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ASX RELEASE

30 October 2020

Kleos Space Q3 2020 Activities Update and Outlook

Highlights:

- **Solid Business Growth with Revenues Following Satellites Launch & Commissioning**
- **Scouting Mission Launch: 7 November**
- **Kleos Appoints SYPAQ as Exclusive ANZ Agent**
- **Kleos to Launch Second Satellite Cluster on SpaceX Falcon 9**
- **Accelerated South & Latin American Engagement**

Kleos Space (ASX: KSS, Frankfurt: KS1), a space-powered Radio Frequency Reconnaissance data-as-a-service company, provides the following update for the quarter ending 30 September 2020 (Q3 2020), incorporating its Appendix 4C cash flow report.

"The maiden launch of Kleos satellites is now only weeks away," said Andy Bowyer, CEO of Kleos Space. "Kleos Scouting Mission satellites are the foundation of Kleos' future constellation, which will deliver unprecedented situational awareness at sea with high value operational coverage over key regions of maritime interest including the Strait of Hormuz, South China Sea and African coast."

The launch of the Kleos Scouting Mission is scheduled to occur on 7 November 2020.

Business Summary[1]

At the date of this report, the Company has secured more than 130 worldwide active B2G and B2B opportunities across its pipeline in multiple jurisdictions including USA, UK, EU, Latin & South America, Middle East, South Pacific and Australia, representing significant potential annual revenue following launch and commissioning phase. Approximately 25% of the pipeline is made up of Channel Partners (resellers) further multiplying opportunities by the number of end users they each have access to.

[1] This information is provided on a consolidated basis as individual opportunities are not considered singularly material for release through the ASX platform.

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Figure 1: Pipeline summary. Note; each reseller/channel partner opportunity represents multiple potential end user licence opportunities

The Kleos business model is to create subscription-based revenues from delivery of essential data to government and commercial entities around the globe. Kleos will be the first company to fly clusters of four satellites to accurately detect and locate the usage of the RF spectrum by legitimate and illegitimate actors. The data is collected and downlinked from the satellites then processed through the Company's proprietary algorithms. Once 'packaged' into data products and transferred to our licenced subscribers 'as-a-service', the same data can be sold unlimited times creating annuity type revenues. Kleos data product pricing scales with the launch of additional clusters collecting more data. The 2nd Cluster is targeted for mid-2021 and the 3rd cluster in late 2021. Each additional cluster generates further data sets increasing revenues correspondingly.

Subsequent Events

- **Atlantis SIM appointed Exclusive Ecuador Agent**
- **Peruvian Geospatial Intelligence Partnership with Geomática Soluciones S.A.C.**

In October 2020 Kleos concluded agreements with Ecuadorian Atlantis SIM and Peruvian Geomática Soluciones S.A.C.

Ecuador

Atlantis SIM was appointed Kleos' Exclusive Territory Agent for Ecuador. Atlantis SIM is a team of exceptionally experienced and qualified professionals (ex-Navy officers) in diverse areas of the maritime domain (fishing, oceanography, security) led by CEO, Willington Renteria who is the former Director of the Oceanography Institute of the Ecuadorian Navy and an international tsunami expert.

The two-year engagement will provide direct tactical and operational support to Kleos' customers in Ecuador.

Peru

Kleos has finalised a Distribution Partner and Data Integrator Agreement with Geomática Soluciones S.A.C. (**Geomática**), a leader in geospatial intelligence in Peru.

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Geomática was founded in 2011. It consists of a group of multidisciplinary professionals within the maritime domain who have extensive experience in handling the latest generation tools applied to the field of geotechnology, in order to meet the needs of clients from various sectors.

The agreement allows Geomática to leverage the radio-frequency reconnaissance data-as-a-service (DaaS) captured by Kleos to provide its end customers with additional insights for their intelligence requirements in the maritime security domain.

Under the agreement, Geomática will integrate Kleos data into products and workflows.

Scouting Mission Launch Update

On 16 October the Company advised that its team; Gavin Bowyer, supported by Ed Stevens from In-Space Missions and Marcy M. Rugland from rideshare and mission management provider Spaceflight Inc had arrived in Chennai, India in preparation for the launch.

On 29 October 2020, the Company advised that the satellite preparations were completed successfully and the launch of the four Kleos satellites planned on-board PSLV-C49 mission has being scheduled for 7 November 2020 at 1502 Hrs IST *(20:32 AEDT)*, subject to weather conditions.

Kleos Appoints SYPAQ as Exclusive ANZ Agent

On 2 September 2020, Kleos advised the appointment of innovative engineering and systems integration company, SYPAQ Systems Pty Ltd (**SYPAQ**) as Australia and New Zealand (ANZ) Exclusive Territory Agents. SYPAQ has extensive reach into Defence, Security and Government providing advanced engineering and technology services and solutions.

Acting as Exclusive Territory Agents, SYPAQ will, for a period of two years, provide direct tactical and operational support to Kleos' customers in Australia and New Zealand. SYPAQ will be the primary point of contact for both sales and support in the region. Kleos is of the view that by appointing SYPAQ as Exclusive ANZ Agents, considerable operational cost benefits will be achieved against establishing a regional Kleos operations office.

Kleos to Launch Second Satellite Cluster on SpaceX Falcon 9

On 13 August 2020, the Company signed a contract with rideshare provider Spaceflight Inc to manifest a 2nd cluster of Kleos satellites on the SpaceX Falcon 9 launch scheduled for mid-2021.

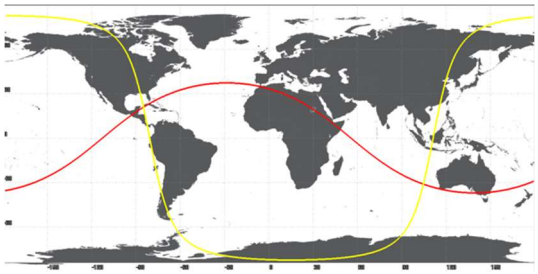


Figure 2: Scouting Mission (Red) and Polar Vigilance Mission (Yellow) Single Orbit Plots

This mission will be named Polar Vigilance Mission (KSF1) and is a cluster of four satellites, launching into a 500 km Sun Synchronous Orbit. The Polar Vigilance Mission will enhance the Company's RF geolocation data delivered by the Kleos Scouting Mission by covering areas North and South of the Scouting Mission 37-degree inclined orbit (Figure 2) in addition to increasing overall coverage time in the equatorial region.

Kleos' objective is to own, launch and operate up to a maximum of 20 clusters of satellites, creating a constellation that provides critical coverage for monitoring global events and key locations of interest.

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Contract for second cluster of four satellites for the Polar Vigilance Mission (KSF1) signed with Innovative Solutions in Space (ISISpace)

On 22 October 2020 the Company announced it had engaged The Netherlands based Innovative Solutions In Space B.V. (ISISpace), one of the leading companies in the nanosatellite field, to provide turnkey satellite build and support for the Kleos Space – Polar Vigilance Mission (KSF1).

With 15 years of experience in providing turn-key small satellite missions, ISISpace is well placed to provide a reliable build and launch support for Kleos' KSF1 cluster of four satellites. Their services will include design, development, production, testing, launch integration services and Launch and Early Orbit Phase (LEOP) support.

The contract price is 2.1 million EUR and will be payable in milestone-based instalments over a period of approximately 10 months. The delivery of the multi-nanosatellite system is planned to take place in Q2 2021.

Outlook

Post the launch of the Kleos Scouting satellites and their subsequent commissioning, data will be produced that will provide the Company with early revenues leading to the 2nd cluster launch where revenues can be increased further. Total available funding at the end of Q3 was A$1.85m, and in addition to approximately A$1.5m funds received from option & warrant conversion post end of quarter, providing sufficient funds to cover close to 3 quarters of operating costs at the level of Q3 operating costs.

The directors consider the Company's outlook to be positive. 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 and commissioning 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 Kleos Board.

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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

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Name of entity	
Kleos Space S.A.	
ABN	**Quarter ended ("current quarter")**
625 668 733	30 September 2020

Consolidated statement of cash flows		**Current quarter EURO'000**	**Year to date (9 months) EURO'000**
1.	**Cash flows from operating activities**		
1.1	Receipts from customers	0	490
1.2	Payments for		
	(a) research and development	0	-142
	(b) product manufacturing and operating costs	-56	-170
	(c) advertising and marketing	-5	-63
	(d) leased assets		
	(e) staff costs	-208	-696
	(f) administration and corporate costs	-258	-559
1.3	Dividends received (see note 3)		
1.4	Interest received		
1.5	Interest and other costs of finance paid	-154	-1,180
1.6	Income taxes paid		
1.7	Government grants and tax incentives		
1.8	Other (provide details if material)	34	71
1.9	**Net cash from / (used in) operating activities**	**-647**	**-2,249**

2.	**Cash flows from investing activities**		
2.1	Payments to acquire or for:		
	(a) entities		
	(b) businesses		
	(c) property, plant and equipment	-120	-120
	(d) investments		
	(e) intellectual property		
	(f) other non-current assets		

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Consolidated statement of cash flows		Current quarter EURO'000	Year to date (9 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	-208	-497
2.4	Dividends received (see note 3)		
2.5	Other (provide details if material)		
2.6	**Net cash from / (used in) investing activities**	**-328**	**-617**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	1,847	1,847
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	-114	-114
3.5	Proceeds from borrowings	0	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**	**1,733**	**3,754**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	395	265
4.2	Net cash from / (used in) operating activities (item 1.9 above)	-647	-2,249
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-328	-617

Consolidated statement of cash flows		Current quarter EURO'000	Year to date (9 months) EURO'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,733	3,754
4.5	Effect of movement in exchange rates on cash held		
4.6	**Cash and cash equivalents at end of period**	**1,153**	**1,153**

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	1,153	395
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)**	**1,153**	**395**

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	208

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.

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7.	**Financing facilities** *Note: the term "facility' includes all forms of financing arrangements available to the entity.* *Add notes as necessary for an understanding of the sources of finance available to the entity.*	**Total facility amount at quarter end EURO'000**	**Amount drawn at quarter end EURO'000**
7.1	Loan facilities	3,556	3,556
7.2	Credit standby arrangements		
7.3	Other (please specify)		
7.4	**Total financing facilities**		

7.5	**Unused financing facilities available at quarter end**	0

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.

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.

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.

8.	**Estimated cash available for future operating activities**	**EURO'000**
8.1	Net cash from / (used in) operating activities (item 1.9)	647
8.2	Cash and cash equivalents at quarter end (item 4.6)	1,153
8.3	Unused finance facilities available at quarter end (item 7.5)	0
8.4	Total available funding (item 8.2 + item 8.3)	1,153
8.5	**Estimated quarters of funding available (item 8.4 divided by item 8.1)**	1.78

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.

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?

Answer: It is anticipated that cash out in Q4 will increase due to launch payment milestones being achieved in November.

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?

Answer: Subsequent to the end of the quarter the Company has received approximately 800,000 EUROS with options and warrants being exercised increasing 8.2 to: approximately 1,900,000 EUROS which would change 8.5 to approximately 3. When considering the estimated increase commented on in 8.6.1, it is estimated that there will be >2 quarters funding available.

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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, on the basis of 8.6.2. and further, the Company is confident in its ability to meet the payment obligations under procurement contracts, as it has been exploring opportunities for additional external funding when required and is satisfied that it has a number of viable opportunities available to execute upon.

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: .....30/10/2020.....

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.

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