

ASX RELEASE**Q4 2018 Activities Update**

Kleos Space delivers further commercial agreements, dual-lists on Frankfurt Stock Exchange; establishes UK subsidiary; and is on track for satellite launch in Q2 2019

Key highlights for Q4 2018:

- **Established UK subsidiary to target the UK defence and security market**
- **Signed channel partner agreement with UK-based IMSL to purchase, integrate and sell Kleos Scouting Mission data and services to global end-users**
- **MoU with US-based aerospace, defence and intelligence contractor Ball Aerospace**
- **MoU signed with US based Orbital Insight to develop a route to market partnership**
- **Dual-listed on the Frankfurt Stock Exchange under the ticker code KS1**
- **On schedule to launch Kleos Scouting Mission in Q2 2019, enabling revenue generation**

29th January 2019 (Luxembourg): Kleos Space (ASX: KSS) (Frankfurt: KS1) is pleased to provide the following update for the quarter ending 31 December 2018 (Q4 2018), along with its Appendix 4C cash flow report.

Established subsidiary to target the UK defence and security market

In November, Kleos Space formed a new wholly-owned subsidiary in the United Kingdom for the purpose of delivering maritime Intelligence, Surveillance and Reconnaissance (ISR) data to the UK defence and security market.

The UK subsidiary, Kleos Space Ltd, enables the company to support the UK's space-enabled ISR capabilities and directly access the Ministry of Defence's £4.6 billion planned spend in ISR programmes to 2026. It also addresses the UK's need to utilise locally-based enterprises with appropriate security clearance, innovation focus and technical capability to provide services within the national security framework.

The UK subsidiary builds on existing operations in Luxembourg and Australia.

Signed channel partner agreement with UK-based IMSL

In November, Kleos signed a non-exclusive commercial agreement with UK-based Intelligence Management Support Services Ltd (IMSL) for them to purchase, integrate and sell Kleos Scouting Mission data to governmental and commercial global customers.

IMSL is one of the world's leading defence industry service companies, assisting private organisations and governments with anti-terrorism and crime monitoring activities. Through its

offices in the UK, Australia, New Zealand, Denmark and the United States, IMSL will integrate Kleos' Scouting Mission Data-as-a-Service (DaaS) and offer analytical services globally post launch. IMSL intelligence domain and data analytics expertise will significantly enhance the enterprise capability of Kleos' data and assist clients to fulfil their operational ambitions.

The agreement enables Kleos to immediately access the global intelligence market following the successful collection of data from its satellites in Low Earth Orbit.

Signed Memorandum of Understanding with Ball Aerospace

Towards the end of the reporting period, Kleos Space signed a non-binding Memorandum of Understanding (MoU) with US-based aerospace, defence and intelligence contractor, Ball Aerospace & Technologies Corp., a wholly owned subsidiary of Ball Corporation (NYSE: BLL).

Under the MoU, the two companies will work together within the scope of the Kleos Scouting Mission – the company's first satellites that will begin monitoring the Earth in June 2019. These satellites will capture data currently commercially undetected, including passive radio transmissions without Automatic Identification Systems (AIS), or reliance on GPS, and locate their origin and timing.

The MoU with Ball Aerospace signals an important step for Kleos as it targets entry into the significant US Geospatial Intelligence market.

MoU signed with US Orbital Insights

Kleos signed a Memorandum of Understanding (MoU) with US-based; Orbital Insights, a leader in geospatial analytics. This assists the preparation for the Kleos Scouting Mission data delivery and integration into potential Orbital Insight business-lines post Q2 2019 launch.

Orbital Insight develops geospatial analytics to help its clients unlock societal and economic trends at a global scale. The company works with petabytes of geospatial data, including imagery from satellites, drones and other sources. Using computer vision and machine learning technologies, it processes and transforms data to enable businesses, governments and NGOs to make better decisions. Fast Company voted Orbital Insight one of the most innovative companies of 2017 and 2018.

Dual-listed on the Frankfurt Stock Exchange

During the quarter, Kleos Space dual-listed the company's shares on the Frankfurt Stock Exchange under the ticker code KS1.

Germany is at the heart of the European space sector with an annual government spend of €1.43 billion in space and a total industry size of €2.5 billion. Located within two-hours' drive of Kleos' Luxembourg headquarters, the dual-listing allows the company to broaden its European investor base ahead of the launch of its Scouting Mission satellites in Q2 of 2019.

Kleos will use its Scouting Mission satellites to provide space-enabled, activity-based intelligence, geolocation Data-as-a-Service (Daas) to both governmental and commercial organisations.



The dual-listing also places Kleos amongst similar defence and space-enabled companies, increasing access to potential investors and a sizeable capital pool of US\$2.4 trillion.

On track to launch Kleos Scouting Mission in Q2 2019

The launch of Kleos' first satellite cluster, known as the Kleos Scouting Mission, is on schedule for Q2 of 2019. Kleos' launch partner Rocket Lab successfully completed its first commercial launch from New Zealand in November, carrying six satellites. The successful launch reinforces Kleos' decision to select Rocket Lab as its launch partner.

The multi-satellite Kleos Scouting Mission will form an early revenue generating cornerstone of a constellation that will geolocate VHF transmissions to provide global activity-based intelligence Data-as-a-Service.

Q4 2018 also saw the company achieve key technical milestones with build partner GomSpace.

Outlook

At 31 December 2018, the company had no debt and A\$6.9M cash, and is funded through to launch of its KSM satellites in Q2 2019.

Kleos Space CEO Andy Bowyer said, "Kleos Space has achieved important technical and commercial progress over the quarter, and we remain on schedule to launch our Scouting Mission satellites in the second quarter of 2019 and commence revenue generation."

"We continue to advance discussions with commercial partners in key markets in particular the US where two new agreements have been signed, ensuring we are in a position to begin generating revenue post-launch with our Data-as-a-Service (DaaS) business model."

"Kleos has strengthened its presence in the European market with the establishment of a UK subsidiary and a dual-listing on the Frankfurt Stock Exchange. These activities allow Kleos to engage with a broader investor base in markets where ISR technologies are mature."

"It has been a very productive quarter for Kleos, and the company is very well positioned to continue to deliver against its plans. The immediate focus remains on hitting the Q2 satellite launch, and putting in place more commercial partnerships."

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Investor update calls

Kleos management will be hosting investor conference calls regarding its Q4 2018 business update, and to talk through the company's strategy and outlook. Details for the call are:

Call for Asia Pacific investors:

- Date: Thursday 31 January 2019
- Start time: 9:00am AEDT
- Conference ID: 559977
- Australia toll free: 1800 558 698
- International toll free numbers: <https://services.choruscall.com.au/diamondpass/kleos-559977-invite.html>

Call for European investors:

- Date: Thursday 31 January 2019
- Start time: 9:00am CET (GMT+1)
- Conference ID: 883091
- Germany toll free: 0800 182 7617
- International toll free numbers: <https://services.choruscall.com.au/diamondpass/kleos-559977-invite.html>

For further information, please contact:

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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 report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

Kleos Space

ABN

625 668 733

Quarter ended ("current quarter")

31st December 2018

Consolidated statement of cash flows	Current quarter EURO'000	Year to date (12 months) EURO'000
1. Cash flows from operating activities		
1.1 Receipts from customers		
1.2 Payments for		
(a) research and development		(242)
(b) product manufacturing and operating costs		(25)
(c) advertising and marketing	(45)	(133)
(d) leased assets		
(e) staff costs	(323)	(1,114)
(f) administration and corporate costs	(571)	(1,342)
1.3 Dividends received (see note 3)		
1.4 Interest received		
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Government grants and tax incentives		
1.8 Other (provide details if material)		
1.9 Net cash from / (used in) operating activities	(939)	(2,856)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(818)	(1,256)
(b) businesses (see item 10)		
(c) investments		

Consolidated statement of cash flows		Current quarter EURO'000	Year to date (12 months) EURO'000
	(d) intellectual property		
	(e) other non-current assets		
2.2	Proceeds from disposal of:		
	(a) property, plant and equipment		
	(b) businesses (see item 10)		
	(c) investments		
	(d) intellectual property		
	(e) other non-current assets		
2.3	Cash flows from loans to other entities		
2.4	Dividends received (see note 3)		
2.5	Other (provide details if material)	(15)	(15)
2.6	Net cash from / (used in) investing activities	(833)	(1,271)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares		7,082
3.2	Proceeds from issue of convertible notes		1,492
3.3	Proceeds from exercise of share options		
3.4	Transaction costs related to issues of shares, convertible notes or options		(656)
3.5	Proceeds from borrowings		
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		7,918

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of quarter/year to date	6,018	456
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(939)	(2,856)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(833)	(1,271)
4.4	Net cash from / (used in) financing activities (item 3.10 above)		7,918

Consolidated statement of cash flows		Current quarter EURO'000	Year to date (12 months) EURO'000
4.5	Effect of movement in exchange rates on cash held		(1)
4.6	Cash and cash equivalents at end of quarter	4,246	4,246

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	4,246	4,924
5.2	Call deposits		1,094
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)	4,246	6,018

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

**Current quarter
EURO '000**

112

Fees paid to directors under commercial terms.

7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

**Current quarter
EURO '000**

88

Staff costs paid through Kleos Space Ltd

8. Financing facilities available

Add notes as necessary for an understanding of the position

Total facility amount at quarter end EURO'000	Amount drawn at quarter end EURO'000

8.1 Loan facilities

8.2 Credit standby arrangements

8.3 Other (please specify)

8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.

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9. Estimated cash outflows for next quarter

EURO'000

9.1	Research and development	(310)
9.2	Product manufacturing and operating costs	60
9.3	Advertising and marketing	30
9.4	Leased assets	-
9.5	Staff costs	360
9.6	Administration and corporate costs	210
9.7	Property plant and equipment (satellites)	1550
9.8	Total estimated cash outflows	1,900

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)

Acquisitions

Disposals

10.1	Name of entity		
10.2	Place of incorporation or registration		
10.3	Consideration for acquisition or disposal		
10.4	Total net assets		
10.5	Nature of business		

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.

Sign here:  Date: 28 January 2019

(Director)

Print name: Andrew Bowyer

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly 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 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.