

ASX RELEASE

31 July 2020

Kleos Space Q2 2020 Activities Update and Outlook

Highlights:

- Kleos Awarded Micro-Satellite Military Utility Project Contract
- Mid-East Channel Partner Agreement Signed
- MoA and Data Agreements Signed with Global Spatial Technology Solutions
- Significant South & Latin America Business Development Progress
- First Cluster of Satellites Awaiting Launch in India
- Progress on Second Cluster

Kleos Space (ASX: **KSS**, Frankfurt: **KS1**) (**Kleos**, or **Company**), a space-powered Radio Frequency Reconnaissance data-as-a-service company, provides the following update for the quarter ending 30 June 2020 (Q2 2020), incorporating its Appendix 4C cash flow report.

Kleos Awarded Micro-Satellite Military Utility Project Contract

The Company's US subsidiary was awarded a contract to initialise and prepare the Application Programming Interface (API) for Kleos data to be accessed by the Micro-Satellite Military Utility Project Arrangement which is an agreement under the Responsive Space Capabilities Memorandum of Understanding involving the Departments and Ministries of Defence of Australia, Canada, Germany, Italy, Netherlands, New Zealand, Norway, United Kingdom and United States.

Mid-East Channel Partner Agreement Signed

The Company entered into an Integrator and Channel Partner Agreement with Red Group Technologies to be an Integrator of and Channel Partner for products from their offices in Middle East and North Africa (MENA) (ASX: 10/07/2020).

MoA and Data Agreements Signed with Global Spatial Technology Solutions

In May 2020, the Company partnered with Global Spatial Technology Solutions (**GSTS**) to provide enhanced Maritime Domain Awareness capability to GSTS's OCIANA product suite.

GSTS predictive technologies empower future-friendly decision-making to help the maritime, security, logistics and service sectors navigate tomorrow, today. Kleos data will provide a valuable addition to GSTS services and data solutions by supporting vessel detection, classification and identification.

Andy Bowyer Kleos CEO said, "Our satellites and our data will enhance GSTS capabilities when fused with other data sets in their innovative OCIANA environment, assisting in the goal to provide greater insights, detecting illegal activities and threats for their customers."

Richard Kolacz GSTS CEO commented; “Kleos will add another powerful data set to our OCIANA product suite to further enhance our maritime situational awareness capability and improve OCIANA’s ability to detect and predict vessel activity to support defence, civil and commercial solutions.”

South & Latin America Business Development Progress

The Company extended engagement throughout South and Latin America through contracts and trials with companies and government organisations in Brazil, Argentina, Uruguay, Chile and Mexico. The South and Latin American region has shown an incredible enthusiasm for Kleos data to help solve regional problems. Most recently:

- The Company has appointed Oriondata Internacional SpA (Oriondata) as a Chilean Channel Partner (value added reseller) to support the local defence and security market.
Oriondata is a Chilean company, offering a wide range of satellite products and services to optimally respond to specific defence and security needs.
Chile has 6000km of pacific coastline to protect and monitor. This long coastline and massive sea area need advanced and wide ranging ISR capabilities which can only, cost effectively and practically, be delivered from Space.
Oscar Letelier, CEO of Oriondata International SpA (ODI) said: "Our agreement with Kleos Space is an exciting opportunity and will deliver many new and innovative growth opportunities for the Geospatial industry in Chile"
- The Company has also appointed RCM Telecom (RCM Telecom) as a Mexican Channel Partner (value added reseller) & Integrator to support the local defence and security market.
RCM Telecom is a Mexican company, delivering solutions for Security and terrestrial, maritime and air communications.
A capability is required to improve the surveillance and security of the seas and coasts of Mexico, as well as to oversee ports and customs operations. Mexico has coastlines on the Pacific Ocean and Caribbean Sea as well as oil facilities in the Gulf of Mexico. There is currently no way of delivering effective surveillance of Mexican maritime assets.
Rodrigo Márquez Castillo; RCM Telecom, SA de CV Executive Operational Director and Business said: “With this alliance we can integrate surveillance solutions using mapping systems, local capabilities and communications here in Mexico.”

Kleos Satellite Constellation

The first four Kleos’ Scouting Mission satellites are in the Sriharikota Range in India and we eagerly await announcement of the launch date for PSLV C49 by the Indian Space Research Organisation (ISRO).

The second cluster of four satellites is now in the design and development phase with negotiations being carried out with the satellite and launch supply chain for a 2021 launch.

With an enhanced need for data to increase governments’ knowledge of illegal activity, the Company’s Business Development activities have increased, including proposal and quotation work.

Kleos Data Products

Kleos’ satellites observe, detect and by using proprietary algorithms geolocate radio frequency transmissions to provide global activity-based intelligence, enhancing the intelligence, surveillance and reconnaissance (ISR) capabilities of governments and commercial entities.

Once 'packaged' into products the data transferred to our licenced subscribers 'as-a-service', the same data is able to be sold unlimited times creating annuity type revenues.

General

Government Aid

On 21 May 2020, the Company advised that it had received €146,457 in repayable aid, under Coronavirus support schemes for business, from the Luxembourg Government.

Funding

The Company completed a A\$3 million placement in early July (ASX: 10/07/20) through the issue of 10,000,000 new ordinary fully paid CDIs at \$0.30 per CDI, coupled with 2,000,000 free associated three-year options exercisable at \$0.50.

Outlook

Having raised equity of A\$3,000,000 (EUR 1,733,481) in July 2020, the Company significantly improved its cash position with available funding at 31st July 2020 of \$3,060,000 (EUR 1,856,598).

The directors consider the Company's outlook to be positive, notwithstanding the delays to launch resulting from the COVID-19 pandemic. The Company continues to build a strong pipeline of future sales with more than 100 active opportunities across the entire pipeline which provide a solid base to the Company's outlook following deployment of satellites.

Comment on 4C

The aggregate amount of payments to related parties and their associates included in item 6.2 in the 4C is for financing of staff costs paid through 100%-owned subsidiary, Kleos Space Ltd.

This announcement has been approved for release by the Company's Board of Directors.



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About Kleos Space S.A.

Kleos Space S.A. (ASX: KSS) (Frankfurt: KS1) is a space enabled, activity-based intelligence, data as a service company based in Luxembourg. Kleos Space aims to guard borders, protect assets and save lives by delivering global activity-based intelligence and geolocation as a service. The first Kleos Space satellite system, known as Kleos Scouting Mission (KSM), will deliver commercially available data and perform as a technology demonstration. KSM will be the keystone for a later global high capacity constellation. The Scouting Mission will deliver targeted daily services with the full constellation delivering near-real-time global observation. For more information please visit: www.kleos.space.

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

Kleos Space S.A.

ABN

625 668 733

Quarter ended ("current quarter")
June 30th 2020

Consolidated statement of cash flows	Current quarter EURO'000	Year to date (6 months) EURO'000
1. Cash flows from operating activities		
1.1 Receipts from customers	103	490
1.2 Payments for		
(a) research and development	0	-142
(b) product manufacturing and operating costs	-54	-114
(c) advertising and marketing	-13	-58
(d) leased assets		
(e) staff costs	-225	-487
(f) administration and corporate costs	-150	-302
1.3 Dividends received (see note 3)		
1.4 Interest received		
1.5 Interest and other costs of finance paid	-153	-1,026
1.6 Income taxes paid		
1.7 Government grants and tax incentives		
1.8 Other (provide details if material)	37	37
1.9 Net cash from / (used in) operating activities	-455	-1,602
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities		
(b) businesses		
(c) property, plant and equipment		
(d) investments		
(e) intellectual property		
(f) other non-current assets		

Consolidated statement of cash flows		Current quarter EURO'000	Year to date (6 months) EURO'000
2.2	Proceeds from disposal of:		
	(a) entities		
	(b) businesses		
	(c) property, plant and equipment		
	(d) investments		
	(e) intellectual property		
	(f) other non-current assets		
2.3	Cash flows from loans to other entities	-99	-289
2.4	Dividends received (see note 3)		
2.5	Other (provide details if material)		
2.6	Net cash from / (used in) investing activities	-99	-289

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)		
3.2	Proceeds from issue of convertible debt securities	0	-1,535
3.3	Proceeds from exercise of options		
3.4	Transaction costs related to issues of equity securities or convertible debt securities		
3.5	Proceeds from borrowings	146	3,556
3.6	Repayment of borrowings		
3.7	Transaction costs related to loans and borrowings		
3.8	Dividends paid		
3.9	Other (provide details if material)		
3.10	Net cash from / (used in) financing activities	146	2,021

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	803	265
4.2	Net cash from / (used in) operating activities (item 1.9 above)	-455	-1,602
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-99	-289

Consolidated statement of cash flows		Current quarter EURO'000	Year to date (6 months) EURO'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	146	2,021
4.5	Effect of movement in exchange rates on cash held		
4.6	Cash and cash equivalents at end of period	395	395

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter EURO'000	Previous quarter EURO'000
5.1	Bank balances	395	803
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (provide details)		
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	395	803

6.	Payments to related parties of the entity and their associates	Current quarter EURO'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	
6.2	Aggregate amount of payments to related parties and their associates included in item 2	99
<i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i>		

7. Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i> <i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end EURO'000	Amount drawn at quarter end EURO'000
7.1 Loan facilities	3,556	146
7.2 Credit standby arrangements		
7.3 Other (please specify)		
7.4 Total financing facilities		
7.5 Unused financing facilities available at quarter end		
7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.	<p>The company secured a loan agreement of €3,410,000 with Winance Investment LLC. The loan bears interest at an 18% annual rate with a 12 month term.</p> <p>The company has received a loan of €146,456.98 from the Luxembourg government. The loan bears interest at 0.5% and the repayment terms are not yet agreed.</p>	

8. Estimated cash available for future operating activities	EURO'000
8.1 Net cash from / (used in) operating activities (item 1.9)	455
8.2 Cash and cash equivalents at quarter end (item 4.6)	395
8.3 Unused finance facilities available at quarter end (item 7.5)	0
8.4 Total available funding (item 8.2 + item 8.3)	395
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	0.9
<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
<p>Answer: The level of operating cash flows is expected to increase (greater staffing and administrative costs) as the company returns to a normal level of operations following the Covid-19 lockdown. The level of interest and finance costs should remain at the current level as the company does not expect to raise any additional debt for the time being and will continue to incur interest charges at the current level.</p>	
8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
<p>Answer: Yes, the company has raised equity of A\$3,000,000 (EUR 1,733,481) in July 2020. The funds have been received.</p>	

8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: Yes, the company has raised equity of A\$3,000,000 (EUR 1,733,481) in July 2020. Considering the July 2020 equity, the Total available funding (8.4) increases to EUR 2,128,000; enough funding to cover 4.7 quarters of operating costs at the level of Q2 operating costs.

Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date:31/07/2020.....

Authorised by:By the board.....
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.