 Dec 21 \$	30 Jun 21 \$	31 Dec 21 \$	30 Jun 21 \$
<b>b. Options</b>				
Options	22,522,775	22,522,775	639,239	639,239
At the beginning of the period	22,522,775	410,927,596	639,239	-
2,800:1 option consolidation	-	(410,809,841)	-	-
Options issued/(lapsed) during the year:				
■ Options exercisable at \$0.25 each expiring 27.01.2024	-	5,380,800	-	639,239
■ 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)	-	-
At reporting date	22,522,775	22,522,775	639,239	639,239
<b>c. Performance Shares</b>				
Performance shares	6,050,000	4,750,000	-	-
At beginning of the period	4,750,000	-	-	-
■ Class A rights issue	500,000	1,750,000	33,787	-
■ Class B rights issue	400,000	1,500,000	23,776	-
■ Class C rights issue	400,000	1,500,000	15,851	-
At reporting date	6,050,000	4,750,000	73,414	-

The Company has 6,050,000 Performance Rights on issue, being 2,250,000 Class A Performance Rights, 1,900,000 Class B Performance Rights and 1,900,000 Class C Performance Rights, with the following milestones:

**Milestone****Class A Performance Rights:**

- The Company formally completing the “Best and Final Offer” process for the manufacture of the first 16 satellites in its commercial constellation.
- On achievement of the milestone a Class A Performance Right converts into one Ordinary Share.

**Class B Performance Rights:**

- The Company achieving US\$2 million in revenue between the date of the DOCA effectuation and the date that is five years from the date of issue or trading its share on a recognised stock exchange or selling 50% or more of its assets to a third party
- On achievement of the milestone a Class B Performance Right converts into one Ordinary Share.

**Class C Performance Rights:**

- The Company achieving US\$10 million in revenue between the date of the DOCA effectuation and the date that is five years from the date of issue or trading its share on a recognised stock exchange or selling 50% or more of its assets to a third party
- On achievement of the milestone a Class C Performance Right converts into one Ordinary Share.

**Notes to the consolidated financial statements**

for the period ended 31 December 2021

**Note 15 Reserves**

Foreign currency translation reserve

Option reserve

	31 Dec 21	30 Jun 21
	\$	\$
Foreign currency translation reserve	488,963	372,759
Option reserve	712,653	639,239
	1,201,616	1,011,998

**Note 16 Commitments, contingent assets and contingent liabilities**

The Group has no material commitments as at 31 December 2021 (30 June 2021: nil).

**Note 17 Operating segments****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.

**Note 18 Events subsequent to reporting date**

There has not been any matters or circumstance that has arisen after balance date that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group in future periods.

**Note 19 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 4 to 17, 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;
  - (c) give a true and fair view of the financial position as at 31 December 2021 and of the performance for the half-year ended on that date of the Group.
2. the Directors have been given the declarations required by s.295A of the *Corporations Act 2001* (Cth);
3. in the directors' opinion there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable, based on the factors outlined in Note 1a(ii) Going concern.

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

A handwritten signature in blue ink, appearing to read 'XAVIER KRIS', with a large, stylized loop at the beginning and a horizontal line extending to the right.

**XAVIER KRIS**

Executive Chairman

Dated this Monday, 9 May 2022

**Moore Australia Audit (WA)**

Level 15, Exchange Tower,  
2 The Esplanade, Perth, WA 6000  
PO Box 5785, St Georges Terrace, WA 6831

T +61 8 9225 5355  
F +61 8 9225 6181

[www.moore-australia.com.au](http://www.moore-australia.com.au)

## INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF SKY AND SPACE COMPANY LIMITED

### Report on the Half-Year Financial Report

#### Conclusion

We have reviewed the accompanying half-year financial report of Sky and Space Company Ltd (the company) and its controlled entities (the consolidated entity or group), which comprises the consolidated statement of financial position as at 31 December 2021, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, the consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the company is not in accordance with the *Corporations Act 2001*, including:

- i. giving a true and fair view of the consolidated entity's financial position as at 31 December 2021 and of its performance for the half-year ended on that date; and
- ii. complying with Accounting Standard AASB 134: *Interim Financial Reporting* and the Corporations Regulations 2001.

#### Basis for Conclusion

We conducted our review in accordance with Auditing Standards on Review Engagements ASRE 2410: *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

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

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

**INDEPENDENT AUDITOR'S REVIEW REPORT  
TO THE MEMBERS OF SKY AND SPACE COMPANY LIMITED (CONTINUED)****Responsibility of the Directors for the Half-Year Financial Report**

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

**Auditor's Responsibility for the Review of the Financial Report**

Our responsibility is to express a conclusion on the financial report based on our review. ASRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the financial report is not in accordance with the *Corporations Act 2001* including:

- i. giving a true and fair view of the Company's financial position as at 31 December 2021 and its performance for the half-year ended on that date; and
- ii. complying with *Accounting Standard AASB 134: Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

NEIL PACE  
PARTNER

MOORE AUSTRALIA AUDIT (WA)  
CHARTERED ACCOUNTANTS

Signed at Perth this 9<sup>th</sup> day of May 2022.