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ASX RELEASE

31 January 2020

Kleos Space Q4 2019 Activities Update and Outlook

Highlights:

- **Kleos has received authorisation to ship the Scouting Mission satellites to the integration and launch site in preparation for launch, shipment will occur on the 11th of February 2020.**
- **A$630,000 contract revenue invoiced in December and received in January.**
- **Collaboration with a nation state secured.**
- **Channel partner and data integrator agreement with Geollect.**

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 31 December 2019 (Q4 2019), along with its Appendix 4C cash flow report.

Scouting Mission launch

Kleos' Scouting Mission satellites are confirmed to launch aboard the Indian Space Research Organisation (ISRO) PSLV C49 from the Satish Dhawan Space Centre in Chennai, India. This is a rideshare mission, which includes satellites from other organisations, and was previously delayed due to issues unrelated to Kleos.

Kleos has now been instructed to ship the Scouting Mission satellites to the integration and launch site, shipment will occur on the 11th of February 2020 in preparation for launch.

Kleos satellites will launch into a 37-degree inclination orbit, covering crucial shipping regions for defence and security customers including the Strait of Hormuz, South China Sea, Australian coast, Southern US coast as well as the East and West African coast.

When launched, Kleos' Scouting Mission satellites will form the foundation of a constellation that delivers a global picture of hidden maritime activity, enhancing the intelligence capability of government and commercial entities when the Automatic Identification System (AIS) is defeated, imagery unclear or targets out of patrol range.

Kleos Space CEO Andy Bowyer said, "While commercial launch capability has increased dramatically over recent years, launch volatility remains a challenge for all space-based companies. Despite the minor launch delay from December 2019, we are and will continue to work hard to get the satellites operational and generating revenues as quickly as possible.

We remain confident that the decision to re-select the Scouting Mission launch provider and orbit will significantly increase the long-term value of our data, providing optimised increased revisit rates over challenging equatorial regions.

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Our independent radio frequency intelligence data is highly attractive to government and security organisations, enabling unprecedented detection of illegal maritime activity, irrespective of whether the vessel is using a broadcast transponder system."

Contract revenue invoiced

Kleos invoiced just over A$630,000 in contract revenue in December. Payment was received in January.

Collaboration with a nation state

Towards the end of the reporting period, Kleos entered into a collaborative agreement with an undisclosable nation state to enhance that country's maritime geospatial intelligence capabilities using Kleos's Scouting Mission data.

The agreement is Kleos' first Government agreement with the sea-bound nation state experiencing ongoing challenges monitoring and policing its coast.

Collaboration activities include developing and implementing scenario modelling and a provisional implementation to validate technical usability and real-world application of Kleos' data; proposed combining of data sets and a subsequent mutual commercial strategy for allied states; and investigating opportunities to develop a value-added proposition for current and future maritime opportunities.

Kleos' Scouting Mission satellites will assist the detection of illegal maritime activity such as piracy, drug and people smuggling and illegal fishing, even in instances when the Automatic Identification System (AIS) has been switched off.

Channel partner and data integrator agreement with Geollect

Kleos strengthened its footprint within the UK defence sector in January, signing a channel partner and data integrator agreement with UK geospatial intelligence and analysis company Geollect.

Geollect will procure and integrate data from Kleos' Scouting Mission satellites to improve its dark vessel tracking capability and generate analytical intelligence. The agreement specifies guide data integrator pricing of €300,000 per annum, however actual revenues will be dependent on data access and the number of users required.

Geollect will also resell Kleos' data as a channel partner with resale pricing to be negotiated on a case-by-case basis.

Geollect provides near real-time geospatial maritime intelligence for the defence, security, global cruise line and insurance sectors and is used by leading maritime organisations including the UK's Royal Navy.

US subsidiary to target largest defence and security market

In October, Kleos formed a wholly owned US subsidiary to integrate and sell its maritime ISR (Intelligence, Surveillance and Reconnaissance) data into US defence and security government departments, agencies and industries.

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The US subsidiary, Kleos Space Inc, enables Kleos to access US government funding and projects which are otherwise restricted to US entities, such as the Small Business Innovation Research (SBIR) funding, US Air Force Accelerator program and other federal defence projects.

Karyn Hayes-Ryan, Head of Kleos US Strategy, has been appointed Director of Kleos US while Executive Chairman Air Commodore Peter Round (Ret) will act as interim CEO.

Outlook

At 31 December 2019, the company had A$0.43 million in cash. At 20th January, the company had A$0.96 million in cash.

Kleos' Scouting Mission satellites will detect and geolocate global maritime radio frequency transmissions, even in instances where the mandatory Automatic Identification System (AIS) has been switched off. Its independent maritime intelligence data products will significantly improve detection of illegal activities at sea, including drug and people smuggling, illegal fishing and piracy.

This announcement has been approved for release by order of the 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.

+Rule 4.7B

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 S.A.	
ABN	**Quarter ended ("current quarter")**
625 668 733	31st December 2019

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	213	605
1.2	Payments for		
	(a) research and development		-31
	(b) product manufacturing and operating costs	-65	-989
	(c) advertising and marketing	-17	-135
	(d) leased assets		
	(e) staff costs	-229	-912
	(f) administration and corporate costs	-268	-1,066
1.3	Dividends received (see note 3)		
1.4	Interest received		
1.5	Interest and other costs of finance paid	-16	-102
1.6	Income taxes paid		
1.7	Government grants and tax incentives		
1.8	Other (provide details if material)		-10
1.9	**Net cash from / (used in) operating activities**	**-382**	**-2,640**

2.	**Cash flows from investing activities**		
2.1	Payments to acquire:		
	(a) property, plant and equipment	-1,116	-2,240
	(b) businesses (see item 10)		
	(c) investments		

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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	-163	-667
2.4	Dividends received (see note 3)		
2.5	Other (provide details if material)		
2.6	**Net cash from / (used in) investing activities**	**-1,279**	**-2,907**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of shares		
3.2	Proceeds from issue of convertible notes	309	1,552
3.3	Proceeds from exercise of share options		
3.4	Transaction costs related to issues of shares, convertible notes or options		
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**	**309**	**1,552**

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	1,617	4,260
4.2	Net cash from / (used in) operating activities (item 1.9 above)	-382	-2,640
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-1,279	-2,907
4.4	Net cash from / (used in) financing activities (item 3.10 above)	309	1,552

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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		
4.6	**Cash and cash equivalents at end of quarter**	**265**	**265**

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	265	1,617
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)**	**265**	**1,617**

6.	**Payments to directors of the entity and their associates**	**Current quarter EURO'000**
6.1	Aggregate amount of payments to these parties included in item 1.2	8
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

Fees paid to directors under commercial terms.

7.	**Payments to related entities of the entity and their associates**	**Current quarter EURO'000**
7.1	Aggregate amount of payments to these parties included in item 1.2	163
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

Financing of staff costs paid through Kleos Space Ltd.

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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)	2,051	1,552

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.

The company entered into a AUD3.3m unsecured convertible note issued by Evolution Equities Pty Ltd with interest of 10% per 6 months with a maturity of 6 months.
The company is finalizing a debt facility in the order of AUD$5 million to ensure sufficient funds pending revenue following launch.

9.	**Estimated cash outflows for next quarter**	**EURO'000**
9.1	Research and development	50
9.2	Product manufacturing and operating costs	80
9.3	Advertising and marketing	30
9.4	Leased assets	0
9.5	Staff costs	280
9.6	Administration and corporate costs	300
9.7	Property plant and equipment (satellites)	280
9.8	**Total estimated cash outflows**	**1020**

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		

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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: 30/01/2020
(Director/Company secretary)

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.

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