

ASX RELEASE

28 October 2021

Kleos Space Q3 2021 Activities Update and Outlook

Highlights:

- Fully funded to forecasted EBITDA positive target in mid '22 post securing A\$12.6 million of institutional investment at 85c per share
- Kleos' data processing system delivering exceptionally accurate geolocation capability, locating low power transmitter to within 300 metres
- Converting the global pipeline & growing by 30% to over 220 qualified deals including:
 - 52 Guardian LOCATE¹ data evaluation contracts in place representing U\$4.7m ARR opportunity post trial periods at lowest subscription level
 - 5 contract proposals in negotiation representing U\$2.9m ARR
- Second satellite cluster, Vigilance Mission (KSF1) progressing through in-orbit commissioning
- Third satellite cluster, Patrol Mission (KSF2), on track to launch January 2022 on SpaceX Falcon 9
- Build and launch contracts signed for fourth cluster, Observer Mission (KSF3), targeting mid-2022 launch
 - Adding up to a further 119 million km² per day collect capacity over key areas across multiple payloads

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 2021 (Q3 2021), along with its Appendix 4C cash flow report.

Commenting on the Company's September quarter progress, Kleos Space CEO Andy Bowyer said:

"Kleos continues to commercialise its geolocation data while preparing for future growth, rapidly building its satellite constellation to increase data volume and value and scaling its data-as-a-service operations to meet growing customer demand to meet our target to achieve monthly EBITDA positive status by mid '22.

Successful testing of our data collection and processing systems with early adopter customers has validated and de-risked our technology. Evaluation of our first data products by subscribers is converting to recurring subscription revenues.

¹ Guardian LOCATE is the product name for the Kleos data set processed to deliver geolocated RF activity. This data product is ready for further analytics by the customer within the GEOINT and data fusion platforms, providing frequency, time, Latitude & Longitude, and ECEF Coordinates of observed signals.



We are the first company in the world to fly clusters of four satellites, with data from our Scouting Mission satellites delivering unprecedented, proven, precision geolocation capability of very low power transmitters to within 300 metres.

The team has built and proven a world leading technology producing unique and valuable data with a large, growing customer base ready to buy it. Increased data volumes are converting the customer pipeline from evaluation to revenue generation, bringing exceptional revenue opportunities in the coming quarters.”

COMMERCIAL PROGRESS

Kleos’ precision geolocation is sold as a Data-as-a-Service (DaaS) product to government and commercial entities globally on a volume basis i.e., million km²/month collected

In Q3 the Company has grown its customer base, with the geographically diverse pipeline comprising:

- 223 qualified deals (30% growth from Q2):
 - o 74 Defence and security entities.
 - o 12 Resellers.
 - o 137 Integrators.
- 71 signed agreements with resellers, integrators, and end users.
- 52 signed evaluation contracts for Guardian LOCATE data in place representing US\$4.7m ARR opportunity post trial periods (2 months) at lowest subscription level.
- 15 customers currently reviewing data.
- 5 contract proposals in negotiation representing US\$2.9m ARR.

Kleos is moving toward recurring revenues, onboarding subscribers with its initial Scouting Mission data, and then targeting increasing revenue contribution from subscribers over time as higher-value datasets from additional and more capable satellites become available. Subscribers will be able to access data collected by the Scouting Mission and Vigilance Mission satellites in Q4, with each new satellite launch increasing not just the volume but the value of Kleos’ data.

Kleos’ DaaS business model has a low operational cost base, enabling the Company to generate scalable recurring revenue and support the target of achieving monthly EBITDA positive status before the end of H2 2022.

Secured A\$12.6 million to further grow constellation

Kleos is well-funded to grow its constellation, securing A\$12.6 million in September 2021 through a Placement to new and existing institutional and sophisticated shareholders. Led by cornerstone investments from Perennial Value Management and Thorney Investment Group, the Placement of ~14.8 million CHESS Depositary Interests over Kleos ordinary shares (CDIs) was conducted at A\$0.85 per CDI and inclusive of three attaching options for every five CDIs issued. Options are exercisable at A\$1.20 and expire three years from the date of issue. Funds are being used to launch future satellite cluster and scale Kleos’ data-as-a-service offering.

TECHNICAL DEVELOPMENT

Constellation Expansion

Low Earth Orbit (LEO) is very attractive for Earth Observation missions for a number of reasons. The nearness of the Earth allows for the reception of low power RF signals, which is useful for both the quality of Earth Observation data and for low-cost communications with the ground. Further, spacecraft remain at least partially protected by the Earth's magnetosphere. These advantages in turn allow for the use of smaller satellites and a lower cost to build and deploy satellites. By increasing the number of satellites, or satellite clusters Kleos' case, an Earth Observation mission can increase the revisit frequency and provide more valuable data to its customers.

For this reason, Kleos is targeting a total constellation size of up to 20 satellite clusters. Each new cluster significantly increases the collection capabilities of the constellation. Shorter revisit intervals mean more timely intelligence for customers. The upcoming launches of Patrol (KSF2) and Observer (KSF3) Missions will each significantly reduce the time between revisits along with providing increasing data volumes. Each of these clusters will provide up to an additional 119 million square kilometres of coverage per day.

Contracted Mission Schedule

Mission Designation	Mission Name	Launch Date (Actual/Scheduled)	Data Collect Capacity in million km ² /day (constellation cumulative basis). <i>Data sold to customers on a per million km² basis</i>	15 degree latitude 'Area of Interest' average daily revisits (constellation cumulative basis). <i>Data value increases in line with revisit rates</i>
KSM1	Scouting Mission	7 November 2020	15	2.1
KSF1	Vigilance Mission	29 June 2021	134	3.4
KSF2	Patrol Mission	January 2022	253	4.7
KSF3	Observer Mission	Mid 2022	372	6.0

Data API:

The team has released an Interface Control Document and an OpenAPI specification ahead of the upcoming release of the Kleos API for customer access to geolocation data. These documents have been distributed to customers. The API will be available to customers in Q4 for Guardian LOCATE data sets.

Scouting Mission (KSM1):

Kleos exhibited and released a technical paper, 'Geolocation System Whitepaper', describing its geolocation capabilities during the GEOINT 2021 Symposium in St Louis MO – the largest annual conference for geospatial intelligence. The whitepaper included descriptions of the algorithms Kleos uses to geolocate transmitters, information about the cluster formation, and measurement

methodology. It also includes a recent case study of geolocation data captured over the Republic of Cabo Verde during the commissioning of the KSM1 payloads, which confirmed high levels of geolocation accuracy. Full production level, processed data from the Scouting Mission cluster will be available via the Kleos API in Q4, fulfilling customer orders and starting contractual revenue booking in 2021.

Vigilance Mission (KSF1):

Commissioning activity on KSF1 is progressing, with satellite hardware check out proceeding successfully. An issue in a section of the onboard software was encountered leading to a delay in the Launch and Early Orbit Phase (LEOP) completion. The root cause has been identified and corrective action is under way. The work is being performed as quickly as possible to deliver data collected from the satellites to the waiting customer base. Kleos does not foresee any long-term impact to the satellites ability to perform as designed and perform their mission. The improvements being made to flight software used on KSF1 satellites is applicable to KSF2 & KSF3 missions, thereby reducing commissioning times for those future missions.

Patrol Mission (KSF2):

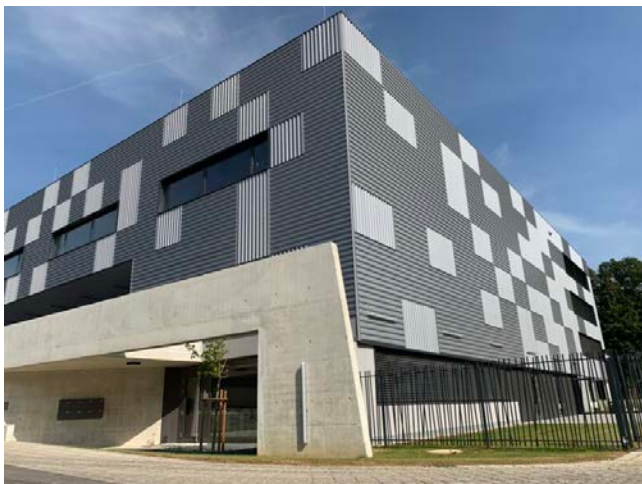
The assembly, integration, and test of the four satellites of the KSF2 cluster continues as planned. The satellites will be ready to launch on the Transporter-3 SpaceX mission scheduled to launch in January 2022.

Observer Mission (KSF3):

Contracts for the construction and launch of the next cluster of satellites have been signed. The mission is targeting a mid-2022 launch.

CORPORATE DEVELOPMENT

Kleos invests for future growth, expands Luxembourg headquarters



In late October, Kleos occupied moved its global headquarters to a new bespoke facility. The new office is located in the newly built ParcLuxite Business Park in Kockelscheuer, Luxembourg. Kleos' new headquarters will be home to the Company's engineering and operations facilities, housing environmental test chambers and a dedicated clean room space for the assembly, integration, and test of sensitive space hardware as well as its mission control centre. It enables Kleos to scale its global geolocation data-as-a-

service, and further support its additional engineering teams in the UK and the US.

Change of Address

The Company advises that, with effect from 1 November 2021, its principal place of business and Luxembourg registered address will be situated at 7 Rue de l'Innovation, L-1896 Kockelscheuer, Luxembourg. The Australian registered office address remains at Level 12, 225 George Street, Sydney.

New Communications and Marketing Manager

In August, Melanie Delannoy was appointed Kleos' Communications and Marketing Manager to further strengthen the Company's communication efforts. Melanie has extensive experience across marketing, communications, and PR advisor functions, including in-depth knowledge of the space, ICT, and start-up fields. Melanie also sits on several company Boards in Luxembourg.

Events & Conferences

During the quarter, Kleos was a guest speaker at several leading industry conferences, including the 27th Annual Gabelli Aerospace and Defense Conference in New York, Satellite 2021 in Washington DC, and ESA Phi-Week, held virtually.

Events:

- International Investment Forum: [watch the recording here](#).
- 27th Annual Gabelli Aerospace and Defense Conference : [see highlights of the talk here](#).

Kleos Insights Episodes:

- [Episode 1](#): Kleos' CTO talks about the reasons behind clusters of four satellites and the technology.
- [Episode 2](#): Unveiling Kleos' data-as-a-service [business](#) model.
- [Episode 3](#): Geographical regions covered and business applications.

Kleos exhibited and presented a technical paper, Geolocation System Whitepaper, at the GEOINT 2021 symposium in St Louis MO – the largest annual conference for geospatial intelligence. The paper outlines Kleos' proprietary algorithms, geolocation system and measurement methodology. It also includes a recent study performed over the Republic of Cabo Verde using data from Kleos' Scouting Mission satellites, which confirmed high levels of geolocation accuracy.

Upcoming conferences include:

- 10 November 2021: Market Eye *TechOpps* investment conference.
- 17 November 2021: Australian Space Industry Technology Infrastructure and Investment.
- 30 Nov -2 Dec 2021: 58th Annual AOC International Symposium & Convention.
- 7-9 February 2022: DGI Geospatial Intelligence for National Security.

FINANCIALS

Comment on Appendix 4C

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

Q3 2021 Cash Flows

The Appendix 4C quarterly cashflow report for Q3 2021 is attached. Cash and cash equivalents were EUR 9.4 million (A\$ 15.1 million) as at 30 September 2021, inclusive of A\$12.6 million raised via a Placement to new and existing institutional and sophisticated investors. Total cash flow in the quarter was EUR 5.7 million (A\$ 9.1 million), after a net operating cash outflow of EUR 1.4 million (A\$ 2.3 million). The following is a summary of receipts and expenditures for business activities in the September 2021 quarter (refer also accompanying ASX Appendix 4C):

(EUR'000)	Sept Qtr	Year to date (9 months)
Receipts from customers	nil	15
Product manufacturing and operating costs	-62	-204
Research and development	-23	-95
SG&A (Corporate Overhead)	-1,340	-3,323
Investing Activities	-916	-2,601
Financing payments / receipts	8,014	4,825
Other	39	19

OUTLOOK

Kleos remains focused on continuing to grow subscribers by the end of the year and delivering recurring revenue.

In parallel, Kleos is growing its constellation in volume and capability with the Patrol Mission on track to launch in the coming months and the Observer Mission targeting a mid-2022 launch.

Kleos has a large addressable market, providing a cost-effective intelligence, surveillance, and reconnaissance (ISR) solution for global economic, societal and security challenges. Its global activity-based data improves the detection of illegal activity, including drug and people smuggling, illegal fishing, border challenges and piracy.

This announcement has been approved for release by the Board of Kleos Space.

- ENDS -



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About Kleos Space S.A.

Kleos is a space-enabled radio frequency Reconnaissance data-as-a-service company with operations in Luxembourg, the US and UK. Kleos locates radio transmissions in key areas of interest around the globe, efficiently uncovering data points to expose human activity on land and sea. Using clusters of four satellites, proprietary radio frequency data (RF Data) is collected, transmitted to the ground, processed, and delivered to customers worldwide. Customers, including analytics and intelligence entities, will license data on a subscription basis (Data-as-a-Service aka DaaS), for government and commercial use cases – aiding better and faster decision making. Kleos' first satellite cluster, the Scouting Mission (KSM), successfully launched in November 2020 is performing as a test and technology demonstration whilst collecting data. The company's second satellite cluster, the Vigilance Mission, successfully launched in June 2021 and its Patrol Mission is scheduled to launch in early 2022 and 4th Cluster, Observer Mission targeted for mid-2022. These satellite clusters form the foundation of a global high-capacity constellation of up to 20 satellite clusters, which will deliver high value global observation. For more information 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")
September 30th 2021

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		15
1.2 Payments for		
(a) research and development	-23	-95
(b) product manufacturing and operating costs	-62	-204
(c) advertising and marketing	-66	-168
(d) leased assets		
(e) staff costs	-779	-1,639
(f) administration and corporate costs	-494	-1,376
1.3 Dividends received (see note 3)		
1.4 Interest received		
1.5 Interest and other costs of finance paid		-119
1.6 Income taxes paid	-1	-23
1.7 Government grants and tax incentives		
1.8 Other (provide details if material)		2
1.9 Net cash from / (used in) operating activities	-1,425	-3,607
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities		
(b) businesses		
(c) property, plant and equipment	-930	-2,416
(d) investments		
(e) intellectual property		
(f) other non-current assets		

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	17	167
	(d) investments		
	(e) intellectual property		
	(f) other non-current assets		
2.3	Cash flows from loans to other entities	-3	-352
2.4	Dividends received (see note 3)		
2.5	Other (provide details if material)		
2.6	Net cash from / (used in) investing activities	-916	-2,601

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	7,851	7,851
3.2	Proceeds from issue of convertible debt securities		
3.3	Proceeds from exercise of options	313	534
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-150	-150
3.5	Proceeds from borrowings		
3.6	Repayment of borrowings		-3,410
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	8,014	4,825

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	3,703	10,779
4.2	Net cash from / (used in) operating activities (item 1.9 above)	-1,425	-3,607
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-916	-2,601

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)	8,014	4,825
4.5	Effect of movement in exchange rates on cash held	39	19
4.6	Cash and cash equivalents at end of period	9,415	9,415

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	9,415	3,703
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)	9,415	3,703

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	
<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. 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	146	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		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 has received a loan of €146,456.98 from the Luxembourg government. The loan bears interest at 0.5% with repayment over the 3 years 2022 to 2025.		

8. Estimated cash available for future operating activities	EURO'000
8.1 Net cash from / (used in) operating activities (item 1.9)	1,425
8.2 Cash and cash equivalents at quarter end (item 4.6)	9,415
8.3 Unused finance facilities available at quarter end (item 7.5)	0
8.4 Total available funding (item 8.2 + item 8.3)	9,415
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	6.61
<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?	
Answer:	
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:	
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:	
<i>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.</i>	

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:28 October 2021.....

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.