



Global Satellite Solutions

ASX Release
6 June 2014

TRADING UPDATE AND COST REDUCTIONS

NewSat Limited (ASX: NWT) (OTCQX: NWTLY), Australia's satellite company, provides an update on market conditions across the Company's teleport business and anticipated impact on financial performance for the year ending 30 June 2014.

Teleport business faces challenging market conditions

On 21 February 2014, NewSat announced H1FY2014 Revenue of \$16.6 million (down 19% from H1FY2013) and a Net Loss Attributable to Members (excluding unrealised foreign currency transactions) of \$1.3 million. The result was largely due to a loss of contracts from a key partner to the US government (as a result of the withdrawal of troops from Afghanistan), and challenging market conditions with declines in economic activity across military, mining, oil and gas sectors. In addition, since the release of the results, market conditions have not improved to the levels initially anticipated by NewSat.

As a result of the ongoing weak market conditions, the Company has commenced implementing strategies to reduce costs and further diversify its customer base to reposition for new growth across new vertical markets and geographical locations. A summary of these strategies is set out below.

NewSat has revised its earning expectations for FY2014. NewSat currently expects to report for FY2014 Revenue from ordinary activities of between \$30 million to \$33 million, and a Net Loss Attributable to Members (excluding unrealised foreign currency transactions) in the range of \$5.0 million to \$6.0 million. The restructuring and redundancy costs as discussed below have been factored into these earnings estimates.

Strategies

NewSat has commenced implementing the following strategies:

(a) Newly formed Expenditure Review Committee

The NewSat Board has established an Expenditure Review Committee (ERC). The ERC is responsible for implementing cost reductions and redundancies, and restructuring Company processes and policies. The ERC continues to seek and assess business efficiencies to right-size company operations, and ensure that the Company maintains its high standards of quality and customer service. The ERC anticipates that these strategies will be substantially implemented by 30 June 2014.

(b) Teleport cost reductions and redundancies

NewSat has commenced implementing cost reductions across its teleport business. These will be achieved primarily through redundancies, headcount reduction, better alignment of internal department structures, reduced travel, marketing and consultancy expenses and remuneration.

In addition, executives have accepted a voluntary reduction in remuneration of 10 to 25% and have waived any short term cash bonuses.

NewSat Limited

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(c) Corporate governance matters

The Company has appointed a reputable corporate governance expert to conduct an extensive review of the Company's internal framework and processes. A number of recommendations have been made which will be implemented over the coming months. Amongst these, the Company anticipates making changes to the members of the Board of Directors that will result in a smaller Board and a greater proportion of independent directors.

Outcome

The Company is confident that implementation of the above strategies will reduce the overall operating costs and ensure that sustainable business growth is achieved. The Company anticipates that in FY2015, the Company will realise the benefits of a lower and more flexible cost base to manoeuvre and aggressively pursue market opportunities. NewSat is therefore confident of delivering medium term growth as the Company's world recognised teleport assets remain a fundamental strength of its business. Significantly, the initiatives will not impact the delivery of Jabiru-1 satellite project.

The Company assures shareholders that the Directors and Executives are committed to the successful implementation of these strategies and ultimately delivering value to shareholders. The Company anticipates that it will advise the market as to the status of the strategies in due course.

Jabiru-1 satellite project progressing to plan

The construction of the Jabiru-1 satellite continues to progress well with the component manufacturing phase well underway. Integration of the satellite sub-systems will take place during the latter half of 2014 with full spacecraft integration and testing occurring in 2015. The associated ground systems are also progressing well with the satellite control system in the system design phase. The contracts for the communications gateways will be announced in the near future. Civil works for the expansion of the Adelaide teleport to house the Jabiru Satellite Control Centre and Customer Support Centre will also be initiated in the latter half of 2014.

As previously announced, NewSat secured US\$620 million of funding solely for the Jabiru-1 satellite project. The initiatives to reduce overheads across the teleport business will not impact the Jabiru-1 satellite project delivery.

Jabiru-2 status

As advised on 28 May 2014, the MEASAT-3b satellite (which hosts the Jabiru-2 payload) has been shipped to the European Spaceport in French Guiana and has been fueled and is ready for launch.

MEASAT-3b is to be launched on an Ariane 5 launch vehicle, which by design launches two satellites at once. While the MEASAT-3b satellite is ready for launch, the co-passenger satellite needs some additional testing and verification prior to launch and as a result the launch of MEASAT-3b has been delayed.

The MEASAT-3b satellite remains at the European Spaceport and is ready for launch pending confirmation by Arianespace of the co-passenger and a new launch date. The launch postponement will have no material impact on NewSat as Jabiru-2 is an operating lease and lease payments do not commence until the satellite has entered commercial service.



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About NewSat:

NewSat is Australia's largest pure-play satellite communications company, delivering internet, voice, data and video communications via satellite. With its unique-to-Australia teleport infrastructure, NewSat provides a full range of managed satellite communication services and has established a reputation as the partner of choice for governments, corporations and private enterprises. Today, NewSat has the ability to provide coverage to 75% of the globe; from Australia, Asia, the Middle East, Africa, across the Indian Ocean extending into Europe and across the Pacific Ocean, reaching into the West Coast of the USA.

NewSat's world acclaimed teleports in Perth (Western Australia) and Adelaide (South Australia) were Top 3 Finalists in the World Teleport Association's 2012 and 2010 "Awards for Excellence" and made the 2013, 2012 and 2011 "Top Operator Rankings". Both teleports are accredited to supply services and are recognised as highly secure Global Access Points, supporting certified classified networks to ensure the transmission of vital and sensitive information for government clients.

NewSat will be expanding its satellite capabilities with the Jabiru Satellite Program and the launch and operation of Jabiru-1, Australia's first commercial Ka-band satellite. Jabiru-1, a large next generation satellite, will provide superior coverage over South East Asia, the Middle East and North Africa. To date, Jabiru-1 has secured US\$644 million of pre-launch customer contracts and a US\$454 million forward sales pipeline. Jabiru-2, scheduled for launch in 2014, will deliver enhanced coverage over Australia, Timor Leste and Papua New Guinea. NewSat has rights to eight premium orbital slots and its fleet of next generation geostationary satellites will lead Australia's space quest. For more information, please visit www.newsat.com

For further information:

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