

Global Satellite Solutions

 NewSat Limited
 Appendix 4E

29 August 2014

**RESULTS FOR ANNOUNCEMENT TO THE MARKET
 FOR THE YEAR ENDED 30 JUNE 2014**

- Revenue from ordinary activities of \$31.3 million, down 20% from \$39.3 million in FY13
- Gross Margin of \$11.5 million, down 29% from \$16.1 million in FY13
- Positive profit before depreciation, amortisation, finance costs and tax (EBITDA)¹ of \$2.6 million
- Net Profit of \$0.7 million
- Negative operating cash flow of \$3.5 million
- Cash and cash equivalents of \$45.5 million

The Appendix 4E results are based on the 30 June 2014 financial statements and accompanying disclosures which are in the process of being audited by Ernst & Young.

<i>A\$000s (unless indicated otherwise)</i>	Year Ended 30 June 2012	Year Ended 30 June 2013	Year Ended 30 June 2014	FY13-FY14 Change	% Growth
Revenue - from ordinary activities	37,244	39,260	31,252	(8,008)	▼ (20%)
Gross Margin	15,921	16,067	11,465	(4,602)	▼ (29%)
Profit before depreciation, amortisation, finance costs and tax (EBITDA)	3,881	12,079	2,632	(9,447)	▼ (78%)
Net profit for the period attributable to members; and Profit from ordinary activities after tax attributable to members	2,259	10,449	701	(9,748)	▼ (93%)
Operating cash flow	4,872	6,240	(3,459)	(9,699)	▼ (155%)
Cash and cash equivalents	3,761	112,781	45,545	(67,236)	▼ (60%)
Net tangible assets per security - (\$)	(0.0160)	0.3448	(0.2744)	(0.6192)	▼ (180%)
Basic earnings per share - (cents)	1.1486	3.1127	0.1202	(2.9925)	▼ (96%)
Diluted earnings per share - (cents)	0.9710	2.7521	0.1102	(2.6419)	▼ (96%)

Payment of a dividend is not proposed.

¹ EBITDA is calculated as profit before depreciation, amortisation, finance costs and tax (EBITDA) and is included to assist investors better understand the performance of the business as management consider cash generation ability to be a key performance measure. Non-IFRS information has not been subject to review from the group's external auditor.

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Commentary on the Group Results

The NewSat Limited Board of Directors reports the Group performance for the year ended 30 June 2014.

Revenue

Total revenue for FY14 was \$31.3 million, down 20% from \$39.3 million in FY13. As previously announced to the ASX on 6 June 2014, NewSat revised its earnings expectations for FY14 with revenue from ordinary activities expected to be in the range of \$30 million to \$33 million.

At the time of the half year results announcement the Company expected market conditions to improve and its efforts to pursue the diversification strategy to reposition for new growth across new vertical markets and geographical locations to yield second half benefits. However, as announced to the ASX on 6 June 2014, market conditions for the second half of FY14 did not improve to the levels initially anticipated by NewSat, with a delay in the upturn of key target markets and a lower than expected number of renewals.

The first half revenue results were largely impacted by a loss of renewal contracts from a US-based partner due to the US government withdrawal from Afghanistan, and challenging market conditions with declines in economic activity across government, mining, oil and gas industries. This led to lower than expected contract renewals, a trend that continued through the second half of FY14.

New business contracts grew strongly over the financial year. NewSat signed a significant number of new teleport business contracts with a total value of US\$23.3 million (over the life of these contracts), representing 44% growth compared to last year. The new contracts signed generated US\$4.9 million of additional revenue in FY14, incremental to the Company's existing customer/contract base, and provides an order backlog of contracted future revenue of US\$4.7 million for FY15. For FY16 and onwards, the contract future revenue is US\$13.7 million and incremental to the Company's existing customer/contract base.

Demand was generated from government, maritime, aeronautical, mining, oil and gas markets across Australia, Asia and the Middle East, and included significant new contracts with Custom SATCOM Solutions (CS2) Industry Partners, US and Australian systems integrators, global satellite operators and an Asian telecommunications company.

The Asian telecommunications company contract, announced late in the financial year, has a total contract value of US\$13.6 million over three years. The customer contract commencing in the first half of FY15 will utilise steerable third party capacity, enabling the customer to provide cellular and Wi-Fi backhaul services across parts of Asia.

Profit

Gross margin of \$11.5 million for the full year of FY14 was down 29% from \$16.1 million in FY13. Gross margin was down due to lower than expected sales renewals, increase in teleport operational costs and excess inventory of satellite capacity. Excess satellite capacity was a result of bulk procurements to realise cost efficiencies that over time has resulted in NewSat holding unsold capacity.

Profit before depreciation, amortisation, finance costs and tax (EBITDA) was positive \$2.6 million, down 78% from \$12.1 million in FY13. EBITDA was down due to decreased sales, increases in salary costs driven by key strategic hires as NewSat readies to become a global satellite operator and increased occupancy costs to support presence in key geographical locations where growth is expected.

The NewSat Group profit for the full year of \$701,000 includes significant items relating to unrealised exchange gains. As announced to the market in February 2014, NewSat reached financial close with export credit agencies (ECA), the US Ex-Im Bank and COFACE, for US\$390.1 million of debt funding for the Jabiru-1 satellite project. These proceeds were converted into United States Dollars to manage financial risk as

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material commitments for the Jabiru-1 satellite project are payable in this currency. Australian Accounting Standards require that foreign currency cash and cash equivalents and borrowings be translated at the spot exchange rate at the end of the reporting period, potentially leading to volatility in the income statement. Excluding the impact of this significant item, NewSat Group's net profit after income tax for the full year was a loss of \$5.97 million.

As previously announced to the ASX on 6 June 2014, NewSat revised its profit expectations for FY14 to a Net Loss Attributable to Members (excluding unrealised foreign currency transactions) in the range of \$5.0 million to \$6.0 million. The final \$5.97 million loss before unrealised currency gains is in line with this guidance.

During the second half of the year, the Company commenced implementing strategies to reduce costs and further diversify its customer base to reposition for new growth across new vertical markets and geographical locations. The cost cutting strategies are progressing well and includes headcount reduction, voluntary reduction in executive remuneration of 10 to 25% and waiver of bonuses, reduced travel, marketing and consultancy expenses, and bandwidth consolidation.

Financial Position

The balance sheet of the Group reflects a net current liability position of \$176 million. NewSat has previously disclosed that there was an alleged technical/documentary breach of loan covenants with ECA lenders. As a consequence, ECA borrowings of \$158.5 million and convertible note borrowings of \$28.9 million are considered to be in default at 30 June 2014 and have been classified as current liabilities.

However, as announced on 25 August 2014, NewSat reached a formal agreement for a waiver of the alleged breach from ECA lenders on agreed terms and conditions.

Once the conditions to the waiver are satisfied, the ECA lenders will recommence debt drawdowns for the Jabiru-1 project. Prior to the satisfaction of waiver conditions, NewSat will utilise existing cash reserves set aside to fund the Jabiru-1 project and approved teleport business expenses.

Key waiver conditions to be satisfied by NewSat include:

1. The raising of equity or mezzanine debt proceeds of not less than US\$20 million prior to 30 September 2014 and cumulatively, not less than US\$40 million prior to 30 November 2014.
2. The appointment of a further two Directors to the Board.
3. The appointment of a Chief Financial Officer.
4. The satisfactory conclusion of an in progress review of NewSat accounts on behalf of lenders.
5. The implementation of certain corporate governance recommendations.

In relation to the above waiver conditions, the NewSat Limited Board of Directors can report that significant progress has been made to satisfy the conditions:

1. Discussions with a number of potential new investors are progressing well. The Directors are confident that these discussions will see NewSat raising the amounts of capital required by the waiver conditions, within the timeframes required.
2. The selection and interview process for new Directors is progressing well. NewSat expects to name one new Director shortly and another before the end of September 2014.
3. NewSat announced the appointment of Ms Linda Dillon as Chief Financial Officer on 19 August 2014. Ms Dillon will commence her appointment with NewSat on 8 September 2014.
4. The review of NewSat accounts on behalf of lenders is continuing and NewSat continues to support this review.
5. Key governance recommendations are in the process of being implemented.

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Outlook

Teleport business

The Company is confident that the implementation of a range of efficiency and sales diversification strategies will reduce the overall operating costs and ensure that sustainable business growth is achieved. Albeit slower than expected, it is pleasing to see that the Company's diversification strategy into new markets is starting to yield results and positions NewSat for a stronger FY15. The US\$13.6 million contract signed in June 2014 is evidence of this. NewSat is therefore confident of delivering medium term growth as the Company's world recognised teleport assets remain a fundamental strength of its business.

The Jabiru-2 hosted payload initiative will provide further competitive advantages to the teleport business. It will provide NewSat with a more compelling product offering in key markets in and around Australia where the Company has faced increased competition and decreased renewals. It also enables NewSat to return more expensive third party capacity and consolidate demand where possible onto Jabiru-2, with savings flowing directly to the bottom line.

During FY14, MEASAT completed the construction of MEASAT-3b, which will host the Jabiru-2 payload, and was transported to Kourou, French Guiana where it awaits launch in September 2014. In July 2014, NewSat signed a contract with a leading global systems integrator for the supply of US\$11.7 million of Jabiru-2 satellite transmission capacity, an indication that the Company is set for a more promising FY15.

Jabiru-1 satellite project

The strategic growth project, Jabiru-1, continues to progress towards launch and ultimately to deliver a step-change in earnings and EBITDA margins. Over the financial year NewSat achieved many critical milestones for this ground-breaking project.

1. Signed an additional US\$26 million of revenue on pre-launch customer contracts for Jabiru-1 satellite capacity, taking total binding pre-launch contracts for Jabiru-1 satellite capacity to US\$644 million.
2. Received confirmation letter from Malaysian Communications and Multimedia Commission (MCMC) to MEASAT with respect to the use of the orbital slot 91.5°E for the Jabiru-1 satellite.
3. Reached financial close with US Ex-Im Bank and COFACE for US\$390.1 million of debt funding for the Jabiru-1 satellite project.
4. Successfully completed a comprehensive technical review of Jabiru-1 with Lockheed Martin, achieving Critical Design Review (CDR) of the satellite and each subsystem.
5. Component manufacturing is ongoing at Lockheed Martin and at numerous external suppliers in the USA, Canada, France, Germany, Italy and Spain.
6. Key satellite components have been delivered to Lockheed Martin in advance of spacecraft integration, scheduled to take place at Lockheed Martin's facilities in Denver, Colorado in late calendar year 2014.
7. Awarded Kratos Integral Systems International (Kratos ISI) business unit the contract to provide the satellite command and control system for the Jabiru-1 satellite. The system is scheduled for delivery in the second half of calendar year 2015.
8. Awarded contract for ground antennas and associated electronic systems, with commissioning of the system schedule for the second half of calendar year 2015.
9. Progressed ground system developments including flight dynamics system, carrier monitoring system and the capacity management system.
10. Tenders have been received for Phase 1 of the civil works in regards to the expansion of the Adelaide teleport and contract award will take place in the near future.
11. Conducted mission analysis kick-off with Arianespace and Lockheed Martin, including submission of the required inputs into the initial draft of the Demande d'Utilisation Arianespace (DUA), translating to the Application to Use Arianespace's Launch Vehicle.

NewSat Limited

ABN 12 003 237 303

ASX Appendix 4E Preliminary Final Report

30 June 2014

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Consolidated Statement of Comprehensive Income

for the year ended 30 June 2014

	Notes	Year Ended 30 June 2014 \$'000	Year Ended 30 June 2013 \$'000
Revenue			
Sale of goods and services		31,138	39,172
Finance revenue		114	88
Revenue	3(a)	31,252	39,260
Cost of Sales		(19,787)	(23,193)
Gross margin		11,465	16,067
Salaries & employee benefits expense	3(b)	(7,850)	(6,691)
Share based payments (non cash)	3(b)	(463)	(415)
Sales and marketing expense		(1,497)	(1,532)
Occupancy expense	3(c)	(1,038)	(613)
Other expenses / income (net)	3(d)	2,015	5,263
Profit before depreciation, amortisation, finance costs and tax (EBITDA)¹		2,632	12,079
Depreciation & amortisation	3(e)	(1,478)	(1,618)
Finance costs	3(f)	(453)	(12)
Profit before income tax		701	10,449
Income tax expense		-	-
Profit attributable to members of parent		701	10,449
Other comprehensive income for the period, net of tax		-	-
Total Comprehensive Income		701	10,449

Earnings per share for profit attributable to ordinary equity holders of the parent.

Basic earnings per share (cents) **0.1202** 3.1127

Diluted earnings per share (cents) **0.1102** 2.7521

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

¹ EBITDA is calculated as profit before depreciation, amortisation, finance costs and tax (EBITDA) and is included to assist investors better understand the performance of the business as management consider cash generation ability to be a key performance measure. Non-IFRS information has not been subject to audit from the group's external auditor.

Consolidated Balance Sheet

as at 30 June 2014

		As at 30 June 2014	As at 30 June 2013
	Notes	\$'000	Restated. See Note 12 \$'000
ASSETS			
Current Assets			
Cash and cash equivalents	4	45,545	112,781
Trade and other receivables		5,771	5,077
Inventories		445	495
Prepayments		2,785	2,745
Other financial assets		3,666	3,914
Total Current Assets		58,212	125,012
Non-current Assets			
Property, plant and equipment	5	8,357	7,474
Intangible assets and goodwill	6	399,190	125,553
Total Non-current Assets		407,547	133,027
Total Assets		465,759	258,039
LIABILITIES			
Current Liabilities			
Trade and other payables		34,938	12,302
Interest-bearing loans and borrowings	7	187,446	47
Other financial liabilities	8	6,356	-
Provisions		1,825	2,129
Deferred income		3,443	5,031
Other post-employment benefit liability		244	141
Total Current Liabilities		234,252	19,650
Non-current Liabilities			
Interest-bearing loans and borrowings	7	128	31,760
Other liabilities		102	125
Provisions		82	74
Total Non-current Liabilities		312	31,959
Total Liabilities		234,564	51,609
Net Assets		231,195	206,430
Equity attributable to equity holders of the parent			
Contributed equity	9	274,314	265,583
Retained earnings	9	(97,037)	(97,738)
Reserves		53,918	38,585
Total Equity		231,195	206,430

The above Balance Sheet should be read in conjunction with the accompanying notes.

Consolidated Cash Flow Statement

for the year ended 30 June 2014

	Notes	Year Ended 30 June 2014 \$'000	Year Ended 30 June 2013 Restated \$'000
Cash flows from operating activities			
Receipts from customers		29,496	41,058
Payments to suppliers and employees		(33,069)	(34,906)
Interest received		114	88
Net cash flows (used in) / from operating activities	4	(3,459)	6,240
Cash flows from investing activities			
Purchase of property, plant and equipment		(2,295)	(1,792)
Proceeds from sale of property, plant and equipment		37	24
Purchase of property for Satellite Development Project		-	(1,118)
Investment in Satellite Development Project		(256,081)	(27,056)
Net cash flows (used in) / from investing activities		(258,339)	(29,942)
Cash flows from financing activities			
Proceeds from issue of shares	9	2,150	96,900
Transaction costs of issue of shares		(51)	(9,175)
Proceeds from borrowings (interest bearing loans)		194,752	39,040
Repayment of borrowings (interest bearing loans)		-	(6,300)
Interest paid		(11)	(12)
Payment of finance lease liabilities		(45)	(35)
Net cash flows (used in) / from financing activities		196,795	120,418
Net increase in cash and cash equivalents		(65,003)	96,716
Net foreign exchange differences		(2,233)	12,304
Cash and cash equivalents at beginning of period		112,781	3,761
Cash and cash equivalents at end of period	4	45,545	112,781

The above Cash Flow Statement should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

for the year ended 30 June 2014

	Attributable to equity holders of the parent					
	Issued capital	Retained earnings	Share Based Payment Reserve	Asset Revaluation Reserve	Equity Option Reserve	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 July 2013	265,583	(97,738)	37,370	1,215	-	206,430
Total comprehensive income for the period						
Profit from operations	-	701	-	-	-	701
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the period	-	701	-	-	-	701
Transactions with owners recorded directly in equity						
Shares issued (capital raising)	2,150	-	-	-	-	2,150
Shares issued (in lieu of cash)	233	-	-	-	-	233
Shares issued (repayment of borrowings)	6,399	-	-	-	-	6,399
Shares issued (exercise of warrants)	- *	-	-	-	-	-
Shares issued (exercise of options)	-	-	-	-	-	-
Cost of capital raising	(51)	-	-	-	-	(51)
Share based payments	-	-	15,333	-	-	15,333
Total transactions with owners	8,731	-	15,333	-	-	24,064
At 30 June 2014	274,314	(97,037)	52,703	1,215	-	231,195

	Attributable to equity holders of the parent					
	Issued capital	Retained earnings	Share Based Payment Reserve	Asset Revaluation Reserve	Equity Option Reserve	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 July 2012	161,957	(108,317)	6,962	1,215	130	61,947
Total comprehensive income for the period						
Profit from operations	-	10,449	-	-	-	10,449
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the period	-	10,449	-	-	-	10,449
Transactions with owners recorded directly in equity						
Shares issued (capital raising)	96,900	-	-	-	-	96,900
Shares issued (in lieu of cash)	900	-	-	-	-	900
Shares issued (repayment of borrowings)	16,563	-	-	-	-	16,563
Shares issued (exercise of warrants)	- *	-	-	-	-	-
Shares issued (exercise of options)	-	-	-	-	-	-
Transfer to / (from) reserves	-	130	-	-	(130)	-
Cost of capital raising	(10,737)	-	-	-	-	(10,737)
Share based payments	-	-	30,408	-	-	30,408
Total transactions with owners	103,626	130	30,408	-	(130)	134,034
At 30 June 2013	265,583	(97,738)	37,370	1,215	-	206,430

* Amount is less than \$1,000

The above Statements of Changes in Equity should be read in conjunction with the accompanying notes.

Notes to the Consolidated Financial Statements

for the year ended 30 June 2014

1 BASIS OF PREPARATION

The balance sheet of the group reflects a net current liability position of \$176 million. NewSat has previously disclosed that there was an alleged technical / documentary breach of loan covenants with ECA (Export Credit Agencies) lenders. As a consequence, ECA borrowings of \$158.5 million and convertible note borrowings of \$28.9 million are considered to be in default at 30 June 2014 and have been classified as current liabilities.

However, as announced on 25 August 2014 NewSat reached a formal agreement for a waiver of the alleged breach from ECA lenders on agreed terms and conditions.

Once the conditions to the waiver are satisfied, the ECA lenders will recommence debt drawdowns for the Jabiru-1 project. Prior to the satisfaction of waiver conditions, NewSat will utilise existing cash reserves set aside to fund the Jabiru project and approved Teleport expenses.

Key waiver conditions to be satisfied by NewSat include:

- The raising of equity or mezzanine debt proceeds of not less than US\$20 million prior to 30 September 2014 and cumulatively, not less than US\$40 million prior to 30 November 2014;
- The appointment of a further two directors to the Board;
- The appointment of a Chief Financial Officer;
- The satisfactory conclusion of an in progress review of NewSat accounts on behalf of lenders;
- The implementation of certain corporate governance recommendations.

In relation to the above waiver conditions the NewSat Limited Board of Directors can report that significant progress has been made to satisfy the conditions:

- Discussions with a number of potential new investors are progressing well. The Directors are confident that these discussions will see NewSat raising the amounts of capital required by the waiver conditions, within the timeframes required;
- The selection and interview process for new Directors is progressing well. NewSat expects to name one new Director shortly and another before the end of September 2014;
- NewSat announced the appointment of Ms Linda Dillon as Chief Financial Officer on 19 August 2014. Ms Dillon will commence her appointment with NewSat on 8 September 2014;
- The review of NewSat accounts on behalf of lenders is continuing and NewSat continues to support this review;
- Key governance recommendations are in the process of being implemented.

Notes to the Consolidated Financial Statements (continued)

for the year ended 30 June 2014

2 OPERATING SEGMENTS

(a) Identification of Reportable Segments

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

The operating segments are identified by management based on the nature and market in which the products and services are sold. Discrete financial information about each of these operating businesses is reported by the Executive Management Team to the Board of Directors on at least a monthly basis.

The reportable segments are based on aggregated operating segments determined by the similarity of the products produced and sold and/or the services provided, as these are the sources of the Group's major risks and have the most effect on the rates of return.

(b) Reportable Segments

Delivery of Satellite Communications Solutions

The NewSat Limited Group provides satellite communications solutions to its customers including sale of space capacity, VOIP and data services, up linking and down linking and other related services.

Satellite Development

As announced to the market in recent months, the Group is in the construction phase of the first satellite as part of the Jabiru Satellite Project and continues to significantly progress the development of the project. The project involves the development of a geostationary satellite program with the first launch anticipated in 2015.

(c) Accounting Policies and Inter-Segment Transactions

The accounting policies used by the Group in reporting segments internally are the same as those applied in the 2013 Annual Report (Note 2).

(d) Major customers

Sales from one customers account in excess of 10% of consolidated revenue. The customer is in the Delivery of Satellite Services segment. Revenue from the customer was approximately \$5,242,858 (2013: approximately \$10,438,463).

Notes to the Consolidated Financial Statements (continued)

for the year ended 30 June 2014

2 OPERATING SEGMENTS (continued)

(e) Information about reportable segments

	Delivery of Satellite Services	Jabiru Satellite Development	Unallocated Items	Total
	\$000	\$000	\$000	\$000
Year Ended 30 June 2014				
Revenue				
Sales to external customers	31,138	-	-	31,138
Total segment revenue	31,138	-	-	31,138
Segment profit / (loss) before depreciation, amortisation, finance costs and tax (Segment EBITDA)				
	4,564	(7)	-	4,557
Depreciation and amortisation	1,057	-	421	1,478
Capital expenditure	2,078	-	338	2,416
Investment in satellite development asset	-	273,642	-	273,642
Year Ended 30 June 2013				
Revenue				
Sales to external customers	39,172	-	-	39,172
Total segment revenue	39,172	-	-	39,172
Segment profit / (loss) before depreciation, amortisation, finance costs and tax (Segment EBITDA)				
	10,091	(1)	-	10,090
Depreciation and amortisation	1,405	-	213	1,618
Capital expenditure	2,695	-	213	2,908
Investment in satellite development asset	-	60,016	-	60,016

Notes to the Consolidated Financial Statements (continued)

for the year ended 30 June 2014

2 OPERATING SEGMENTS (continued)

(f) Reconciliation of reportable segment revenues and profit or loss

Revenue	Year Ended	Year Ended
	30 June 2014	30 June 2013
	\$'000	\$'000
Total segment revenue	31,138	39,172
Interest revenue	114	88
Consolidated revenue	31,252	39,260

Profit before income tax	Year Ended	Year Ended
	30 June 2014	30 June 2013
	\$'000	\$'000
Reported segment profit before depreciation, amortisation, finance costs and tax	4,557	10,090
<i>Unallocated items:</i>		
Share based payments charge	(463)	(415)
Foreign exchange gains	6,669	8,183
Unallocated amounts - other corporate expenses	(8,131)	(5,779)
Profit before depreciation, amortisation, finance costs and tax (EBITDA) per the Statement of Comprehensive Income	2,632	12,079
Depreciation & amortisation	(1,478)	(1,618)
Finance costs	(453)	(12)
Profit before income tax per the Statement of Comprehensive Income	701	10,449

Notes to the Consolidated Financial Statements (continued)

for the year ended 30 June 2014

3 REVENUE, INCOME AND EXPENSES

	Year ended 30 June 2014 \$'000	Year ended 30 June 2013 \$'000
(a) Revenue		
Sale of goods	782	1,131
Rendering of services	30,356	38,041
Finance revenue	114	88
	<u>31,252</u>	<u>39,260</u>
(b) Employee benefits expense		
Wages and salaries	7,327	6,133
Workers' compensation costs	33	36
Defined contribution plan expense	535	457
Long service leave provision	(45)	65
Employee benefits expense (cash settled)	<u>7,850</u>	<u>6,691</u>
Share-based payments expense	463	415
Employee benefits expense (cash and equity settled)	<u>8,313</u>	<u>7,106</u>
(c) Occupancy expenses		
Operating lease expense	880	497
Other occupancy expense	158	116
Total occupancy expenses	<u>1,038</u>	<u>613</u>
(d) Other expenses / income (net)		
Consulting fees	162	65
Audit and tax fees	337	268
Insurance	394	256
Legal fees	249	120
Director fees	610	460
Travel expenses	558	331
Repair & maintenance	303	326
Loss on disposal of property, plant and equipment	25	-
Administrative expense	2,016	1,094
Foreign currency gain	(6,669)	(8,183)
	<u>(2,015)</u>	<u>(5,263)</u>
(e) Depreciation and amortisation		
Amortisation of intangible assets	5	8
Depreciation	1,473	1,610
	<u>1,478</u>	<u>1,618</u>
(f) Finance costs		
Interest expenses	443	-
Finance charges payable under finance leases and hire purchase contracts	10	12
Total finance costs	<u>453</u>	<u>12</u>

Notes to the Consolidated Financial Statements (continued)

for the year ended 30 June 2014

4 CASH AND CASH EQUIVALENTS

	Year ended 30 June 2014	Year ended 30 June 2013
	\$'000	\$'000
Cash at bank and in hand	44,200	111,344
Short-term deposits	1,345	1,437
	45,545	112,781

Cash and cash equivalents include term deposits held with financial institutions that either back letters of credit or guarantees to fund security obligations of certain operating leases the group has entered into. At 30 June 2014 these deposits had a value of \$1,344,953 (2013: \$1,436,906)

As at 30 June 2014, US\$25 million was restricted by ECA (Export Credit Agencies) lenders for contingent events for Jabiru-1 project.

Under the conditions of the waiver to covenant breaches approved by lenders and announced by NewSat on 25 August 2014, NewSat is now able to access this US\$25 million immediately for the purpose of Jabiru-1 approved project costs, whilst other conditions associated with the waiver, including capital raising are undertaken. Refer Note 11 subsequent events for further details.

Reconciliation to Cash Flow Statement

For the purposes of the Cash Flow Statement, cash and cash equivalents comprise the following at 30 June:

	Year ended 30 June 2014	Year ended 30 June 2013
	\$'000	\$'000
Cash at bank and short-term deposits	45,545	112,781
	45,545	112,781

Reconciliation of net profit after tax to net cash flows from operations

Net Profit	701	10,449
<u>Adjustments for:</u>		
Depreciation	1,473	1,610
Amortisation of intangibles	5	8
Doubtful debts	29	-
Stock adjustment	39	41
Employee entitlements	(177)	535
Loss on disposal of property, plant and equipment	25	-
Interest expense	453	12
Unrealised FX Gain	(6,669)	(8,621)
Share options expensed	463	415
<i>Changes in assets and liabilities</i>		
(Increase)/decrease in inventories	11	(4)
(Increase)/decrease in trade and other receivables	(170)	812
(Increase)/decrease in prepayments	54	375
(Decrease)/increase in trade and other payables	(869)	844
(Decrease)/increase in provisions	1,173	(236)
Net cash from operating activities	(3,459)	6,240

Notes to the Consolidated Financial Statements (continued)

for the year ended 30 June 2014

5 PROPERTY, PLANT AND EQUIPMENT

(a) Movement in property, plant and equipment

Year ended 30 June 2014

	Freehold land, buildings & leasehold improvements	Plant and equipment	Total
	\$'000	\$'000	\$'000
At 1 July 2013, net of accumulated depreciation and impairment	4,238	3,236	7,474
Additions	511	1,905	2,416
Disposals	-	(145)	(145)
Depreciation charge for the year	(150)	(1,323)	(1,473)
Accumulated depreciation - disposals	-	85	85
At 30 June 2014, net of accumulated depreciation and impairment	4,599	3,758	8,357

At 1 July 2013

Cost or fair value	5,805	18,547	24,352
Accumulated depreciation and impairment	(1,567)	(15,311)	(16,878)
Net carrying amount	4,238	3,236	7,474

At 30 June 2014

Cost or fair value	6,316	20,307	26,623
Accumulated depreciation and impairment	(1,717)	(16,549)	(18,266)
Net carrying amount	4,599	3,758	8,357

Year ended 30 June 2013

At 1 July 2012, net of accumulated depreciation and impairment	2,949	3,248	6,197
Additions	1,443	1,465	2,908
Disposals	-	(26)	(26)
Depreciation charge for the year	(154)	(1,456)	(1,610)
Accumulated depreciation - disposals	-	5	5
At 30 June 2013, net of accumulated depreciation and impairment	4,238	3,236	7,474

At 1 July 2012

Cost or fair value	4,362	17,108	21,470
Accumulated depreciation and impairment	(1,413)	(13,860)	(15,273)
Net carrying amount	2,949	3,248	6,197

At 30 June 2013

Cost or fair value	5,805	18,547	24,352
Accumulated depreciation and impairment	(1,567)	(15,311)	(16,878)
Net carrying amount	4,238	3,236	7,474

(b) Additional information

The useful life of the assets for 2013 and 2014 was estimated as follows:

Land	Indefinite useful life (not depreciated)
Buildings	15 years
Leasehold improvements	Lease term
Plant and equipment	2 to 5 years

Notes to the Consolidated Financial Statements (continued)

for the year ended 30 June 2014

6 INTANGIBLE ASSETS AND GOODWILL

At 1 July 2013

Cost (gross carrying amount)
Accumulated amortisation and impairment
Net carrying amount at 1 July 2013

Customer Contracts ¹	Goodwill ²	Satellite Development Asset ³	Total
\$'000	\$'000	\$'000	\$'000
1,004	11,206	116,927	129,137
(993)	(2,591)	-	(3,584)
11	8,615	116,927	125,553

Year ended 30 June 2014

Net carrying amount at 1 July 2013
Addition - Internal development
Amortisation

Net carrying amount at 30 June 2014

11	8,615	116,927	125,553
-	-	273,642	273,642
(5)	-	-	(5)
6	8,615	390,569	399,190

At 30 June 2014

Cost (gross carrying amount)
Accumulated amortisation and impairment
Net carrying amount at 30 June 2014

1,004	11,206	390,569	402,779
(998)	(2,591)	-	(3,589)
6	8,615	390,569	399,190

At 1 July 2012

Cost (gross carrying amount)
Accumulated amortisation and impairment
Net carrying amount at 1 July 2012

Customer Contracts ¹	Goodwill ²	Satellite Development Asset ³	Total
\$'000	\$'000	\$'000	\$'000
1,004	11,206	56,911	69,121
(985)	(2,591)	-	(3,576)
19	8,615	56,911	65,545

Year ended 30 June 2013

Net carrying amount at 1 July 2012
Addition - Internal development
Amortisation

Net carrying amount at 30 June 2013

19	8,615	56,911	65,545
-	-	60,016	60,016
(8)	-	-	(8)
11	8,615	116,927	125,553

At 30 June 2013

Cost (gross carrying amount)
Accumulated amortisation and impairment
Net carrying amount at 30 June 2013

1,004	11,206	116,927	129,137
(993)	(2,591)	-	(3,584)
11	8,615	116,927	125,553

1 The customer contracts are for a finite period and therefore have a finite life. In accordance with AASB 138 'Intangible Assets', the amortisation in relation to an intangible asset with a finite useful life shall be allocated on a systematic basis over its useful life. The Group has considered diminishing value method to be the most appropriate method to apply.

2 Purchased as part of business combinations. Goodwill acquired through business combinations has been allocated to the Teleport cash generating unit which is included in the Delivery of Satellite Services segment. The key assumption on which management has based its valuation of goodwill was that the business will generate cash flows as per the most recent financial budgets. This is reliant on the following factors: gross margins, market share during the budget period and growth rate used to extrapolate cash flows beyond the budget period.

3 The Group has significantly progressed the development of the project during the financial year. The project involves the development of a geostationary satellite program with the first launch anticipated in 2015. The key assumptions on which management has based its valuation of the intangible satellite asset have reference to market factors (competition, demand), operational factors (launch, operation, life, co-ordination), financing factors and general economic environment factors. In the event that any of these assumptions change or risks associated with these factors eventuate, there may be a requirement to revisit the carrying value assessment of the intangible asset at that time. \$14,413,921 (2013: \$4,253,087) of borrowing costs relating to the project have been capitalised.

Notes to the Consolidated Financial Statements (continued)

for the year ended 30 June 2014

7 INTEREST-BEARING LOANS AND BORROWINGS

		As at 30 June 2014 \$'000	As at 30 June 2013 \$'000
	Maturity		
Current			
Obligations under finance leases and hire purchase contracts	Dec-14 to Feb-19	56	47
ECA (Export Credit Agencies) Debt Facility (a)	Jul-24	158,503	-
Convertible note (b)	Feb-18	28,887	-
		<u>187,446</u>	<u>47</u>
Non-Current			
Obligations under finance leases and hire purchase contracts	Dec-14 to Feb-19	128	61
Convertible note (b)	Feb-18	-	31,699
		<u>128</u>	<u>31,760</u>

(a) In February 2014, NewSat announced that financial close was reached with the Ex-Im Bank for US\$300.5 million and COFACE for US\$89.6 million, a total of US\$390.1 million of debt funding for the Jabiru-1 project. As at 30 June 2014, the Company has drawn down US\$139.1 million from Ex-Im Bank and US\$26.3 million from COFACE.

As at 30 June 2014, NewSat was in technical breach of certain covenants as NewSat had not obtained lenders' approval for entering into a US\$10 million unsecured short-term loan facility with Ever Tycoon Limited, a related party of a director of NewSat, Mr. Ching Chiat Kwong. This technical breach has also caused the US\$30 million convertible notes loan to be in technical default. Consequently all interest bearing loans are classified as current liabilities at 30 June 2014.

As noted in Note 11 subsequent events, NewSat obtained a waiver from the ECA lenders for technical breaches that were current at 30 June 2014. Refer to Note 11 for further details of the waiver and attached conditions.

(b) The parent entity issued 30,000 interest-bearing convertible notes with a face value of US\$1,000 on 28 February 2013. On maturity date, the notes are repayable by payment of the face value plus a redemption premium of 3% per annum if there is sufficient free cash available and may be paid under the terms of the ECA funding. Otherwise, the notes will convert into US\$30,000,000 of equity valued at 85% of the average VWAP for the 20 trading days prior to maturity subject to a floor price of \$0.34 per share.

Following approval by shareholders on 23 August 2013, at any time prior to maturity the holder has the option to redeem by converting the notes into ordinary shares of the parent entity valued at 85% of the average VWAP for the 20 trading days prior to maturity subject to a floor price of \$0.34 per share. Partial redemption of the notes is not permitted. The note holder's right to convert is subject to the company obtaining approval from the company's shareholders for the issue of shares upon conversion of the notes. The company can redeem the notes at any time prior to maturity by paying the face value plus a redemption price of 15% per annum of the face value.

On 27 June 2014, NewSat has entered into agreements with the note holder to amend certain terms and conditions of the convertible notes. These amendments are subject to conditions precedent. As at 30 June 2014, these conditions precedent were not satisfied and as a result the amended terms and conditions were not effective as at 30 June 2014. The convertible notes and associated options and warrants continue to be accounted for according to the terms of the 28 February 2013 agreement.

8 OTHER FINANCIAL LIABILITIES

	As at 30 June 2014 \$'000	As at 30 June 2013 \$'000
Other Financial Liabilities	6,356	-
	<u>6,356</u>	<u>-</u>

On 17 March 2014 NewSat received US\$6 million in cash from Ever Tycoon Limited. Ever Tycoon Limited is a company associated with a Director of NewSat. On 27 June 2014 agreement was reached on the terms and conditions associated with the advancement of these funds. This agreement was not effective at 30 June 2014 given that certain material conditions precedent in the agreement had not been achieved. As such, these funds advanced from Ever Tycoon Limited have been recognised in current liabilities as an Other Financial Liability.

Notes to the Consolidated Financial Statements (continued)

for the year ended 30 June 2014

9 CONTRIBUTED EQUITY AND RESERVES

	As at 30 June 2014 \$'000	As at 30 June 2013 \$'000
<i>(i) Ordinary shares</i>		
Issued and fully paid	274,314	265,583
Fully paid ordinary shares have no par value and carry one vote per share and the right to dividends.		
	No of shares (thousands)	\$'000
<i>(ii) Movement in ordinary shares on issue</i>		
At 1 July 2012	233,052	161,957
Shares issued (in lieu of cash)	2,250	900
Shares issued (repayment of borrowings)	41,406	16,563
Shares issued (financing)	242,250	96,900
Shares issued (warrants exercised)	20,000	-
Shares issued (options exercised)	620	-
Transaction costs on share issue	-	(10,737)
At 1 July 2013	539,578	265,583
Shares issued (in lieu of cash)	500	233
Shares issued (capital raising)	5,000	2,150
Shares issued (repayment of borrowings)	17,221	6,399
Shares issued (warrants exercised)	36,631	-
Shares issued (options exercised)	13,270	-
Transaction costs on share issue	-	(51)
At 30 June 2014	612,200	274,314

On 28 February 2013 NewSat issued 191,250,000 shares as a placement to institutional and sophisticated investors, 21,250,000 shares as repayment of promissory notes and 20,156,250 shares as repayment of a bridge loan from Orbital Capital LP at a price of 40 cents per share. This issue raised \$76.5 million.

On 1 March 2013 NewSat issued 47,750,000 shares as a placement to institutional and sophisticated investors and 2,250,000 shares for the placement of the convertible note at a price of 40 cents per share. This issue raised \$19.1 million.

On 10 May 2013 NewSat issued 3,250,000 shares as a private placement at a price of 40 cents per share. This issue raised \$1.3 million.

On 29 October 2013 NewSat issued 17,220,648 shares as a repayment of a short term loan from Orbital Capital GP Limited at a price of 37.16 cents per share.

On 14 February 2014 NewSat issued 5,000,000 as a placement to institutional and sophisticated investor. This issue raised \$2.15 million.

(iii) Retained earnings

Movements in retained earnings were as follows:

	Year ended 30 June 2014 \$'000	Year ended 30 June 2013 \$'000
Balance 1 July	(97,738)	(108,317)
Net profit for the year	701	10,449
Transfer from Equity Option Reserve	-	130
Balance 30 June	(97,037)	(97,738)

Notes to the Consolidated Financial Statements (continued)

for the year ended 30 June 2014

9 CONTRIBUTED EQUITY AND RESERVES (continued)

(iv) Capital Management

When managing capital, management's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management also aims to maintain a capital structure that ensures the lowest cost of capital available to the entity.

Further issue of shares on the market will be determined by development of the Jabiru satellite program.

As noted in Note 1 and Note 11, on 22 August 2014 ECA lenders approved a waiver to technical breaches of borrowing covenants as at 30 June 2014. Under the terms and conditions of this waiver, NewSat is required to raise a minimum of US\$40 million in further capital to support its Jabiru-1 program and to provide continued working capital finance to its teleport operations.

(v) Nature and purpose of reserves

Asset revaluation reserve

The reserve is used to record increases and decreases in the fair value of land and buildings to the extent that they offset one

Equity option reserve

The reserve is used to record the fair value of the equity option component of the convertible note.

Share based payment reserve

The reserve is used to recognise the value of share based payments provided to the convertible note holder, advisors and employees, including KMP (key management personnel), as part of their remuneration.

10 CONTINGENT LIABILITIES

The Group entered into a contract with Lockheed Martin Corporation on 8 December 2011 for the purchase of a commercial satellite. Termination liabilities arising from the contract are contingent on the Company issuing a notice of termination or failing to satisfy contractual requirements. Significant termination liabilities existed but NewSat had the ability to limit these to US\$21 million during the initial phase of the contract. On 3 July 2013, the contract was amended such that termination liabilities are limited to US\$18.32 million. At balance date, no conditions existed which would cause the Company to be liable for termination penalties.

The Group entered into a contract with Arianespace on 8 December 2011 for the reservation of a launch period for the Jabiru-1 satellite. The contract was updated on 14 March 2012 to include further launch service specifications. Termination liabilities arising from the contract are contingent on the Company issuing a notice of termination or failing to satisfy contractual requirements. On 4 February 2014, the contract was amended such that termination liabilities are limited to US\$28.89 million. At balance date, no conditions exist which would cause the Company to be liable for termination penalties.

The Company has received notification of a possible claim from an employee relating to its failure to seek shareholder approval with respect to an agreed issue of performance rights and is seeking Counsels opinion with respect to the veracity of the claim.

The Company has received a claim from a former employee for amounts the employee believes they are entitled to. NewSat is in current negotiations on this matter and does not believe it will be required to pay the amounts claimed.

In prior years, the Group made certain amendments to the contract with AP Kypros Satellite Limited. In consideration for the contractual amendments an amount is to be settled in equity (2,500,000 ordinary shares). This is contingent on AP Kypros Satellite Limited receiving regulatory approval from the Republic of Cyprus for these contractual amendments.

11 EVENTS AFTER THE BALANCE SHEET DATE

On 22 August 2014, ECA lenders approved a conditional waiver for NewSat's breach of technical loan covenants as at 30 June 2014. Following the satisfaction of all waiver conditions, the ECA lenders will recommence debt drawdowns for the Jabiru-1 project. Prior to the satisfaction of waiver conditions, NewSat will utilise existing cash reserves set aside to fund the Jabiru project and approved Teleport expenses.

Key waiver conditions to be satisfied by NewSat include:

- The raising of equity or mezzanine debt proceeds of not less than US\$20 million prior to 30 September 2014 and cumulatively, not less than US\$40 million prior to 30 November 2014;
- The appointment of a further two directors to the Board;
- The appointment of a Chief Financial Officer;
- The satisfactory conclusion of an in progress review of NewSat accounts on behalf of lenders;
- The implementation of certain corporate governance recommendations.

Notes to the Consolidated Financial Statements (continued)

for the year ended 30 June 2014

12 CORRECTION OF ERRORS

(i) Incorrect accounting for advances to related party

During the year ended 30 June 2012 payments of \$110,000 and 30 June 2013 payments of \$247,500 (total of \$357,500) were made on behalf of a related party, CEO Adrian Ballintine. At this time of payment the amounts were incorrectly accounted for as investment in the satellite project (hence GST has been incorrectly recognised).

This error has been corrected by restating each of the affected financial statement line items for the prior periods as follows:

	30 June 2013 \$'000	Increase / (Decrease) \$'000	30 June 2013 Restated \$'000	30 June 2012 \$'000	Increase / (Decrease) \$'000	30 June 2012 Restated \$'000
Balance Sheet (extract)						
Trade and other receivables	4,720	357	5,077	6,284	146	6,430
Intangible assets and goodwill	125,878	(325)	125,553	65,681	(136)	65,545
Trade and other payables	12,270	32	12,302	7,615	10	7,625

(ii) Incomplete related party disclosures

During the following financial years, the Company omitted disclosures of certain related party transactions as follows:

30 June 2011	\$177,375 paid to Cresta Motor Yachts (in. GST)
30 June 2012	\$165,000 paid to Cresta Motor Yachts (in. GST)

The CEO of the Company, Adrian Ballintine, is the owner and President of Cresta Motor Yachts.

The Company retained the services of Cresta Motor Yachts for the purposes of executive marketing and business development associated with the development of the Jabiru satellite project.