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 **KLEOS**

K L E O S  
S P A C E  
S A

ARBN 625 668 733

# P R O S P E C T U S



LEAD MANAGER



AUSTRALIAN LEGAL ADVISER

Prospectus for the initial public offering of 55,000,000 CDIs over shares in the Company at an offer price of \$0.20 per CDI to raise \$11,000,000



## I M P O R T A N T N O T I C E S

**OFFER**

The Offer contained in this Prospectus is an invitation to acquire CHESS Depository Interests (CDIs) over ordinary shares in Kleos Space SA (Shares), a company incorporated in Luxembourg ARBN 625 668 733 (Company or Kleos). This Prospectus is issued by the Company for the purposes of Chapter 6D of the Corporations Act.

**LODGEMENT AND LISTING**

This Prospectus is dated 13 June 2018 and was lodged with ASIC on that date. It is a replacement prospectus which replaces the prospectus dated 30 May 2018 and lodged with ASIC on that date (Original Prospectus). This Replacement Prospectus will be referred to as "this Replacement Prospectus" or "this Prospectus" for the purposes of this document. The differences between this Prospectus and the Original Prospectus include amending the opening date of the Offer and including additional detail in the "key offer statistics" section, including in the Investment Overview a key risk outlining that the Company is not subject to the takeover laws of Australia or Luxembourg, clarification in relation to the Company's business strategy and size of the ISR and geoservices markets, clarification as to the registered intellectual property rights held by the Company, clarification on the payment of the royalty under the Intellectual Property Assignment Agreement, clarification of Mr Tyler's remuneration and the amendment of the definition of Prospectus Date to now refer to the date of lodgement of the Original Prospectus with ASIC.

The Company has applied to ASX for admission of the Company to the official list of ASX and for quotation of the CDIs on ASX. Neither ASIC, ASX or their respective offices take any responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates.

**EXPIRY DATE**

No Shares or CDIs will be allotted or issued on the basis of this Prospectus later than 13 months after the date of the Original Prospectus.

**NOTE TO APPLICANTS**

The information contained in this Prospectus is not financial product advice and does not take into account your investment objectives, financial situation or particular needs. This Prospectus should not be construed as financial, taxation, legal or other advice. The Company is not licensed to provide financial product advice in respect of its securities or any other financial products.

No person is authorised to give any information or to make any representation in connection with the Offer or the CDIs or Shares described in this Prospectus. Any information or representation not contained in this Prospectus may not be relied on as having been authorised by the Company or the Lead Manager in connection with the Offer.

**This Prospectus is important and should be read in its entirety prior to deciding whether to invest in the Company's CDIs. There are risks associated with an investment in the Company's CDIs, which must be regarded as a speculative investment. Some of the key risks that should be considered are set out in Section 4. You should carefully consider these risks in light of your personal circumstances (including financial and tax issues). There may also be risks in addition to these that should be considered in light of your personal circumstances.**

If you do not fully understand this Prospectus or are in doubt as to how to deal with it, you should seek professional guidance from your stockbroker, lawyer, accountant or other professional adviser before deciding whether to invest in the CDIs.

No person named in this Prospectus warrants or guarantees the Company's performance, the repayment of capital by the Company or any return on investment made pursuant to this Prospectus.

**NO OFFER WHERE OFFER WOULD BE ILLEGAL**

This Prospectus does not constitute an offer or invitation to apply for CDIs in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. No action has been taken to register or qualify the CDIs or the Offer or to otherwise permit a public offering of the CDIs, in any jurisdiction outside Australia and New Zealand. The Offer is not being extended to any investor outside Australia or New Zealand, other than to certain institutional and sophisticated investors as part of the Institutional Offer or the Chairman's List Offer in certain jurisdictions as described in Section 8.1. The distribution of this Prospectus (including in electronic form) outside Australia and New Zealand may be restricted by law and persons who come into possession of this Prospectus outside Australia or New Zealand should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

**NOTICE TO UNITED STATES RESIDENTS**

The CDIs being offered pursuant to this Prospectus have not been registered under the United States Securities Act of 1933, as amended (US Securities Act) or any US state securities laws and may not be offered or sold in the United States absent registration or an applicable exemption from registration under the US Securities Act and applicable state securities laws. This Prospectus does not constitute an offer to sell, or the solicitation of an offer to buy, nor shall there be any sale of the CDIs in any state or other jurisdiction in which such offer, solicitation or sale would be unlawful under applicable law, including the US Securities Act. In addition, any hedging transactions involving the CDIs or any Shares into which the CDIs may be converted may not be conducted unless in compliance with the US Securities Act.

**NOTICE TO NEW ZEALAND INVESTORS**

The Offer to New Zealand investors is a regulated offer made under Australian and New Zealand law. In Australia, this is Chapter 8 of the *Corporations Act 2001* (Cth) and *Corporation Regulations 2001* (Cth) (Corporations Law). In New Zealand, this is subpart 6 of part 9 of the *Financial Markets Conduct Act 2013* and part 9 of the *Financial Markets Conduct Regulations 2014*. The Offer and the content of the Prospectus are principally governed by Australian rather than New Zealand law. In the main, the Corporations Law sets out how the Offer must be made.

There are differences in how financial products are regulated under Australian Law. For example, the disclosure of fees for managed investment schemes is different under the Australian regime.

The rights, remedies, and compensation arrangements available to New Zealand investors in Australian securities may differ from the rights, remedies, and compensation arrangements for New Zealand financial products.

Both the Australian and New Zealand financial products regulators have enforcement responsibilities in relation to the Offer. If you need to make a complaint about this Offer, please contact the Financial Markets Authority, Wellington, New Zealand (<http://www.fma.govt.nz>). The Australian and New Zealand regulators will work together to settle your complaint.

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The taxation treatment for Australian financial products is not the same as for New Zealand financial products.

If you are uncertain about whether this investment is appropriate for you, you should seek the advice of an appropriately qualified financial adviser.

The Offer may involve a currency exchange risk. The currency for the financial products is not New Zealand dollars. The value of the financial products will go up or down according to changes in the exchange rate between that currency and New Zealand dollars. These changes may be significant.

If you expect the financial products to pay any amounts in a currency that is not New Zealand dollars, you may incur significant fees in having the funds credited to a bank account in New Zealand in New Zealand dollars.

If the financial products are able to be traded on a financial product market and you wish to trade the financial products through that market, you will have to make arrangements for a participant in that market to sell the CDIs on your behalf. If the financial products market does not operate in New Zealand, the way in which the market operates, the regulation of participants in that market, and the information available to you about the financial products and trading may differ from financial products markets that operate in New Zealand.

## FINANCIAL INFORMATION AND AMOUNTS

Section 6 of this Prospectus sets out in detail the financial information referred to in this Prospectus and the basis of preparation of that information.

The Financial Information included in this Prospectus has been prepared and presented in accordance with the recognition and measurement principles prescribed in International Financial Reporting Standards, except where otherwise stated.

The Financial Information is presented in abbreviated form. It does not include all of the presentation and disclosures required by the International Financial Reporting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports. The Financial Information in this Prospectus should be read in conjunction with, and is qualified by reference to, the information contained in Section 6.

All financial amounts contained in this Prospectus are expressed in Euros and rounded to the nearest €'000 (thousand) unless otherwise stated. Some numerical figures included in this Prospectus have been subject to rounding adjustments. Any discrepancies between totals and sums of components in tables contained in this Prospectus are due to rounding.

An exchange rate of AS\$1.59: €1 has been used throughout this prospectus except where expressly stated otherwise.

## DISCLAIMER

No person is authorised by the Company or the Lead Manager to give any information or make any representation in connection with the Offer that is not contained in the Prospectus. Only information or representations contained in this Prospectus may be relied on as having been authorised by the Company or its Directors, the Lead Manager or any other person in connection with the Offer. The Company's business, financial condition, results of operations and prospects may have changed since the Prospectus Date.

This Prospectus contains forward-looking statements concerning the Company's business, operations, financial performance and condition as well as the Company's plans, objectives and expectations for its business, operations, financial performance and condition. Any statements contained in this Prospectus that are not of historical facts may be deemed to be forward-looking statements. You can identify these statements by words such as "aim", "anticipate", "assume", "believe", "could", "due", "estimate", "expect", "goal", "intend", "may", "objective", "plan", "predict", "potential", "positioned", "should", "target", "will", "would" and other similar expressions that are predictions of or indicate future events and future trends.

These forward-looking statements are based on current expectations, estimates, forecasts and projections about the Company's business and the industry in which the Company operates and management's beliefs and assumptions. These forward-looking statements are not guarantees of future performance or development and involve known and unknown risks, uncertainties and other factors, many of which are cases beyond the Company's control. As a result, any or all of the Company's forward-looking statements in this Prospectus may turn out to be inaccurate. Factors that may cause such differences or make such statements inaccurate include, but are not limited to, the risk factors described in Section 4. Potential investors and other readers are urged to consider these factors carefully in evaluating the forward-looking statements set out in this Prospectus and are cautioned not to place undue reliance on such forward-looking statements.

These forward-looking statements speak only as at the Prospectus Date. Unless required by law, the Company does not intend to publicly update or revise any forward-looking statements to reflect new information or future events or otherwise. You should, however, review the factors and risks the Company describes in the reports to be filed from time to time with ASX after the Prospectus Date.

Certain numerical figures included in this Prospectus may have been subject to rounding adjustments. Accordingly, numerical figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that preceded them.

## PAST PERFORMANCE

This Prospectus includes information regarding the past performance of the Company. Investors should be aware that past performance should not be relied upon as being indicative of future performance.

## EXPOSURE PERIOD

The Corporations Act prohibits the Company from processing Applications for CDIs under the Offer in the seven-day period after the date of lodgement of the Original Prospectus with ASIC (**Exposure Period**). This period was extended by ASIC for a further period of seven days. The purpose of the Exposure Period is to enable this Prospectus to be examined by ASIC and market participants prior to the raising of funds under the Offer. This Prospectus will be made generally available to Australian residents during the Exposure Period without the Application Form by being posted on the following website <https://kleos.space/investors>. Applications received during the Exposure Period will not be processed until after the expiry of the Exposure Period. No preference will be conferred on any Applications received during the Exposure Period.



## ELECTRONIC PROSPECTUS

This Prospectus will be available in electronic form on the following website: <https://kleos.space/investors>.

## OBTAINING A COPY OF THE PROSPECTUS

This Prospectus will be made available in electronic form on the following website: <https://kleos.space/investors>. Information contained on <https://kleos.space/investors>, other than the Prospectus, does not form part of this Prospectus.

The Offer constituted by this Prospectus in electronic form is available only to persons receiving this Prospectus in electronic form within Australia. Hard copy and electronic versions of the Prospectus are generally not available to persons in other jurisdictions (including the United States).

Persons who access the electronic version of this Prospectus should ensure that they download and read the entire Prospectus. If unsure about the completeness of this Prospectus received electronically, or a print out of it, you should contact the Company on the above. A paper copy of this Prospectus will be available for Australian and New Zealand residents free of charge by contacting the Kleos Offer Information Line on 1800 992 793 (toll free within Australia) or +61 1800 992 793 (from outside Australia) (between 8:30am to 5:30pm AEST) Monday to Friday (excluding public holidays).

Applications for the CDIs under this Prospectus may only be made on either a printed copy of the Application Form attached to or accompanying this Prospectus or via the electronic Application Form attached to the electronic version of this Prospectus, available at <https://kleos.space/investors>.

The Corporations Act prohibits any person from passing the Application Form on to another person unless it is attached to a hard copy of the Prospectus or the complete and unaltered electronic version of the Prospectus. If this Prospectus is found to be deficient, any Applications may need to be dealt with in accordance with section 724 of the Corporations Act.

## COOLING OFF RIGHTS

Cooling off rights do not apply to an investment in CDIs pursuant to the Offer. This means that, in most circumstances you cannot withdraw your Application once it has been accepted.

## PRIVACY

The Company, the Share Registry on its behalf, and the Lead Manager may collect, hold, use and disclose personal information provided by investors to allow it to process your Application, service your needs as a Shareholder, provide facilities and services that you request and carry out appropriate administration of your investment. This means that the Company will need to collect your personal information (for example, your name, address and details of the Securities that you hold). Under the Corporations Act some of this information must be included in the Company's Share register, which will be accessible by the public.

The Company will only use and/or disclose your personal information for the purposes for which it was collected, other related purposes and as permitted or required by law. If you do not wish to provide this information, the Company and the Share Registry may not be able to process your Application.

The Company and the Share Registry may also share your personal information with agents and service providers of the Company or others who provide services on the Company's behalf, some of which may be located outside of Australia where personal information may not receive the same level of protection as that afforded under Australian law.

For more details on how the Company collects, stores, uses and discloses your information, please read the Company's Privacy Policy located at <https://kleos.space/investors>. Alternatively, you can contact the Company by telephone on 1800 992 793 (toll free within Australia) or +61 1800 992 793 (from outside Australia) (between 8:30am to 5:30pm AEST), Monday to Friday (excluding public holidays) or webmail at [ir@kleos.space](mailto:ir@kleos.space) and the Company will send you a copy of its Privacy Policy free of charge. It is recommended that you obtain a copy of this Privacy Policy and read it carefully before making an investment decision.

By completing an Application Form or authorising a broker to do so on your behalf, or by providing the Company with your personal information, you agree to this information being collected, held, used and disclosed as set out in this Prospectus and the Company's Privacy Policy (located at <https://kleos.space/investors>).

The Company's Privacy Policy also contains information about how you can access and seek correction of your personal information, complain about a breach by the Company of the Australian privacy laws, and how the Company will deal with your complaint.

The Company aims to ensure that the personal information it retains about you is accurate, complete and up-to-date. To assist with this, please contact the Company or the Share Registry if any of the details you have provided change.

## TECHNICAL TERMS, DEFINITIONS, ABBREVIATIONS AND TIME

Technical terms used in this Prospectus (unless specified otherwise) are explained in Section 11.

Other defined terms and abbreviations used in this Prospectus (unless specified otherwise) are explained in Section 12.

All references to time in this Prospectus refer to Sydney time unless stated otherwise.

## PHOTOGRAPHS, DATA AND DIAGRAMS

Photographs and diagrams used in this Prospectus which do not have any descriptions are for illustration only and should not be interpreted to mean that any person shown endorses this Prospectus or its contents or that the assets shown in them are owned by the Company.

Diagrams used in the Prospectus are illustrative only and may not be drawn to scale and may not accurately reflect the final appearance of the subject matter which it depicts.

Unless otherwise stated, all data contained in charts, graphs and tables is based on information available as at 30 April 2018.

**COMPANY WEBSITE**

Any references to documents included on the Company's website are provided for convenience only, and none of the documents or other information on the Company's website, or any other website referred to in this Prospectus, is incorporated in this Prospectus by reference.

**REGULATION OF KLEOS**

As the Company is not established in Australia, its general corporate activities (apart from any offering of securities in Australia) are not regulated by the Corporations Act 2001 of the Commonwealth of Australia or by the Australian Securities and Investments Commission but instead are mainly governed by the 1915 Law.

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CORPORATE DIRECTORY

**IMPORTANT DATES**

Lodgement of the Prospectus with ASIC	30 May 2018
Offer opens	14 June 2018
Offer closes	21 June 2018
Allotment of CDIs	29 June 2018
Expected date for dispatch of holding statements	2 July 2018
Trading of CDIs commences on ASX (on a normal settlement basis)	9 July 2018

The above timetable is indicative only. The Company reserves the right to vary the dates and times set out above subject to the Corporations Act and other applicable law. In particular, the Company reserves the right to close the Offer early, extend the Closing Date or accept late Applications without notifying any recipients of this Prospectus or any Applicants. Investors who wish to submit an Application are encouraged to do so as soon as practicable after the Offer opens.

**KEY OFFER STATISTICS**

Company	Kleos Space SA
Proposed ASX Code for the CDIs	KSS
Securities offered	CDIs (each representing one Share)

	CDIS	SHARES
Ratio of CDIs per Share	1	1
Number of Shares on issue as at the date of this Prospectus	-	32,940,000
Number of CDIs available under the Offer	55,000,000	55,000,000
Offer price per CDI	A\$0.20 per CDI	Equivalent to A\$0.20 per Share
Gross proceeds from the Offer	A\$11,000,000	A\$11,000,000
Number of CDIs to be issued on conversion of the convertible notes on Completion of the Offer <sup>1</sup>	14,687,500	14,687,500
Number of CDIs to be issued to the Lead Manager on Completion of the Offer <sup>2</sup>	4,000,000	4,000,000
Total number of CDIs at completion of the Offer <sup>5</sup>	106,627,500	106,627,500
Number of Options to be granted to the Lead Manager on Completion of the Offer <sup>3</sup>	4,000,000	4,000,000
Number of Performance Rights to be granted on Completion of the Offer <sup>4</sup>	33,500,000	33,500,000
Total number of CDIs at completion of the Offer (on a fully diluted basis) <sup>5, 6</sup>	144,127,500	144,127,500
Indicative market capitalisation at completion of the Offer (on an undiluted basis) <sup>5, 7</sup>	A\$21,325,500	A\$21,325,500
Indicative market capitalisation at completion of the Offer (on an fully diluted basis) <sup>5, 6, 8</sup>	A\$28,825,500	A\$28,825,500

**NOTES:**

- On completion of the Offer the Company will issue 14,687,500 Shares on conversion of the convertible notes, at a deemed issue price of A\$0.16 per Share. Refer to Section 10.4 for further details.
- On completion of the Offer the Company will issue 4,000,000 Shares to the Lead Manager. Refer to Section 9.4 for further details.
- On completion of the Offer the Company will grant 4,000,000 Options to the Lead Manager. Each Option is exercisable into one Share at an exercise price of \$0.30 and has a 3 year exercise period. Refer to Section 10.5 for further details.
- On completion of the Offer the Company will grant 33,500,000 Performance Rights to Directors and Key Management. Subject to the satisfaction of vesting conditions which are listed in Section 5.5, each performance right will vest into one Share.
- Assumes all Shares are held in the form of CDIs.
- Assumes that all Options are converted to Shares and Performance Rights have vested.
- Calculated as the total number of CDIs on issue following the Offer multiplied by the Offer Price per CDI.
- Calculated as the total number of Securities on issue following the Offer (on a fully diluted basis) multiplied by the Offer Price per CDI.

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# C H A I R M A N ' S L E T T E R

Dear Investor,

It is a great pleasure to present to you an opportunity to invest in Kleos Space. I hope after reading this Prospectus you will share my excitement in the innovative yet practical services Kleos will bring to the market. After more than 30 years as a RAF pilot and commander on operations, I understand the true advantage of having timely and accurate information. Here we are creating a capability that is cost effective, accurate and reliable. It has obvious value in the defence and security sector and will translate into the non-government market where the applications for its use will only be defined by our imagination.

The purpose of this public offering is to launch our scouting satellite system into Space and, almost immediately, start demonstrating the earning capability of our products. We have chosen the ASX because of its track record in understanding the requirements of the Space sector and with Australia's home-grown Space and border protection industry it aligns perfectly with the aspirations of our Company.

We have an experienced management team with a proven track record of completing complex Space missions which can only be strengthened by our Board of Directors' knowledge of the Defence and Security markets.

Kleos' intellectual property was developed over several years as part of Magna Parva, an established and successful provider to the Space industry in the United Kingdom for over 12 years. The intellectual property was identified in conjunction with the Luxembourg Government as a platform to be further developed and commercialised which led to the award of a €1.96 million grant by The Grand Duchy of Luxembourg.

We are a global company headquartered in Luxembourg the new-Space nation in Europe. Nevertheless, our lineage and ubiety in the United Kingdom means we can continue to work with one of the largest defence and security markets in the world. Most recently our presence and investment in Australia enables us to deliver local and targeted solutions to real problems being faced around the coast of Australia and the wider Asia Pacific region.

Kleos is developing the software to collect information previously not available on a global coverage basis. There are no readily available, reliable or commercially driven solutions in existence today using large aerial arrays on Earth or satellites that also come at an affordable price for consumers.

Kleos will have the potential to analyse information from almost any radio transmission on Earth; knowing where it was transmitted from and when it was transmitted. The process can be applied to ships, vehicles or aircraft: in fact, almost anything that has a radio transmitter on board. We will be able to tell where the transmitter is without reference to GPS or, in the future, Galileo. We can then combine this knowledge with other information; weather, road networks, maps, shipping lanes and airways to name but a few - clearly the opportunities are boundless.



At first the output will be broadcast by a single 'scouting' or first satellite system which will revisit each part of the Earth every day. Our data will soon become important to governments, defence, security and commercial operators. Following our successful scouting mission, we intend to grow the constellation of satellites until we have continuous Worldwide coverage which will strengthen the service offering with near real-time information tailored for a customer's needs.

Please read the Prospectus carefully, it provides much more detail about the Company (Section 3) and the Offer (Section 8). It also includes a description of key risks (Section 4) associated with an investment in Kleos.

On behalf of the Kleos Board of Directors, I look forward to welcoming you as a Shareholder and sharing in the exciting mission ahead.

Yours faithfully,

**Peter Round**  
Chairman

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SECTION 01

# INVESTMENT OVERVIEW





## I. INVESTMENT OVERVIEW

The information set out in this Section is intended to be a summary only and should be read in conjunction with the more detailed information appearing elsewhere in this Prospectus. In deciding whether to apply for CDIs under the Offer, you should read this Prospectus carefully and in its entirety. If you are in doubt as to the course you should follow, please consult your professional advisers. A glossary of technical terms can be found in Section 11.

ABOUT THE COMPANY		
QUESTION	ANSWER	MORE INFORMATION
What is the Company?	Kleos Space SA is a public limited liability company ( <i>société anonyme</i> ) incorporated in the Grand Duchy of Luxembourg.	Section 3 and section 10.1
What is the business of the Company?	<p>Kleos will launch and operate satellite infrastructure that will generate commercial geospatial intelligence (GEOINT) and signals intelligence data (SIGINT) data and sell the Data as a Service (DaaS) internationally via subscription to government agencies, the intelligence community, end users, or businesses interested in locating threats, assets, targets or emergency beacons/those in distress.</p> <p>Kleos will launch, own and operate Low Earth Orbit (LEO) Satellites that will orbit the Earth collecting data on radio transmissions from devices such as Marine and Land Based very high frequency (VHF) devices.</p> <p>Kleos will initially launch a single LEO Satellite system using proven space hardware from an established industry leader with up to 5 years operational life (Scouting Satellite).</p> <p>The Scouting Mission will carry VHF payload for geolocating VHF transmissions and an AIS payload to geolocate (without the need for GPS i.e. non-spoofable) AIS transmitters. This will allow Kleos to compare the self-reported geolocation from the AIS transmitter to its own measured geolocation and highlight vessels that are misrepresenting their true locations.</p> <p>After the set up and validation of the Scouting Satellite (a process that involves positioning the satellite system into the correct orbit and calibrating the radio frequency geolocation capability). Kleos will be able to collect data and sell the Data as a Service.</p> <p>The DaaS product will be a valuable and powerful tool for government ministries and commercial companies working in the fields of security, maritime protection, border controls, environmental protection, search and rescue services and insurance.</p> <p>The DaaS product will be distributed via a custom (in development) platform named Guardian ABI.</p> <p>The Guardian ABI platform will offer the interface with the data for the customer and enable procurement of the basic data set or a more layered data set that provides the higher value intelligence offering.</p> <p>The full Guardian ABI intelligence product will offer insight into adversaries' actions, capabilities, and intentions often long before they act.</p> <p>Longer term Kleos intends to launch additional satellite systems. The more satellite systems in orbit, the more frequently the same area of the Globe is observed thus reducing latency in reported data and will have the capability to geolocate radio transmissions other than VHF/AIS. Kleos has determined that the optimal number of satellite systems from an operational perspective is up to 20. Other example radio transmissions of interest are from cell phones, radar and signal jammers.</p>	Sections 3.3 and 3.4

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ABOUT THE COMPANY		
QUESTION	ANSWER	MORE INFORMATION
<p><b>What is the Company's strategy?</b></p>	<p>Kleos plans to distribute and sell data directly to end users and channel partners such as the such as data analytics companies which will on-sell to identified end customers. Kleos expects the ratio of direct versus indirect sales to be broadly 50:50.</p> <p>Kleos intends to sell the 'raw' data to used who prefer to perform their own analysis and, for other users, for Kleos to add its own layer of analysis to that raw data to sell higher value intelligence information to the end users. All sales will be facilitated through the Guardian ABI platform. The Guardian ABI DaaS product is in development, with the initial capability scheduled to be complete in Q2 2019 in order to integrate data from the Scouting Satellite.</p> <p>The DaaS product will be straightforward in terms of options with the Scouting Satellite offering a global daily coverage. As further satellites are added to the constellation, additional higher value options will be available for sale as data will be more frequently available. Kleos' key target subscription audience is modest in volume, aiming for a low level of customers who all subscribe to the highest level of subscription.</p> <p>Kleos has commenced discussions with Government agencies and corporations in relation to potential sales contracts. As at the date of this Prospectus, Kleos has not entered into any sales contracts and there is no assurance that the Guardian ABI platform will achieve market acceptance or be commercialised.</p>	<p>Sections 3.5, 3.6</p>
<p><b>What are the key highlights of the Offer?</b></p>	<p>Kleos believes that the key investment highlights of the Offer include the following:</p> <ul style="list-style-type: none"> <li>• <b>Product offering</b></li> </ul> <p>The product offered by Kleos will be an accurate and market disruptive global, Intelligence, Surveillance and Reconnaissance (<b>ISR</b>) DaaS product.</p> <ul style="list-style-type: none"> <li>• <b>Multiple applications</b></li> </ul> <p>Kleos' products may be used across a range of applications, including defence, security, commercial, civilian and humanitarian.</p> <ul style="list-style-type: none"> <li>• <b>Pathway to sales</b></li> </ul> <p>The launch of the Scouting Satellite is targeted for Q2 2019. After the set up and validation of the Scouting Satellite (a process that involves positioning the satellite system into the correct orbit and calibrating the radio frequency geolocation capability), Kleos will be able to collect data and sell the DaaS. The DaaS product will be distributed via the Guardian ABI platform which is under development, with the initial capability scheduled to also be complete in Q2 2019.</p> <ul style="list-style-type: none"> <li>• <b>Scalable business</b></li> </ul> <p>The Kleos business will initially provide a DaaS product targeted at the defence industry. The product is scalable both in terms of extension into different markets and development of increasing 'value' of the product offering. This will be enabled by launching more satellites (which will allow data to be refreshed more regularly) and development of Activity Based Intelligence (<b>ABI</b>) by layering the geolocation data with information such as AIS and weather.</p> <ul style="list-style-type: none"> <li>• <b>Market size</b></li> </ul> <p>Kleos plans to capitalise on commercial first mover advantage by deploying LEO Satellites to penetrate the global ISR market and provide a commercial DaaS solution.</p>	<p>Section 3 and section 2.2</p>
<p><b>What are the key competitive advantages of the Company's business?</b></p>	<p>Kleos believes that the key competitive advantages of the Company include the following:</p> <ul style="list-style-type: none"> <li>• <b>Early mover advantage</b></li> </ul> <p>Kleos is an early commercial mover which will assist in establishing the Company as market leader.</p> <ul style="list-style-type: none"> <li>• <b>Expertise</b></li> </ul> <p>Kleos has developed know-how in the field of radio transmission geolocation that maximises the value of the data from the Space based assets.</p>	<p>Section 3.4</p>



**ABOUT THE COMPANY**

QUESTION	ANSWER	MORE INFORMATION
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**What are the key risks associated with the Company?**

Kleos is subject to a number of risks, both specific to Kleos' business activities and of a general nature, which may, either individually or in combination, adversely impact the future operating and financial performance of Kleos, its investment returns and the value of its CDIs. As Kleos is an early stage company with limited trading history, an evaluation of Kleos' business or its prospects is difficult.

Section 4.2.1

The Board aims to manage these risks by carefully planning its activities and implementing risk control measures.

Based upon the information available a non-exhaustive list of the key risk factors affecting the company are as follows:

- **Supply of Scouting Satellite**

Section 4.2.2

Kleos will purchase the Scouting Satellite from a third party. If the Scouting Satellite is not delivered on time, or does not meet Kleos' specifications, the launch of the Scouting Satellite will be delayed, which may have a materially adverse effect on Kleos' business, financial performance and reputation.

- **Software development**

Section 4.2.3

Kleos intends to distribute the data it collects through a bespoke software platform named Guardian ABI which is under development. There is a risk that completion of the development of the Guardian ABI platform will take longer than anticipated which may have a materially adverse effect on Kleos' business, financial performance and reputation.

- **Costs of software development**

The Company has set a budget for the development of the Guardian ABI platform. There is a risk that the actual cost to develop the Guardian ABI platform will be greater than the amount budgeted, and that additional funding will be required to complete the Guardian ABI platform.

The Company may not be able to recover any additional development costs from customers. There can be no assurance that additional funds to complete the development of the Guardian ABI platform will be available either at all or on terms and conditions which are commercially acceptable to the Company.

An increase in the cost of software development may have a materially adverse impact on Kleos' business, financial performance and reputation.

- **Commercialisation of the Guardian ABI platform**

Section 4.2.4

Kleos' technology, and the proposed method of data delivery through the Guardian ABI platform, are new to the ISR market. There can be no assurance that Kleos' Guardian ABI platform or any new product or service that Kleos develops will achieve market acceptance or will be commercialised, either on a timely basis or at all. A failure to successfully develop and/or commercialise the Kleos Guardian ABI platform or any new product or service that Kleos develops will have a materially adverse impact on Kleos' business, financial performance and reputation.

- **Launch of Scouting Satellite**

Section 4.2.5

Kleos will use a third-party launch provider to launch the Scouting Satellite into Space. There is a risk that Kleos will not be able to secure a satisfactory launch date and/or that the cost of launch will be greater than the budgeted amount.

The launch of satellites into Space is inherently risky. There is a risk that the vehicle used to launch the Scouting Satellite will fail, and that the Scouting Satellite will be damaged or destroyed. A failed launch may have a materially adverse impact on Kleos' business, financial performance and reputation.

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**ABOUT THE COMPANY**

QUESTION	ANSWER	MORE INFORMATION
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**What are the key risks associated with the Company? (cont.)**

- **Limited trading history and track record**

Kleos is an early stage company with limited trading history. Since commencing operations in 2017, the Company's activities have principally involved raising money to develop its technology and build up its personnel capabilities. Like many early stage companies, Kleos has incurred losses since its inception. The cumulative losses up as of 31 December 2017 are approximately €184,000. Given Kleos' limited trading history it may be difficult to make an evaluation of Kleos' business or its prospects.

Section 4.2.6

- **Intellectual property**

Kleos depends on its ability to commercially exploit its technology and intellectual property. Kleos relies on laws relating to trade secrets, copyright and trade marks to assist in protecting its proprietary rights. However, there is a risk that unauthorised use or copying of Kleos' software, data, specialised technology or platforms may occur. There is a risk that the validity, ownership or authorised use of intellectual property relevant to Kleos' business may be successfully challenged by third parties.

Section 4.2.7

- **Reliance on key personnel**

Kleos' ability to effectively execute its growth strategy is substantially dependent on the performance and expertise of its team. In particular, Kleos is heavily dependent on its Executive Directors and other senior employees of the Company. The loss of these key management personnel, or any delay in their replacement, may adversely affect Kleos' future financial performance.

Section 4.2.9

- **Competition risk**

At present there is very little competition in the commercial Space based ISR domain outside of visible imagery and Synthetic Aperture Radar (**SAR**) offerings. Whilst Kleos currently has early mover advantage and expertise to deliver a high-quality product, it is anticipated that the level of competition will increase rapidly. There is no assurance that competitors will not succeed in developing a product more effective or economical than the product developed by Kleos which would render the Kleos product uncompetitive. Competitors, especially when backed by Governments are likely to have significantly higher financial resources available.

Section 4.3.1

- **Failure to obtain licences and permits**

Before it may collect data, Kleos must:

- obtain a concession from the Luxembourg Government in order to establish and exploit a Luxembourgish satellite system (**Concession**);
- obtain a licence, with specific assignments, to use frequencies or radio channels for both transmission and reception from the ILR; and
- register with the ITU.

Kleos cannot guarantee that it will obtain the Concession, licence or registration prior to the planned launch of the Scouting Satellite or at all, which may delay or prevent Kleos from collecting data for sale, which may adversely impact Kleos' business, financial performance and reputation.

Section 4.3.2

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**ABOUT THE COMPANY**

**QUESTION**

**ANSWER**

**MORE INFORMATION**

**What are the key risks associated with the Company? (cont.)**

• **Suspension or withdrawal of Concession**

Section 4.3.3

The Company must obtain and maintain the Concession in order to establish and operate a Satellite System.

One condition of the Concession is that any person who intends to directly or indirectly hold a stake in the Company in such a way that the proportion of voting rights held by such person meets or exceeds the thresholds of 20%, 33%, or 50% or any other threshold applicable by law, must obtain the prior approval of the Luxembourg Government. The Company cannot guarantee that the Luxembourg Government will approve any acquirer.

If a person exceeds one of these ownership thresholds without the prior approval of the Luxembourg Government, the Luxembourg Government may (i) request the Company to suspend the exercise of the corresponding voting rights or request the nullity or cancellation of the votes; or (ii) request the holders of CDIs/Shares to reduce their participation to below the aforementioned threshold; or (iii) block or ultimately withdraw the Concession.

The blocking or withdrawal of the Concession would mean that the Company will not be able to operate the Scouting Satellite or any other satellite, which will adversely impact Kleos' business, financial performance and reputation.

• **Additional requirements for capital section**

Section 4.2.10

The Directors anticipate that existing cost reserves together with the proceeds of the Offer will cover the development and launch of the scouting satellite. Additional funding may be required in the event that costs exceed the Company's estimate, or to meet any unanticipated liabilities or expenses which the Company may incur, such as launch failure or significant delay. Additional funding may be required for further product, development, joint venture or other business opportunities.

Future plans to launch additional satellites could be funded through reinvestment of any profits, however additional financing will be required if the Board decide to accelerate the launch of any such satellites.

Because Kleos is incorporated in Luxembourg, certain provisions of the Corporations Act, including in relation to takeovers and substantial holdings do not apply. Kleos is not bound by the takeovers rules under company Luxembourg Law.

Section 4.4.8, Section 10.6 and Section 10.8

Kleos has incorporated into its Articles shareholder protection provisions that are similar to the provisions of the Corporations Act. These provisions seek to protect the interest of shareholders where a person seeks to acquire a substantial interest in, or control of, the Company.

**Who are our Directors?**

The Directors of the Company are:

Section 5.1

• **Peter Round** - Chairman & Executive Director;

Peter is the Managing Director of a respected Defence consultancy, is a Defence Advisor to the Luxembourg Government and supports a number of international defence companies.

• **Andrew Bowyer** - Chief Executive Officer and Managing Director;

Andrew has held leadership positions in Space technology development firms for 15 years and has developed a reputation for executing successful Space Projects.

• **Miles Ashcroft** - Chief Technology Officer and Executive Director;

Miles has more than 25 years experience in engineering with over 15 years of that delivering high value and technically complex space projects.

• **Erik Tyler** - Executive Director

Erik has extensive experience as a corporate adviser to ASX-listed companies providing a diverse range of skills including corporate structuring, capital raisings and investor relations.

• **David Christie** - Independent Non-Executive Director.

David has over 20 years experience as a Senior Legal Executive.

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ABOUT THE COMPANY		
QUESTION	ANSWER	MORE INFORMATION
<b>What are the restrictions on a person acquiring Shares or CDIs in the Company?</b>	<p>Any person who owns, directly or indirectly at least ten percent (10%) of the share capital or the voting rights and/or the CDIs shall inform the Company of such holdings.</p> <p>The consent of the Luxembourg Government is required before any person may directly or indirectly hold Shares or CDIs in such a way that the proportion of voting rights held by such person would meet or exceed the following thresholds (<b>Thresholds</b>):</p> <ul style="list-style-type: none"> <li>• 20%;</li> <li>• 33%;</li> <li>• 50%; and</li> <li>• any other threshold provided by applicable law</li> </ul> <p>Kleos is not subject to any specific Luxembourg takeovers regulation. Kleos has incorporated into its Articles shareholder protection provisions that are similar to the provisions of the Corporations Act.</p>	Sections 2.6.2 and 10.7
<b>Will the Company pay dividends?</b>	The policy of the Company is to invest all cashflow into the business in order to maximise its growth. Accordingly, no dividends are expected to be paid in the near term following the Company's Listing.	Section 3.9

ABOUT THE OFFER		
QUESTION	ANSWER	FOR MORE INFORMATION
<b>What is the Offer?</b>	The Company is offering CDIs to raise A\$11,000,000.	Section 8.1
<b>Is there a minimum amount to be raised under the Offer?</b>	A\$11,000,000. The Company will not accept oversubscriptions.	Section 8.1
<b>What do Applicants pay when applying under the Offer?</b>	All Applicants under the Offer will pay A\$0.20 per CDI. The Company will retain any interest earned on an Applicant's Application Amount.	Section 8.1
<b>Who is the Lead Manager to the Offer?</b>	Hunter Capital Advisors Pty Ltd ACN 603 930 418.	Section 8.2
<b>What is the purpose of the Offer?</b>	<p>The Offer is being conducted to:</p> <ul style="list-style-type: none"> <li>• fund the launch of the Scouting Satellite;</li> <li>• develop the Company's product offering, including the Guardian ABI platform, in order to be sold to the defence and security sector; and</li> <li>• fund working capital requirements.</li> </ul>	Section 8.3
<b>Who is the issuer of the Securities and this Prospectus?</b>	Kleos is the issuer of the Shares and this Prospectus for the offer of CDIs.	Section 8.1



ABOUT THE OFFER							
QUESTION	ANSWER					FOR MORE INFORMATION	
What will the Company use the proceeds raised from the Offer for?	The sources and uses of the funds raised from the Offer is set out below:					Section 8.3	
	<b>SOURCES OF FUNDS</b>		<b>A\$ ('000)</b>	<b>€ ('000)</b>	<b>% OF FUNDS</b>		
	Existing cash		3,077	1,935	22%		
	Proceeds from offer		11,000	6,918	78%		
	<b>Total sources</b>		<b>14,077</b>	<b>8,853</b>	<b>100%</b>		
	<b>USE OF FUNDS</b>		<b>A\$ ('000)</b>	<b>€ ('000)</b>	<b>% OF FUNDS RAISED</b>		
	Satellite construction		2,300	1,447	16%		
	Satellite launch		2,200	1,384	16%		
	Satellite insurance (5 years)		600	377	4%		
	Sales and marketing		2,000	1,258	14%		
	General and administrative		1,500	943	11%		
	Research and development		2,500	1,572	18%		
Other working capital		1,585	997	11%			
Costs of the Offer		1,391	875	10%			
<b>Total uses</b>		<b>14,077</b>	<b>8,853</b>	<b>100%</b>			
What is the current capital structure and what will the capital structure of the Company be following completion of the Offer?	On completion of the Offer, the capital structure of the Company will be as set out below:					Section 10.3 and 10.4	
	<b>SECURITY</b>	<b>PROSPECTUS DATE</b>	<b>ON COMPLETION OF THE OFFER</b>				
	Shares	32,940,000	106,627,500 (includes 14,687,500 Shares which will be issued on conversion of the convertible notes)				
	Convertible notes	4,700	-				
	Options	-	4,000,000				
	Performance Rights	-	33,500,000				
Will any shareholder have a voting power of 20% or more following completion of the offer?	The table below sets out the interests of Magna Parva, the existing shareholder that has a voting power of more than 20%:					Section 8.8	
	<b>DATE OF PROSPECTUS</b>		<b>IMMEDIATELY FOLLOWING THE OFFER</b>				
	<b>NUMBER OF SHARES</b>	<b>PERCENTAGE OF SHARES</b>	<b>NUMBER OF SHARES (UNDILUTED)</b>	<b>PERCENTAGE OF SHARES (UNDILUTED)</b>	<b>NUMBER OF SHARES (FULLY DILUTED)</b>		<b>PERCENTAGE OF SHARES (FULLY DILUTED)</b>
<b>EXISTING SHAREHOLDERS</b>							
Magna Parva Limited	25,000,000	75.90%	25,000,000	23.45%	25,000,000	17.35%	

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## ABOUT THE OFFER

### QUESTION

### ANSWER

### FOR MORE INFORMATION

Will any Existing Holders be subject to escrow arrangements?

Certain existing shareholders will enter into escrow arrangements under which they will be restricted from dealing with the escrowed securities they will hold on completion of the offer until expiration of the relevant escrow period.

Section 10.10

#### ASX MANDATORY ESCROW

ESCROWED PARTY	ESCROW PERIOD - COMMENCING ON LISTING	SHARES SUBJECT TO ESCROW	PERFORMANCE RIGHTS / OPTIONS SUBJECT TO ESCROW
Magna Parva Limited	24 months	23,460,000	-
Hunter Capital Advisors Pty Ltd	24 months	4,000,000	4,000,000
Tyler Corporation Pty Ltd	24 months	3,470,000	-
Bradley Saxby	24 months	3,470,000	4,000,000
Peter Round	24 months	1,000,000	2,000,000
Andrew Bowyer	24 months	-	13,500,000
Miles Ashcroft	24 months	-	13,500,000
David Christie	24 months	-	500,000

#### VOLUNTARY ESCROW

ESCROWED PARTY	ESCROW PERIOD - COMMENCING ON LISTING	SHARES SUBJECT TO ESCROW	PERFORMANCE RIGHTS / OPTIONS SUBJECT TO ESCROW
Magna Parva Limited	24 months	1,540,000	-

Who can participate in the Offer?

The Broker Firm Offer is open to Australian and New Zealand resident Retail Investors who have received a firm allocation from their broker.

The Institutional Offer is open to certain Institutional Investors in Australia and a number of other authorised jurisdictions. The Lead Manager will advise Institutional Investors of the application procedures for the Institutional Offer.

The Chairman's List Offer is open to persons in Australia, United Kingdom and Luxembourg who have received a Chairman's List invitation from the Company.

Section 8.1

What are CDIs?

The ASX uses an electronic system called CHESS for the clearance and settlement of trades on the ASX. Kleos is incorporated in Luxembourg, which does not recognise the CHESS system of holding securities. Accordingly, to enable companies such as Kleos to have their securities cleared and settled electronically through CHESS, depository instruments called CDIs are issued. CDIs represent the beneficial interest in the underlying shares in a foreign company such as Kleos and are traded in a manner similar to shares of Australian companies listed on the ASX. Each Share of Kleos will be equivalent to one CDI.

Section 8.6

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ABOUT THE OFFER		
QUESTION	ANSWER	FOR MORE INFORMATION
<b>What rights and liabilities attach to the CDIs being offered?</b>	The Shares underlying the CDIs will rank equally with the Shares currently on issue in the Company. There are certain differences between the Shares and ordinary shares which are typically issued by Australian incorporated public companies. A description of the CDIs and the underlying Shares, including the rights and liabilities attaching to them, is set out in Section 10.10.	Section 10.10
<b>Will the CDIs be quoted on the ASX?</b>	The Company will apply to ASX within seven days of the date of this Prospectus for quotation of all CDIs on the ASX under the ticker code KSS.	Section 8.10
<b>How do I apply for CDIs under the Offer?</b>	The process for applying for CDIs in the Company is set out in Section 8.5. Retail Applicants under the Broker Firm Offer should contact their Broker for instructions on how to complete the Broker Firm Offer Application Form accompanying this Prospectus. The Lead Manager may seek to obtain identification information from Applicants. The Company reserves the right to reject an Application if that information is not provided.	Section 8.5
<b>Is the Offer underwritten?</b>	No, the Offer is not underwritten.	Section 8.2
<b>Is there a minimum amount of CDIs which I must apply for under the Offer?</b>	Applications must be for a minimum of 10,000 CDIs and multiples of 1,000 CDIs thereafter.	Section 8.5
<b>Is there a cooling-off period?</b>	No.	Important Notices
<b>How can I obtain further information?</b>	If you would like more information or have any questions relating to the Offer, you can contact 1800 992 793 (toll free within Australia) or +61 1800 992 793 (from outside Australia) between 8.30am and 5.00pm AEST, Monday to Friday (excluding public holidays).  If you are uncertain as to whether an investment in the Company is suitable for you, please contact your stockbroker, financial adviser, accountant, lawyer or other professional adviser.	Section 8.5
<b>On what basis has the financial information been prepared?</b>	The financial information has been prepared in accordance with International Financial Reporting Standards and has been audited under International Audit Standards.	Section 6 and Appendix A



**KEY FINANCIAL INFORMATION**

QUESTION	ANSWER	FOR MORE INFORMATION
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**What is the key financial information you need to know about the Company's financial position, performance and prospects?**

Kleos is an early stage company with limited trading history. Since commencing operations in 2017, the Company's activities have principally involved raising money to develop its technology and build up its personnel capabilities. Like many early stage companies, Kleos has incurred losses since its inception. The cumulative losses as of 31 December 2017 are approximately €184,000.

Section 6

A summary of the financial information is below:

€ ('000)	KLEOS PERIOD ENDED 31-DEC-17 (AUDITED)
Grant Income	249
Operating Expenses	-79
Research and development expenses	-149
Payroll expenses	-203
Other income/expenses	-2
Loss before income tax expense	-184
Income Tax Expense	-
<b>Loss after income tax expense</b>	<b>-184</b>

The funding for Kleos received up to the Prospectus Date includes the following:

- In July 2017 the Luxembourg Government agreed to award a grant to the maximum value of €1,958,000, which was formalised under a European Space Agency contract for the development of the geolocation intelligence systems. At that time, Kleos received further investment and financing from Magna Parva by way of an equity contribution and shareholder loan. The shareholder loan has been converted into equity before the date of this Prospectus
- In January 2018, Kleos completed its first external investment round and completed a raising of A\$2,350,000 by way of the issue of convertible notes which will convert into CDIs immediately prior to listing.

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SECTION 02

# INDUSTRY OVERVIEW





## 2. INDUSTRY OVERVIEW

### 2.1 INTRODUCTION

Kleos is a Data as a Service (DaaS) company initially targeting the government intelligence, surveillance and reconnaissance (ISR) market. As Kleos develops its product offerings, it will expand its product offering from the provision of 'raw data' to the provision of higher value 'intelligence' and will also extend its target market to the commercial geospatial intelligence market.

### 2.2 THE ISR MARKET

ISR provides information and intelligence to decision-makers and action-takers, helping them to make informed, timely and accurate decisions. The users of ISR data are predominately governmental defence and security agencies. Increasingly complex threats and emergencies are driving the need for ISR data. ISR data is not a 'nice to have', but a 'must-have' capability, as ISR superiority is essential for success when dealing with emerging global threats. Every government knows that it needs both strategic and tactical ISR data to protect and ensure the safety of its citizens, and Ministries of Defence, Interior & Security are commonly tasked with obtaining the latest ISR data.

ISR data can be delivered in a number of forms including optical, radar and electronic signals and can be gathered in a number of ways including airborne solutions (such as UAVs) and signals intelligence solutions.

Kleos will target the electronic signals data portion of the ISR market and will derive the data from its space-based Scouting Satellite, which will be delivered to customers through the Guardian ABI platform.

The Australian Government announced in June 2017 a A\$500 million investment to improve Australia's space-based ISR capabilities to support Australian Defence Force operations at home and around the world. The investment will improve the Australian Department of Defence's ability to access commercial data from satellites to provide information to government agencies, which is a clear and present opportunity for Kleos as it will be a commercial satellite owner.

The Board has identified potential customers within Australia including:

- Defence Intelligence Organisation;
- Australian Signals Directorate;
- Australian Geospatial-Intelligence Organisation;
- Australian Federal Police;
- Australian Secret Intelligence Service;
- Australian Defence Force; and
- Australian Border Force.

There are a substantial number of government intelligence agencies within the developed world, many of which (in particular the US) have multiple departments and off-shoots that could be customers for the ISR data generated by Kleos. Within Australia there is a strong and prevalent need for geospatial intelligence, with the Australian Geospatial-Intelligence Organisation (AGO) recently undergoing significant investment and mergers to ensure a high level of support for both defence and other broader national security agencies.

### 2.3 THE GEOSERVICES MARKET OVERVIEW

Geoservices information is geographically referenced information and can be used for commercial purposes and also for intelligence purposes.

There is broad demand for geoservices information, which includes digital mapping and location-based services. Geoservices information can be gathered by remote sensing - the scanning of the Earth by satellites in order to gather information about it.

Kleos intends to use the Scouting Satellite system to gather, using remote sensing, the geographic position of radio signals. Kleos' proposed DaaS is aimed at a high-value product such as the location of vessels which have deactivated their AIS transponders to evade detection. This data is highly valuable for a wide range of security (such as anti-piracy, anti-smuggling and anti-trafficking services), defence and commercial, including insurance, applications

### 2.4 DELIVERY OF DATA

It is planned that the Kleos ISR and geospatial data will be integrated into Geographic Information Service (GIS) products to provide a crucial layer of highly valuable information. The data will be delivered to customers through the Guardian ABI platform. The Board has identified potential customer bases to include, but are not limited to:

- Insurance industries;
- Defence and security industries;
- Homeland security industries;
- Search and rescue & humanitarian services;
- Government maritime enforcement agencies (such as fisheries and immigration);
- Radio spectrum utilisation; and
- Maritime industry (including illegal fishing and ghost shipping).

There is a very large market for ISR and geospatial data and for organisations such as Kleos that can source data which enhances current geographic information services. More importantly, this significantly improves the quality of data on which geographic information services are based and, therefore, the intelligence that the end customers have that ultimately allows them to make better informed decisions to achieve their aims.

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## 2.5 COMPETITIVE LANDSCAPE IN THE ISR MARKET

Currently the accurate geolocation of radio frequency transmissions is expensive and challenging to achieve. Detection from the ground is limited by the horizon 3-mileradius at eye level. Air based tracking (Airborne ISR) is costly, and technically limited in range, persistence and by weather

The ISR market is currently serviced by:

- Large Airborne Assets - these are utilised by government agencies, are expensive and only service local area coverage (versus the Kleos Global coverage solution). Although these large airborne assets have a very high payload capability they are restricted in scope by 12 hours of coverage without air-to-air refuelling. The utility of these aircraft is wide, but they do tend to decrease in geolocation capability over highly populated areas.
- UAVs, medium-altitude long-endurance (**MALE**) and high-altitude long-endurance (**HALE**) - these are flexible, responsive and targeted deployment aerial vehicles which are subject to environment restrictions (e.g. civilian overflight of populated areas), have limited endurance, are expensive to operate for local area coverage and rely on continuous access to broadband satellite communications.

Furthermore, the need for operating bases close to the area of interest poses political and logistical challenges and makes the surveillance overt and subject to counter-threats. Covert surveillance is always to be preferred if technically feasible.

A trend towards the use of lower cost solutions to source data is driving the change to commercially provided services which is strongly supported by Space agencies in the US and Europe, upsetting the notion that the market's future rests with developing higher resolution imaging. It is within this context that Kleos is able to provide an affordable and disruptive alternative to the market.

Other competition may include other satellites which may gather information from any electronic signals. If other operators are to launch satellites with signal gathering capabilities, these could be in direct competition to Kleos.

### BARRIERS TO ENTRY

Complex technical offerings delivered from Space or Space enabled hardware require multi-year development timeframes and multi-million dollar budgets. An educated, skilled and highly specialised workforce needs to be developed and motivated, and often the business needs support from a Government sponsor to launch the satellites themselves. Furthermore, the specific ISR market Kleos is targeting requires in depth knowledge and credibility often delivered by key executives that understand global defence markets.

## 2.6 REGULATORY OVERVIEW

### 2.6.1 BUSINESS LICENCE

Under Luxembourg law, a business licence (a written administrative authorisation granted by the Ministry of Finance) is required to carry out commercial, industrial or craft activities and certain independent professions. A business licence was granted to the Company on 27 July 2017.

### 2.6.2 CONCESSION UNDER THE ELECTRONIC MEDIA LAW

Kleos must obtain a Concession from the Luxembourg Government to establish and exploit the Scouting Satellite under the Electronic Media Law.

The Concession will be subject to a number of conditions which must be complied with at all times by the Company. The conditions include:

- that the business of Kleos must be conducted in the territory of the Grand-Duchy of Luxembourg;
- that the activity of the Company be monitored by one or more government commissioners;
- that the Luxembourg Government approve any proposed amendment to the Company's Articles;
- that the Company notify the Luxembourg Government of all shareholders of the Company, direct or indirect, who hold 10% or more of the Shares or CDIs of the Company; and
- placing restrictions on the acquisition of voting rights in the Company above prescribed Thresholds (20%, 33% or 50% or any other threshold applicable by law) without prior notification to the Luxembourg Government (see Section 10.7 and 10.8 for further details).

The Company has initiated the application process for the Concession, and the application process can take between 7 to 9 months.

### 2.6.3 USE OF FREQUENCIES AND ELECTRONIC COMMUNICATIONS NETWORKS/SERVICES

Kleos must obtain a licence, with specific assignments, for the use of frequencies or radio channels for both transmission and reception pursuant to the law of 30 May 2005 on the organisation and management of radio frequency spectrum. The frequency assignments are recorded by the Luxembourg Institute of Regulators, Institut Luxembourgeois de Régulation (**ILR**) in a public file called "register of frequencies". The Company has initiated the process with the ILR to obtain the licence for the use of electronic communications networks/services.

From an international regulatory perspective, a registration with the International Telecommunication Union (**ITU**) is also necessary. The Company has initiated the process of obtaining the registration with the ITU.

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SECTION 03

# ABOUT THE COMPANY



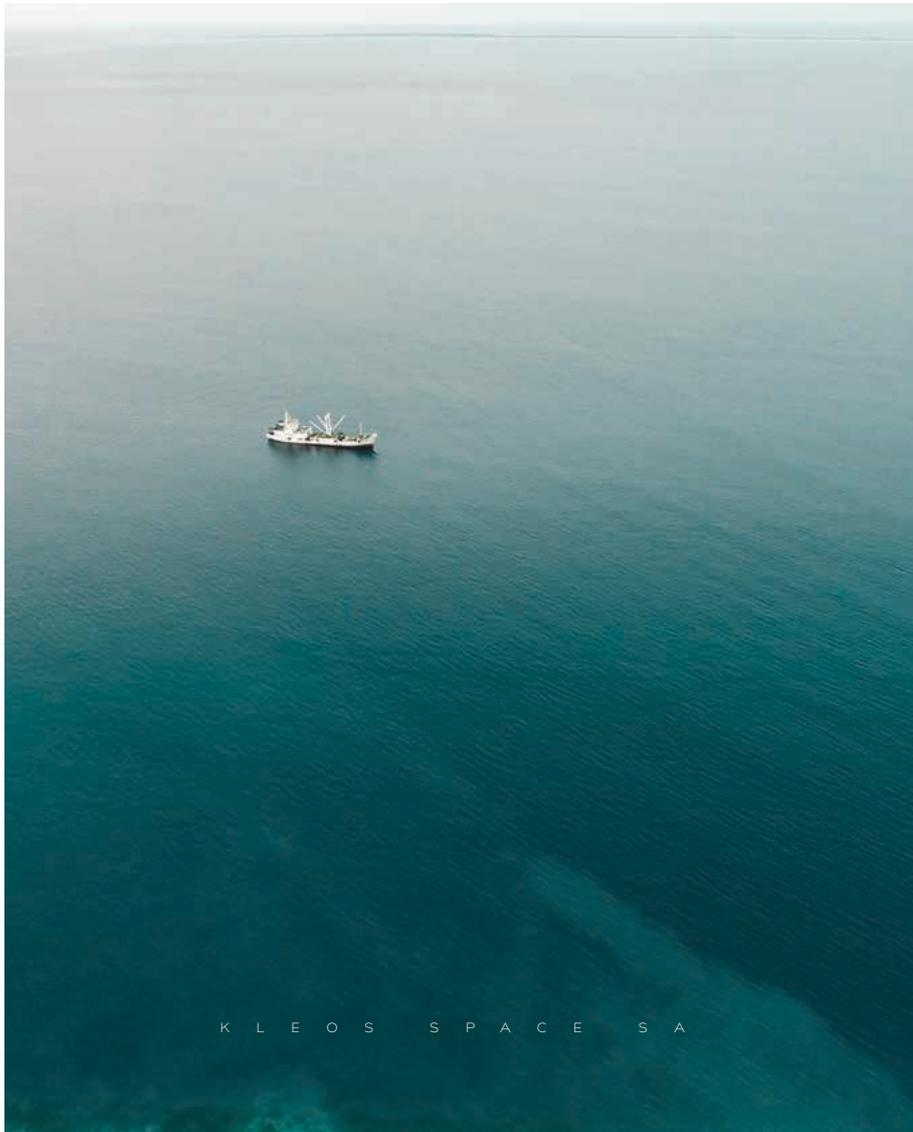
ABOUT THE COMPANY

3.1 OVERVIEW

**KLEOS SPACE WILL LAUNCH,  
OWN AND OPERATE THE  
DATA COLLECTING SPACE  
INFRASTRUCTURE.**

Kleos will launch and operate satellite infrastructure that will generate commercial ISR and geoservices data, and sell DaaS internationally via subscription to government agencies, the intelligence community, end users, or businesses interested in locating threats, assets, targets or emergency beacons/those in distress.

Kleos is developing the Guardian ABI platform, such that the ISR and geoservice data can be presented in conjunction with mapping or other imagery to provide an innovative method of identifying activity of interest to the customer. Such data has not previously been available on a commercial basis, and certainly not at a reasonable price.



Note: Potential applications of the Guardian API Platform includes Maritime and Transportation operations.

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### 3.2 HISTORY

Magna Parva is a Space engineering firm based in the United Kingdom which has been developing the in-Space manufacturing technology for 9 years and the ISR and geolocation data collection mission concept for 3 years. Magna Parva, under the stewardship of Kleos CEO, Andrew Bowyer, and CTO, Miles Ashcroft, has a history of delivering flight hardware and has participated in several European Space Agency missions



#### MAGNA PARVA SPACE MISSION EXPERIENCE:

**BEPICOLOMBO**  
ESA MISSION  
TO MERCURY

**EXOMARS**  
ESA MISSION  
TO MARS

**METOPSG**  
ESA/EC EARTH  
OBSERVATION  
MISSION

#### EUROPEAN SPACE AGENCY, SPACE TECHNOLOGY (FULL DESIGN AND HARDWARE PROJECT) DELIVERY

---

Planetary drill tool

---

Windows for manned  
spaceflight

---

Acoustic Propellant  
Management Device

---

Solar panel cleaner for  
planetary exploration

---

Mars sample return thermal  
protection system

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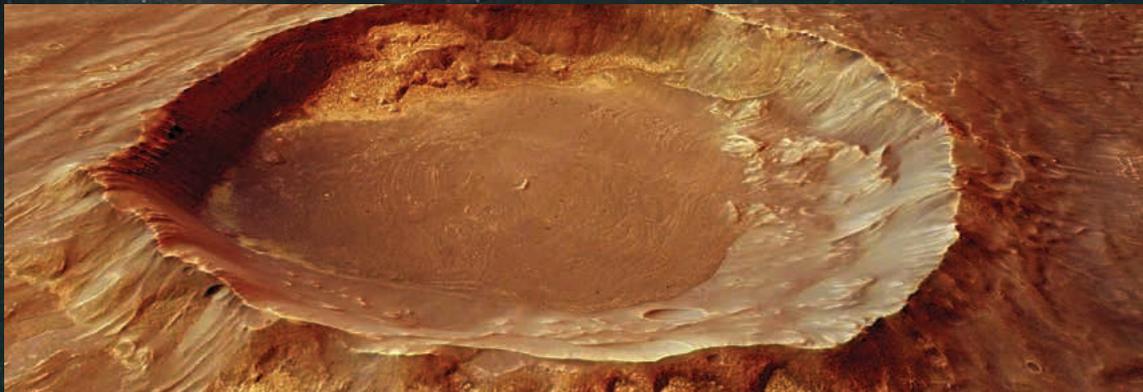
Hyper velocity impact  
protection system for manned  
spaceflight

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Non-pyro release  
mechanisms



# MAGNA PARVA EXAMPLE HISTORY HIGHLIGHTS



## MARS EXPLORATION MISSION & DEVELOPMENT INVOLVEMENT:

LIFE MARKER CHIP INSTRUMENT (DESIGN, DEVELOPMENT, HARDWARE FOR SAMPLE PREPARATION SYSTEM)

ROVER INERTIAL MEASUREMENT UNIT (FLIGHT DESIGN AND ANALYSIS)

UVIS INSTRUMENT (DESIGN AND DEVELOPMENT)

DRILL AND SAMPLING TOOL (DESIGN AND DEVELOPMENT, EM HARDWARE DELIVERY)

DUST REMOVAL (DESIGN AND DEVELOPMENT, BB HARDWARE DELIVERY)



## MERCURY EXPLORATION MISSION INVOLVEMENT:

IMAGING X-RAY SPECTROMETER, TELESCOPE & COLLIMATOR (OPTICS MODULES, BAFFLES DESIGN AND DELIVERY OF FLIGHT HARDWARE)

OPTICAL BENCH (DESIGN AND DELIVERY OF FLIGHT HARDWARE)

REMOTE INTERFACE UNITS (MPO & MMO MECHANICAL DESIGN AND ANALYSIS)



## EARTH OBSERVATION MISSION INVOLVEMENT:

METOP SECOND GENERATION WEATHER SATELLITE (MWS & ICI INSTRUMENT TARGET ANALYSIS)

MICROWAVE SOUNDER INSTRUMENT, (ELECTRICAL, ELECTRONIC AND MECHANICAL EQUIPMENT AND RIGS DESIGN AND HARDWARE DELIVERY).

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Within Magna Parva, the Kleos technology and data collection mission concept has been developed with support from the founders and external agencies.

In July 2017, given the commercial readiness of the Kleos technology and data collection mission, Magna Parva spun out the business and the Kleos intellectual property into the Company, which was a wholly owned subsidiary of Magna Parva (see Section 9.2 for further details).

Kleos entered a Memorandum of Understanding with the Luxembourg Government in July 2017 under which the Government agreed to provide Kleos with up to €2,000,000 of grant funding as part of the Luxembourg Space Technology Development programme with respect to the development of its technology and geolocation mission design. This was formalised in a European Space Agency contract in November 2017 (see Section 9.1 for further details) under which the maximum grant amount was agreed as €1,958,000.

The intellectual property rights developed by Magna Parva relating to Space based radio signal interferometry/geolocation to be used in Kleos' services and to the use of pultrusion in Space applications have been fully assigned to Kleos and the technology is now being further developed and the geolocation mission being pursued by Kleos. A timeline of the key steps in the development of Kleos is shown on the next page.

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Note: Potential applications of the Guardian API Platform include Search and Rescue operations.



KLEOS DEVELOPMENT TIMELINE



**2009**

Early R&D of In-Space  
Manufacturing commenced



**2015**

R&D commenced  
for geolocation mission



**Q2 2017**

Kleos Space spun out  
of Magna Parva



**Q3 2017**

MoU signed with Luxembourg  
Government inc 2m Euro funding



**Q1 2018**

Seed Round closed,  
1.4m Euro funding



**Q2 2018**

ASX IPO, 6.5m  
Euro Funding



**Q2 2019**

1st Satellite System  
(Scouting) mission launch



**Q2 2019**

Guardian ABI goes live,  
initial sales may commence



**SCALABLE  
GROWTH**

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### 3.3 OUR SERVICES

Kleos will sell its DaaS product by subscription to customers. The end data product is, at its most basic, a data set comprising transmitter location and time, and at its most complex a layered intelligence offering that compares the transmitter location and time with other data sets such as AIS, imagery and weather.

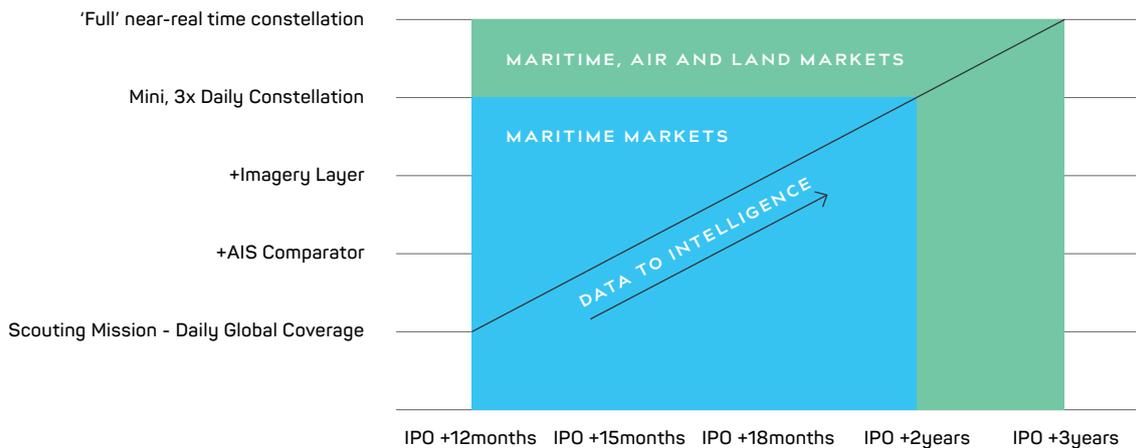
The data (in raw or intelligence format) will be accessed by the customer via our Guardian ABI application, whereby the radio transmission data will be mapped and options for turning layers on and off will be present. The Guardian ABI application will also allow the customer to select/design a bespoke API (application programming interface) that (using industry standards) will allow the user to download the data into their own analysis or intelligence platform.

The Kleos data collected by the satellite system is the precision geolocation of radio frequency emitters transmitting the relevant radio frequencies. The data refresh rate is dependent on the power of the transmission and the number of satellite systems in orbit. With a single Scouting Satellite system, data refresh rates are aimed to be approximately daily but will vary depending on power of transmission. Kleos will ultimately aim to provide refresh rates of near real-time which will require a small constellation of no more than 20 satellite systems delivering highly useful operational capability. The timeline for building up to a constellation will be driven by customer demand i.e. required revisit times or geographic areas of interest but could be available within two years of the initial launch.

When the data is used in conjunction with AIS, mapping or other imagery in the visible domain this an extremely valuable method of identifying activity of interest to the customer base. This is known as Activity Based Intelligence (ABI) and will be offered within the Guardian ABI product. A limited version will be available at launch of the Scouting Satellite with a more complex offering being developed over the following months (see Figure 1 below for scalability plan).

Kleos will collect signals intelligence data globally and persistently. Usable information gathered from this vast data source will be provided via analysis tools as signals intelligence-derived ABI. ABI is a tool where capability is growing rapidly. It is essential when the adversary is no longer a nation State and might be only a single individual whose radio frequency signatures are no longer fixed and motivation illogical. ABI shifts the focus from traditional intelligence reporting to the discovery of the unknown.

#### SCALABLE OFFERING



**NOTE:**

The above timelines for scaling the business and product offerings are indicative only and are subject to change dependent on, amongst other things, availability of funding (from internal revenues and external sources) and customer demand. Refer to Section 4 for further details of the potential risks.

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### APPLICATION EXAMPLE

A potential application of geolocated radio transmission data may be found in the policing of maritime activities. The theft of crude oil and the subsequent transfer of the contraband material to tankers in the Nigerian Delta region is currently of concern for commercial, political and environmental reasons.

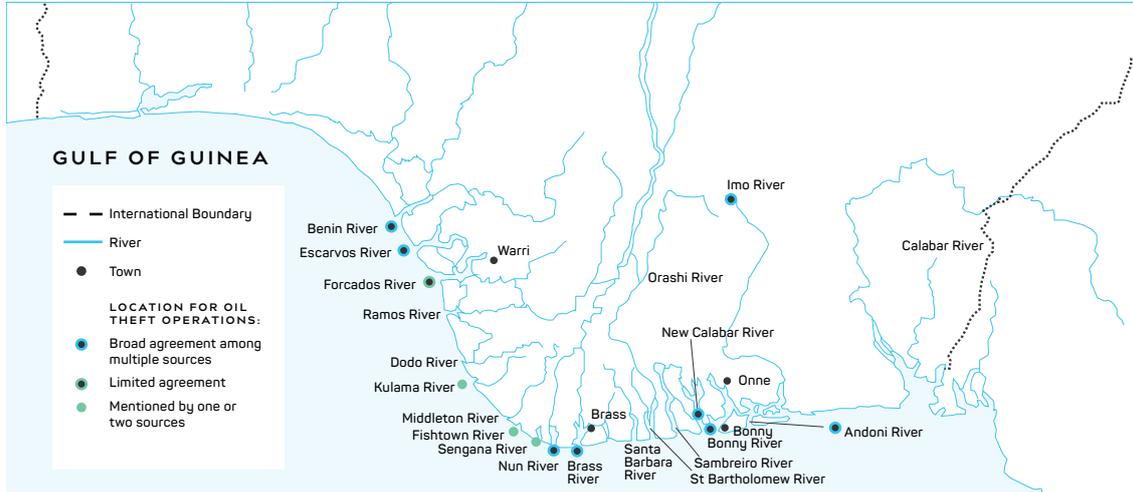


Figure: Locations of oil theft operations from Katsouris, C. and Sayne, A. Nigeria's Criminal Crude: International Options to Combat the Export of Stolen Oil. Chatham House. September 2013.<sup>1</sup>

Oil tankers that engage in illegal bunkering tend to partially fill their tanks with contraband crude oil at offshore rendezvous with smaller ships prior to arrival at a legitimate oil terminal and subsequent shipment to a refinery or other destination. In this manner, the stolen oil is mixed with legitimate product and is effectively untraceable. During transfer of the stolen oil, the tanker will shut down its AIS transponder to prevent its position from being transmitted. Other transmissions will still emanate from the vessels however, in the form of portable VHF communications and radar. These transmissions may be correlated with the known AIS positions and a picture of operations built up that can identify the parties involved and their centres of activity.



Figure: Tracking of ships by means of radio geolocation

The Kleos solution would enable geolocation of these "dark" vessels, providing extremely valuable intelligence to government and border security agencies.

1 Katsouris, C. and Sayne, A., have not consented to the inclusion or use of this data or any other data attributed to it in this Prospectus.

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### 3.4 BUSINESS MODEL

Kleos will initially launch a Scouting Satellite system using proven Space hardware from an established industry leader with up to 5 years operational life. An Authorisation to Proceed has been granted to GomSpace, a leading and established satellite manufacturing company to provide the first "scouting" satellite build (see Section 9.3 for further details). Soon after launch this will provide (post satellite set up and validation time) an operational service and ability to sell the data. The Scouting Satellite will provide global daily surveillance and demonstrate to end users the power of Kleos' data.

Launch will be as a secondary payload or ride share; which is where a smaller-sized payload is transported to orbit on a launch vehicle that is mostly paid for, and with the date and time of launch and the orbital trajectory determined by the entity that contracts and pays for the primary launch. As a result, Kleos will be able to obtain a substantially reduced price for transportation services to orbit. Current options that work with our launch timeframe include:

- PSLV (The Polar Satellite Launch Vehicle, commonly known by its abbreviation PSLV, is an expendable launch system developed and operated by the Indian Space Research Organisation);
- Vega (Vega is an expendable launch system in use by Arianespace jointly developed by the Italian Space Agency and the European Space Agency);
- Electron (Electron is a two-stage orbital expendable launch vehicle (with an optional third stage) developed by the American aerospace company Rocket Lab to cover the commercial small satellite launch segment); and
- Falcon 9 (Falcon 9 is a family of two-stage-to-orbit medium lift launch vehicles, designed and manufactured by SpaceX).

The funds raised under the Offer will be used to procure the Scouting Satellite and launch services. Refer to Section 8.4 for further details.

Future plans to expand our product offering with additional satellites forming a constellation (20 systems), can be procured over a short (2 year) timeframe or longer timeframe, subject to funding requirements and customer demand.

The data Kleos collects will be sold directly to end users (Governments i.e. Ministries of Defence) or to channel partners such as data analytics companies.

The ultimate consumers of geospatial and signals intelligence operate in the following areas:

**Defence and Security** sectors use ISR and geospatial information for the identification and tracking of threats on the ground or at sea. This includes not only offensive scenarios but also border security, a problem in particular for island countries such as Australia and the United Kingdom.

**Maritime and Transportation** currently maritime assets are tracked using an AIS. This is a cooperative system with the user being able to switch it on and off at will. This essentially voluntary system raises problems for tracking assets and also for identifying vessels which do not wish to be tracked.

High value assets such as vehicles are equipped with GPS enabled tracking devices. However, these devices are increasingly jammed by organised crime. Insurance companies are challenged to find new ways of reducing the risk to insured assets both on land and at sea.

Signal jammers (noise generators intended to block signals) and spoofers (generating properly coded signals intended to confuse receivers into outputting incorrect position information) work by transmitting a radio frequency in the GPS band. Kleos data and intelligence products are not influenced by signal jammers or spoofers.

Maritime security applications for Kleos include illegal fishing, illegal immigration monitoring and environmental monitoring e.g. illegal oil bunkering.

**Search and Rescue** current technology used by search and rescue organisations is challenged when existing beacons or tracking systems fail or performance is degraded, e.g. in mountainous regions or where damage has occurred.

The initial markets as highlighted below to be targeted will be the defence and security markets followed by the broader maritime and transportation market. Further development of the Guardian ABI product will be carried out to then exploit within the named other markets with the aim for this to be within six months of the initial launch of the Guardian ABI platform.

**DEFENCE / SECURITY MINISTRIES**

- Defence Ministries (NATO)
- Intelligence Agencies
- Tier 1 ISR Supply Chain
- Intelligence Aggregators
- Border/Homeland Security Agencies

**MARITIME MARKET**

- Coastguards
- Maritime Security Companies
- Insurance Companies
- Shipping Companies
- Intelligence Aggregators

**OTHER MARKETS**

- Search and Rescue Agencies
- Regulatory Bodies
- Communication Providers
- Earth Observation App Developers

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### 3.5 SALES PLAN

Kleos plans to distribute and sell data directly to end users and channel partners such as data analytics companies which will on-sell to the identified end customers. Kleos expects the ratio of direct versus indirect sales to be broadly 50:50 with channel partners, who will be restricted to the number of times they can resell the data dependant on their subscription package. The subscription packages will be tailored to individual clients depending on their product. For example; raw data, ABI, time, geographic area and frequency of data amongst others.

The intention is to sell the 'raw' data to users who prefer to perform their own analysis and, for other users, for Kleos to add its own layer of analysis to that raw data to sell higher value intelligence information to the end users, with services which group data sources. All sales will be facilitated through the Guardian ABI platform.

The Guardian ABI DaaS product is in development, with the initial capability scheduled to be complete in order to integrate data from the scouting satellite in Q2 2019.

The Guardian ABI platform will present information in a similar manner to Google Maps and will enable the selection of areas of interest and to procure an access subscription. The data product will be straightforward in terms of options with the Scouting Satellite offering a global daily coverage. As further satellites are added to the constellation offering additional higher value options will be available for sale as data will be more frequently available. Kleos' key target subscription audience is modest in volume, aiming for a low volume of customers who all subscribe to the highest level of subscription.

Kleos plans to present three levels of initial access to the data via Guardian ABI. These are base (raw data), visualise (mapped) and act (intelligence), and are illustrated below.

	BASE	VISUALISE	ACT
Kleos Space Mission - Global, Daily Data	◇	◇	◇
Mapped Visualisation		◇	◇
AIS filter enabled		◇	◇
Imagery selection enabled			◇
Custom API		◇	◇
Weekly API	◇		◇
Encrypted		◇	◇

Kleos has commenced discussions with Government agencies and corporations in relation to potential sales contracts. As at the date of this Prospectus, Kleos has not entered into any sales contracts and there is no assurance that the Guardian API platform will achieve market acceptance or be commercialised (Refer to Section 4.2.4)

### 3.6 STRATEGY AND GROWTH OPPORTUNITIES

#### GROWTH OF INITIAL BUSINESS

Kleos plans to ultimately create a low volume constellation of satellite systems with the objective of being able to provide global intelligence coverage on a sub-hourly basis. Kleos has determined that the optimal number of satellite systems from an operational perspective is up to 20. Dependent on the success of Kleos' first launch and market drivers, the Company may launch additional satellite systems into the constellation at once, subject to the availability of funding for the launch and related Space equipment. However, organic growth funded by revenues which may be generated from the initial Scouting Satellite is an alternative option being considered by senior management for expanding the constellation. As Kleos is an early stage company with limited trading history, an evaluation of Kleos' business or prospects is difficult.

#### OTHER BUSINESS OPPORTUNITIES

Additionally, the Company owns intellectual property for technology to manufacture extremely large structures in Space. This intellectual property may be used in the future geolocation satellites and may also be able to be exploited to generate further sales over a longer period of time (approximately 3 years from IPO) for a range of Space applications such as:

- Radio transmission interferometry (larger = higher resolution);
- Telescope deployment (larger = better resolution);
- Sun shield (larger = cooler);
- Star shade (larger = better imagery);
- Solar sails (larger = higher propulsion thrust);
- Parabolic reflectors (larger = more photons collected/higher capacity);
- Solar array deployment (larger = more power);
- Optical Interferometry antenna (larger = better resolution);
- Stereo (3D) imaging (larger = greater accuracy);
- Gravity sensor (larger = greater accuracy);
- Radiation source deployment (larger = source further away from instruments);
- Moving Target Indicator Radar track (larger = larger swath);
- Very Low Frequency communications antenna (larger = at/closer to wavelength meaning easier communication); and
- Active deorbiting (larger/stiffer = a working solution).

The potentially revenue-generating intellectual property (IP) is industry disruptive. This will mitigate risk in relation to revenue for geolocation DaaS product.

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**INTELLECTUAL PROPERTY**

The Kleos technology was originally developed within, and owned by, Kleos’ parent company, Magna Parva. In July 2017, the intellectual property relating to Space based radio signal interferometry and geolocation, and to the use of pultrusion in Space applications, was assigned to Kleos in return for a royalty payable to Magna Parva (see Section 9.2). Subsequent development of the technology has been and will be carried out by Kleos. Kleos will own all the intellectual property generated.

The Kleos intellectual property portfolio includes: trade secrets, designs and potentially worldwide registrable elements.

The intellectual property portfolio is presented below identifying the form and exploitation timeline:

INTELLECTUAL PROPERTY	NEAR TERM POTENTIAL	LONG TERM POTENTIAL	TRADE SECRET	DESIGN	FUTURE PATENT POTENTIAL
Antenna position knowledge and optimisation					
Signal discrimination methodologies					
Geolocation algorithms					
Multiple antenna formation geometry					
Atmospheric effect mitigation					
In-space pultrusion					
Long deployed structure satellite control methodology					
Structure dynamic behaviour manipulation					

Kleos carries out a formal intellectual property review monthly where the status of intellectual property is considered, and any new intellectual property identified. If appropriate, Kleos investigates opportunities to protect the relevant intellectual property. All newly developed intellectual property developed by employees is owned by Kleos in accordance with the intellectual property assignment clause in the employee contracts. Where consultants are used that are involved in development of intellectual property or are in critical management positions, intellectual property assignment clauses will ensure any newly developed intellectual property is owned by Kleos.

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### 3.7 FINANCING

The intellectual property held by Kleos was initially developed by Magna Parva.

The intellectual property was identified as having commercial potential by the Grand Duchy of Luxembourg, and the intellectual property was assigned to Kleos in July 2017, which was a wholly-owned subsidiary of Magna Parva at that time. At the time of assignment of the intellectual property, Magna Parva also made further contributions of equipment, facilities, processes and systems to Kleos.

On 24 July 2017, Kleos, Magna Parva and the Grand Duchy of Luxembourg entered into a non-binding Memorandum of Understanding under which the Luxembourg Government agreed to award a grant which was formalised under a European Space Agency Contract for the development of the technology and geolocation intelligence systems. The maximum grant amount was agreed as €1,958,000 in the European Space Agency Contract (see Section 9.1 for further details). At that time, Kleos received further investment and financing from Magna Parva by way of an equity contribution and shareholder loan. The shareholder loan was converted to equity before the date of this Prospectus.

In January 2018, Kleos commenced its first external investment round and completed a raising of A\$2,350,000 by way of the issue of convertible notes which will convert into 14,687,500 CDIs immediately prior to listing.

### 3.8 LOCATION AND EMPLOYEES

The Company is incorporated and headquartered in the Grand Duchy of Luxembourg.

Kleos currently employs eight full-time equivalent staff and has engaged two full-time and four part-time staff as consultants. The team have a diverse background in data science, Space operations, data programming, radio frequency engineering and design as well as finance, administration and support functions.

### 3.9 DIVIDENDS

The Company plans to invest all cash flow into the business in order to maximise growth. Accordingly, no dividends are expected to be paid in the foreseeable future subsequent to the Company's listing on ASX.

The decision to pay any potential future dividends by the Company will be taken at the general meeting of Shareholders of the Company (**General Meeting**) in accordance with the following procedure required under Luxembourg law:

- firstly, the General Meeting is required by Luxembourg law to allocate 5% of the Company's annual net profits to a legal reserve. This requirement will cease when the legal reserve reaches 10% of the Company's share capital; and
- then, the General Meeting may decide by ordinary resolution to (i) pay a dividend to the shareholders and/or (ii) transfer the balance to a reserve account and/or (iii) to carry the balance forward. The Board will propose an allocation of annual net profit to the General Meeting for approval. Losses will be carried forward upon an ordinary resolution of shareholders.

No assurance in relation to the payment of dividends or franking credits attaching to dividends can be given by the Company.



Note: Potential applications of the Guardian API Platform includes Maritime and Transportation operations.

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SECTION 04

# RISK FACTORS

04





## 4. RISK FACTORS

### 4.1 INTRODUCTION

This Section 4 describes some of the potential risks associated with Kleos' business and the industry in which it operates, and also the risks associated with an investment in CDIs.

Kleos is subject to a number of risks both specific to Kleos' business activities and of a general nature, which may, either individually or in combination, adversely impact the future operating and financial performance of Kleos, its investment returns and the value of its CDIs. As Kleos is an early stage company with limited trading history, an evaluation of Kleos' business or its prospects is difficult.

Investors should note that this Section 4 does not purport to list every risk that may be associated with an investment in CDIs now or in the future, and the occurrence or consequences of some of the risks described in this Section are partially or completely outside the control of Kleos, its Directors and management. There can be no guarantee that Kleos will achieve its stated objectives or that any forward-looking statement or forecasts will come to fruition.

The selection of risks has been based on an assessment of a combination of the probability of the risk occurring and the impact of the risk if it did occur. The assessment is based on the knowledge of the Directors as of the date of this Prospectus, but there is no guarantee or assurance that the importance of risks will not change, or other risks will not emerge.

Before applying for CDIs, any prospective investor should satisfy themselves that they have a sufficient understanding of these matters, including the risks described in this Section 4 of the Prospectus, and should consider whether CDIs are a suitable investment for them having regard to their own investment objectives, financial circumstances and taxation position before investing in Kleos. If you do not understand any part of this Prospectus, or are in any doubt as to whether or not to invest in CDIs, it is recommended that you seek professional guidance from your stockbroker, solicitor, accountant, taxation adviser, financial adviser or other independent and qualified professional adviser before deciding whether to invest.

### 4.2 RISKS RELATED TO THE COMPANY'S BUSINESS

#### 4.2.1 SUPPLY OF SCOUTING SATELLITE

Kleos intends to purchase the Scouting Satellite from a third party, GomSpace. There is a risk that GomSpace may not deliver the Scouting Satellite on time or at all, or the Scouting Satellite may not satisfy Kleos' specifications. If the delivery of the Scouting Satellite is delayed or the Scouting Satellite does not meet specifications, the Scouting Satellite launch will be delayed. A delay to the satellite launch will delay Kleos' ability to collect data for sale; a delay to the sale of data may adversely impact Kleos' relationship with any customers that it may have at the time the launch is delayed and may have a materially adverse impact on Kleos' business, financial performance and reputation.

#### 4.2.2 SOFTWARE DEVELOPMENT

Kleos intends to distribute the ISR and geospatial data it collects through a bespoke platform named Guardian ABI. As at the date of this Prospectus the Guardian ABI platform is under development, with an expected completion date of Q1 2019 (prior to the launch of the Scouting Satellite which is targeted for Q2 2019). There is a risk that completion of the development of the Guardian ABI platform will take longer than anticipated which may delay the launch of the Scouting Satellite.

A delay to the Scouting Satellite launch will delay Kleos' ability to collect data for sale; a delay to the sale of data may adversely impact Kleos' relationship with any customers that it may have at the time the launch is delayed and have a materially adverse impact on Kleos' business, financial performance and reputation.

#### 4.2.3 COSTS OF SOFTWARE DEVELOPMENT

The Company has set a budget for the development of the Guardian ABI platform. There is a risk that the actual cost to develop the Guardian ABI platform will be greater than the amount budgeted, and that the additional funding will be required to complete the Guardian ABI platform.

If the Company requires access to further funding to complete the Guardian ABI platform, there can be no assurance that additional funds will be available to complete the development of the Guardian ABI platform either at all or on terms and conditions which are commercially acceptable to the Company.

An increase to the cost of the development of the Guardian ABI platform may delay or prevent the launch of the Scouting Satellite, which would have a materially adverse impact on Kleos' business, financial performance and reputation.

#### 4.2.4 COMMERCIALISATION OF THE GUARDIAN ABI PLATFORM

Kleos' technology, and the proposed method of data delivery through the Guardian ABI platform, are new to the ISR market and the geospatial market. There can be no assurance that Kleos' Guardian ABI platform or any new product or service that Kleos develops will achieve market acceptance or will be commercialised, either on a timely basis or at all. For example, there may be a slower than expected uptake of the Guardian ABI platform by Government agencies and corporations due to a number of factors, including the conservative attitude of Government agencies towards new technology.

A failure to successfully develop and commercialise the Kleos Guardian ABI platform or any new product or service that Kleos develops will have a materially adverse impact on Kleos' business, financial performance and reputation.

#### 4.2.5 LAUNCH OF SCOUTING SATELLITE

Kleos will use a third-party launch provider to launch the Scouting Satellite into Space. As at the date of this Prospectus the launch contract has not been signed. There is a risk that Kleos will not be able to secure a satisfactory launch date and/or that the cost of launch will be greater than the budgeted amount. A delay to the launch date or increase to the cost of launch may have a materially adverse impact on Kleos' business, financial performance and reputation.

The launch of satellites into Space is inherently risky. There is a risk that the vehicle used to launch the Scouting Satellite will fail, and that the Scouting Satellite will be damaged or destroyed. If the Scouting Satellite is damaged Kleos will be required to repair the Scouting Satellite. If the Scouting Satellite is destroyed, Kleos will be required to acquire another Scouting Satellite, reintegrate and retest that new Scouting Satellite.

A failed launch may have a materially adverse impact on Kleos' business, financial performance and reputation.

Kleos intends to mitigate the risks associated with the launch by selecting of launch provider with high success rate and obtaining appropriate insurance for the Scouting Satellite.

#### 4.2.6 LIMITED TRADING HISTORY AND TRACK RECORD

Kleos is an early stage company with limited trading history. Since commencing operations in 2017, the Company's activities have principally involved raising money to develop its technology and build up its personnel capabilities. Like many early stage companies, Kleos has incurred losses since its inception. The cumulative losses as of 31 December 2017 are approximately €184,000. Given Kleos' limited trading history it may be difficult to make an evaluation of Kleos' business or its prospects.

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#### 4.2.7 INTELLECTUAL PROPERTY

Kleos depends upon its ability to commercially exploit its intellectual property. Kleos relies on laws relating to trade secrets, copyright and trade marks to assist in protecting its proprietary rights. However, there is a risk that unauthorised use or copying of Kleos' software, data, specialised technology or platforms may occur.

Kleos may be required to incur significant expenses in monitoring and protecting its intellectual property rights. Kleos may initiate or otherwise be involved in litigation against third parties for infringement, or to establish the validity of, its rights. Any litigation could result in significant expense to Kleos and cause a distraction to the Company's management. In addition, unauthorised use of the Company's brand, technology or intellectual property by third party products or services may not only result in potential revenue loss, but also have an adverse impact on Kleos' reputation.

In addition, there is a risk that the validity, ownership or authorised use of intellectual property relevant to Kleos' business may be successfully challenged by third parties. This could involve significant expense and potentially the inability to use the intellectual property in question, and if an alternative cost-effective solution was not available, it may materially adversely impact Kleos' financial position and performance.

There is also a risk that Kleos will be unable to register or otherwise protect new intellectual property it develops in the future.

#### 4.2.8 FAILURES OR DISRUPTIONS IN KLEOS' TECHNOLOGY

Kleos will depend upon the constant real-time performance, reliability and availability of its technology system to collect and transmit data. There is a risk that these systems may fail to perform as expected or be adversely impacted by a number of factors, some of which may be outside the control of Kleos, including damage, equipment faults, power failure, extreme Space weather, natural disasters, computer viruses and external malicious interventions (i.e. hacking). Kleos' operational processes and contingency plans may not adequately address every potential event. This may adversely impact Kleos' relationships with customers and may adversely impact Kleos' business, financial performance and reputation.

#### 4.2.9 RELIANCE ON KEY PERSONNEL

Kleos' ability to effectively execute its growth strategy is substantially dependent on the performance and expertise of its team. Kleos is heavily dependent on its Executive Directors and other senior employees of the Company. The loss of these key management personnel, or any delay in their replacement, may adversely affect Kleos' future financial performance.

#### 4.2.10 ADDITIONAL REQUIREMENTS FOR CAPITAL

The Directors anticipate that existing cash reserves together with the proceeds of the Offer will cover the development and launch of the Scouting Satellite. Additional funding may be required in the event that costs exceed the Company's estimates, or to meet any unanticipated liabilities or expenses which the Company may incur, such as launch failure or significant delay. Additional funding may also be required for further product development, joint ventures or other business opportunities.

Future plans to launch additional satellites could be funded through reinvestment of any profits, however additional financing will be required if the Board decides to accelerate the launch of any such satellites.

The Company may seek to raise further funds through equity or debt financing, joint ventures, licensing arrangements, production sharing arrangements or other means. Failure to obtain sufficient financing for the Company's activities and future projects may result in delay and indefinite postponement of these activities and potential research and development programmes. There can be no assurance that additional finance will be available when needed or, if available, the terms of the financing might not be favourable to the Company and might involve substantial dilution to Shareholders.

#### 4.2.II MAGNA PARVA RETAINING SIGNIFICANT STAKE

After the Offer is completed, Magna Parva, which is owned by Directors Andrew Bowyer and Miles Ashcroft, will hold approximately 23.45% of the total Shares on issue in Kleos and will continue to be able to exert significant influence over Kleos, including in relation to the election of Directors, the appointment of new management and the potential outcome of matters submitted to the vote of shareholders. There is a risk that the interests of Magna Parva may be different from the interests of investors who acquire CDIs under the Offer. The continued shareholding of Magna Parva, in particular until the end of the escrow period, may cause or contribute to a limited liquidity in the market for shares, which could affect the market price at which other shareholders are able to sell. There is also a risk that a significant sale of shares by Magna Parva after the end of the escrow period, or the perception that such a sale might occur, could adversely impact the price of CDIs.

### 4.3 RISKS RELATED TO THE INDUSTRY IN WHICH THE COMPANY OPERATES

#### 4.3.1 COMPETITION

Kleos must always be competitive. Its technical solutions will continue to develop and are subject to rapid change, while business practices continue to evolve. Kleos' success will in part depend on its ability to offer services and systems that remain ahead of the continuing changes in technology, evolving industry standards and changing problem space.

At present there is no direct commercial competition and very little competition in the wider commercial Space based ISR domain outside of visible imagery and synthetic aperture radar (SAR) offerings. Whilst Kleos currently has early mover advantage and expertise to deliver a high-quality product, it is anticipated that the level of competition will increase rapidly. There is no assurance that competitors will not succeed in developing product more effective or economic than the product developed by Kleos which would render the Kleos product uncompetitive. Competitors, especially when backed by Governments are likely to have significantly higher financial resources available.

#### 4.3.2 FAILURE TO OBTAIN OR MAINTAIN LICENCES AND PERMITS

The Company must obtain a number of licences and permits before it will be permitted to operate the Scouting Satellite and collect data. Such approvals include obtaining the Concession from the Luxembourg Government, a frequency allocation for operational system from the ITU and a licence for the use of frequencies or radio channels for transmission and reception from the frequency assignment from the ILR. There is a risk that Kleos may not obtain some or all of the necessary licences and permits either in a timely manner or at all (see Section 2.6 for further details). This may adversely impact Kleos' business, financial performance and reputation.

The Company will incur ongoing costs and obligations associated with regulatory compliance. Any failure to comply with regulations may result in the suspension or cancellation of necessary licences and permits, or additional costs for corrective measures, penalties or in restrictions on the Company's proposed business operations which could have a materially adverse effect on the business, results of operations and financial condition of the Company. In addition, changes in regulations could require extensive changes to the Company's operations, increased compliance costs or give rise to material liabilities, which could have a materially adverse effect on the business, results of operations and financial condition of the Company.

**4.3.3 SUSPENSION OR WITHDRAWAL OF THE CONCESSION**

The Company must obtain and maintain the Concession in order to establish and operate the Scouting Satellite. The Concession is granted by the Luxembourg Government, and is subject to a number of conditions (refer to Section 2.6 for further details).

One condition of the Concession is that any person who intends to directly or indirectly hold a stake in the Company in such a way that the proportion of voting rights held by such person meets or exceeds the thresholds of 20%, 33%, or 50% or any other threshold applicable by law, that person must obtain the prior approval of the Luxembourg Government. The Company cannot guarantee that the Luxembourg Government will approve any acquirer.

If a person exceeds one of these ownership thresholds without the prior approval of the Luxembourg Government, the Luxembourg Government may: (i) request that the Company to suspend the exercise of the voting rights attaching to the relevant shares or request the nullity or cancellation of the votes attaching to the shares; (ii) request the holders of CDIs/shares to reduce their participation to fall below the aforementioned threshold; and (iii) suspend or ultimately withdraw the Concession, as the case may be.

The suspension or withdrawal of the Concession would mean that the Company would not be able to operate the Scouting Satellite or any other satellite, which will adversely impact Kleos' business, financial performance and reputation.

**4.3.4 NEW REGULATION RISK**

Although currently there are no specific regulatory issues concerning nano-satellites in low earth orbit, this is a matter of Global policy and regulation. Kleos cannot guarantee this will not change either before or after the scouting satellite deployment, and if there is additional regulation, how it will influence budget schedule, and operations.

There is a risk that regulation may be introduced in relation to the collection of signal frequency, signal duration and signal power, which may have a material adverse affect on Kleos' business or operations.

**4.3.5 SPACE ENVIRONMENT**

Kleos' Scouting Satellite hardware will be tested prior to launch to ensure it will cope with the operation in Space. However not all components of the Scouting Satellite are Rad-Hard (radiation resistant) or fully redundant. There is the possibility of in Space failure due to Space local environment issues.

There is a risk that extreme Space weather events such as solar flares, solar eruptions, gamma ray bursts may occur. Although Kleos' hardware will be designed and tested to withstand normal Space environment conditions, Kleos' Scouting Satellite (like existing satellites) will not be designed to withstand such an extreme event.

The failure, or damage to, the Scouting Satellite may adversely impact Kleos' relationships with customers and may adversely impact Kleos' business, financial performance and reputation.

**4.3.6 ISR AND GEOSPATIAL DEMAND RISK**

The Company expects that demand for ISR and geospatial data will increase. However, demand for such data is subject to macro-economic factors. A change to macro-economic matters such as a Global economic crisis, may have a materially adverse effect on market demand for ISR or geospatial data.

**4.4 RISKS RELATED TO THE OFFER AND AN INVESTMENT IN THE CDIS**

**4.4.1 EXPOSURE TO GENERAL ECONOMIC AND FINANCIAL MARKET CONDITIONS**

General domestic and Global economic conditions may adversely impact the price of CDIs for reasons outside the Company's control. This includes credit conditions, increases in unemployment rates, negative consumer and business sentiment and an increase in interest rates, amongst other factors. There is a risk that CDIs may trade on the ASX at a price below their Offer Price for a wide variety of reasons, not all of them related to the financial performance of the Company.

**4.4.2 FOREIGN EXCHANGE RISK**

The proceeds of the Offer will be received in Australian Dollars, while the Company's functional currency is Euro. Kleos is not currently hedging against exchange rate fluctuations, and consequently will be at the risk of any adverse movement in the Euro-Australian Dollar exchange rate between the pricing of the Offer and the closing of the Offer.

The CDIs will be listed on the ASX and priced in Australian Dollars. However, the Company's reporting currency is Euro. As a result, movements in foreign exchange rates may cause the price of the Company's CDIs to fluctuate for reasons unrelated to the Company's financial condition or performance and may result in a discrepancy between the Company's actual results of operations and investors' expectations of returns on securities expressed in Australian Dollars.

**4.4.3 LIQUIDITY RISK**

In accordance with the escrow requirements in Chapter 9 of the ASX Listing Rules, at completion of the Offer approximately 35% of the Shares/CDIs on issue will not be able to be traded for a period of 24 months commencing on the date of Listing. Given the number of Shares/CDIs restricted from trading, there will only be liquidity with respect to approximately 65% of the Shares/CDIs on issue at completion of the Offer until such time as applicable escrow periods end. The CDIs issued under the Offer will only be listed on ASX and will not be listed for trading on any other securities exchanges in Australia, Luxembourg or elsewhere. As such, there can be no guarantee that an active market in the CDIs will develop or continue, or that the market price of CDIs will increase. If a market does not develop or is not sustained, it may be difficult for investors to sell their CDIs. Furthermore, the market price for CDIs may fall or be made more volatile because of the relatively low volume of trading in Kleos' securities. When trading volume is low, significant price movement can be caused by trading a relatively small number of CDIs. If illiquidity arises, there is a real risk that security holders will be unable to realise their investment in Kleos.

**4.4.4 EXPOSURE TO CHANGES IN TAX RULES OR THEIR INTERPRETATIONS**

Tax rules or their interpretation for both Kleos and its Shareholders may change.

There is a risk that both the level and basis of taxation may change both in Luxembourg and Australia, as well as new markets it may enter in the future. The tax considerations of investing in the CDIs may differ for each Shareholder. Each prospective investor is encouraged to seek professional tax advice in connection with any investment in Kleos.

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**4.4.5 THERE ARE COSTS AND MANAGEMENT TIME INVOLVED IN COMPLYING WITH LUXEMBOURG AND AUSTRALIAN LAWS**

As a Luxembourg company, Kleos will need to ensure its continuous compliance with the laws of Luxembourg. Kleos will be listed on the ASX and registered as a foreign company in Australia, therefore Kleos will also need to ensure continuous compliance with relevant Australian laws and regulations, including the ASX Listing Rules and certain provisions of the Corporations Act. To the extent of any inconsistency between the laws of Luxembourg and Australian law and regulations, the Company may need to make changes to its business operations, structure or policies to resolve such inconsistency. If the Company is required to make such changes, this is likely to result in additional demands on management and extra costs.

**4.4.6 FORCE MAJEURE EVENTS**

Acts of terrorism, an outbreak of international hostilities or fires, floods, earthquakes, labour strikes, civil wars and other natural disasters may cause an adverse change in investor sentiment with respect to Kleos specifically or the stock market more generally, which could have a negative impact on the value of an investment in the CDIs.

**4.4.7 SPECULATIVE NATURE OF INVESTMENT**

The above list of key risks ought not to be taken as exhaustive of the risks faced by Kleos or by investors in Kleos. The above risks and others not specifically referred to above may in the future materially affect Kleos, its financial performance or the value of the CDIs. This is particularly so for an early stage business such as Kleos', where there is limited operating history and experience. The CDIs issued under the Offer carry no guarantee in respect of profitability, dividends, return of capital or the price at which they may trade on ASX. Potential investors should therefore consider an investment in Kleos as speculative and should consult their professional advisers before deciding whether to apply for CDIs under the Offer.

**4.4.8 PROVISION OF COMPANY'S ARTICLES AND LUXEMBOURG COMPANY LAW**

Because Kleos is incorporated in Luxembourg, certain provisions of the Corporations Act, including in relation to takeovers and substantial holdings do not apply. Similarly, Kleos is not bound by the takeovers rules under company Luxembourg law. Kleos has therefore incorporated into its Articles shareholder protection provisions that are similar to the provisions of the Corporations Act. In these circumstances, any claim against the Company for a contractual breach would need to be brought in Luxembourg. Any such claim would be contractual in nature and may therefore not have the same level of enforceability as a claim under the Corporations Act.

As a result of the Company being incorporated in Luxembourg, it may also be difficult for investors to effect service of process upon Kleos within Australia and/or to enforce any judgments obtained in a court other than Luxembourg courts against Kleos. A summary of Luxembourg company law is set out in Section 10.8.

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SECTION 05

# BOARD, MANAGEMENT AND GOVERNANCE





## 5. BOARD, MANAGEMENT AND GOVERNANCE

### 5.1 BOARD OF DIRECTORS

The Board currently comprises five members - four Executive Directors, and one Non-Executive Director. The Board has a broad range of experience in the development and commercialisation of Space technology, and more broadly, in the Government and Non-Government defence and security sectors.

The Board is responsible for the overall governance of the Company. Issues of substance affecting the Company are considered by the Board, with advice from external advisers as required. Each Director must bring an independent view and judgment to the Board and must declare all actual or potential conflicts of interest. Any issue concerning a Director's ability to properly act as a Director will be discussed at a Board meeting as soon as practicable, and a Director may not participate in discussions or resolutions pertaining to any matter in which the Director has a materially personal interest.

Each Director has confirmed to the Company that they anticipate being able to perform their duties as Non-Executive or Executive Director, as the case may be, without constraints from other commitments.

The following table provides information regarding the Directors:

NAME	POSITION	INDEPENDENT?¹
Peter Round	Chairman and Executive Director	No
Andrew Bowyer	Chief Executive Officer and Executive Director	No
Miles Ashcroft	Chief Technology Officer and Executive Director	No
Erik Tyler	Executive Director	No
David Christie	Non Executive Director	Yes

**NOTE:**

The Company has assessed the independence of its Directors having regard to the requirements for independence which are set out in Principle 2 of the ASX Corporate Governance Principles.



**AIR COMMODORE PETER ROUND  
 CHAIRMAN AND EXECUTIVE DIRECTOR**

Peter Round joined Kleos on 5 April 2018 as a Director. As Chairman and Executive Director, Peter is an advisor to the Board on corporate strategy and relationship building. His role is integral to engagement with external stakeholders, acting as a military liaison and point of contact for government representatives as well as other organisations within the market.

Peter is the Managing Director of a respected Defence Consultancy, PKR Solutions Ltd. He is a Fellow and Council Member of the Royal Aeronautical Society (RAeS) and Chairs its Learned Society Board. Today he is a Defence Advisor to the Luxembourg Government and supports a number of international defence companies including Serco and Saab Technologies. Peter remains a reserve officer in the Royal Air Force (RAF) and is a Consulting Senior Fellow to the International Institute of Strategic Studies.

With over 30 years' experience as a military pilot Peter has flown Buccaneers in the maritime strike/attack role and spent time as Qualified Flying Instructor. He ran UK Basic Fast Jet Pilot Training and later, initial flying training for all Royal Navy, British Army and RAF aircrew. Peter has also previously served as a US Air Force Instructor Pilot.

In between flying tours Peter has completed operational tours as the RAF Detachment Commander at Prince Sultan Air Force Base, Saudi Arabia and as an Operations Team Leader at the UK Permanent Joint Headquarters, with responsibility for UK and multi-national Operations in Afghanistan, the Balkans and all United Kingdom-supported United Nations operations. He has also completed 3 tours in the UK Ministry of Defence.

From 2007 Peter spent 3 years as the UK National Liaison Representative to NATO Supreme Allied Commander Transformation and, following a period as a Group Senior Operator with responsibility for 200 aircraft of 16 types including the Red Arrows Aerobatic Display Team, he was appointed Capability, Armament and Technology Director at the European Defence Agency. He left this fixed term appointment after 5 years in 2017.

Peter holds an Honours Degree in Metallurgy from Manchester University and a Masters Degree in Defence Studies from Kings College, London

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**ANDREW BOWYER**  
**CHIEF EXECUTIVE OFFICER AND EXECUTIVE DIRECTOR**

Andrew Bowyer co-founded Space technology firm Magna Parva in 2005 and subsequently co-founded Kleos Space, leading the Company's strategy and execution since inception. Andrew has held leadership positions in Space technology development firms for 15 years and has developed a reputation for executing successful Space projects in addition to 'spinning-out' technology into other industries.

Andrew was named one of the world's top 50 innovators from industries of the future by Codex in 2017. Andrew has extensive experience in the development and delivery of Space hardware including the projects which were delivered whilst a Director of Magna Parva. Andrew Bowyer brings experience and reputation from working with some of the World's leading organisations such as ESA (European Space Agency), Luxembourg Government, UK Space Agency, UK Ministry of Defence, BAE, Airbus Defence & Space, Thales, as well as leading Universities.

Whilst at Magna Parva, Andrew was responsible for implementing long term innovation and business development strategy positions and was being able to close deals successfully involving strong relationship building and new funding stream development. Leading contract negotiations and the creation of all sales and marketing material including the online presence, driven by a passion for developing brands and image. Andrew's financial experience covers project costing, creation and maintenance of budgets, accounts management, the P&L, reporting (management and legal requirements) and, most importantly, cash flow management.

Andrew holds a Bachelor of Science from Leeds Beckett University.



**MILES ASHCROFT**  
**CHIEF TECHNICAL OFFICER AND EXECUTIVE DIRECTOR**

Miles Ashcroft has been a director at Kleos since its inception on 6 June 2017. Miles co-founded Space engineering company Magna Parva in 2005, and co-founded Kleos Space as a spin-out from Magna Parva in 2017, Miles leads Kleos' technology strategy.

Miles has responsibility for ensuring quality of technical output and for creation, implementation and management of the company quality system. This includes training members of staff, customers and suppliers where necessary on the system and promoting continual improvement through ownership and understanding of the methodology employed.

Miles has more than 25 years' experience in engineering with over 15 years' of that delivering high value and technically complex Space projects which were delivered whilst a Director of Magna Parva. Prior to founding Magna Parva, Miles held management and technical leadership positions at R&D start-up companies and automotive, motorsport (F1), aerospace and space companies.

Miles is qualified with a Bachelor of Aeronautical Engineering (Honours) from Salford University and is a CEng (Chartered Engineer), MRAeS (Member of the Royal Aeronautical Society), FRAS (Fellow of the Royal Astronomical Society) and is an inventor or co-inventor on eight granted patents.



**DAVID CHRISTIE**  
**NON-EXECUTIVE DIRECTOR**

David Christie was appointed as the non-executive director on 26 March 2018. David is the Chief Strategy Officer, General Counsel and Company Secretary of ASX listed iSelect Ltd (ASX: ISU); he joined iSelect in 2013.

David has over 20 years' experience as a Senior Legal Executive. Prior to joining iSelect, he was the Global Head of Legal for Renaissance Capital Limited (London), and was a director for multiple international entities. Prior to working with Renaissance, David held the position of Senior Lawyer with Deutsche Bank AG (UK), and legal roles with Simmons & Simmons Lawyers (London), and Minter Ellison Lawyers (Sydney).

David holds a BA / LLB Law from the University of Canberra, LLM in International Law from the University of Edinburgh, Scotland and is a Graduate of the Australian Institute of Company Directors.

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**ERIK TYLER**  
**EXECUTIVE DIRECTOR, MD BUSINESS**  
**DEVELOPMENT AUSTRALIA**

Erik Tyler joined Kleos in September 2017 as a Director and became an Executive Director in 22 March 2018. Erik is the Managing Director of Kleos Space Asia Pacific and is integral to managing and supporting investor relations, and also to execute the strategic plan by achieving sales targets within the market. Erik partners with customers to understand their business needs and objectives, drives specific product development and communicates the value proposition through proposals and presentations.

Erik has extensive experience as a corporate advisor to ASX-listed companies, providing a diverse range of skills including corporate structuring, capital raisings and investor relations. Erik is currently an advisor at BlueChilli Venture Capital and provides valuable insight to emerging technology companies in relation to their feasibility to raise funds on the capital markets.

Erik joined the Australian Defence Force in 1998 and spent five years as a radio and satellite operator specialist in the commando regiment. He has in-depth knowledge on implementing and configuring in-field radio and satellite communication technology, including on deployment in both Peacekeeping and combat zones.

Erik's contacts and experience within the ADF will be utilised in his role as Managing Director of Kleos' Australian subsidiary, Kleos Space Asia Pacific. As Managing Director of Kleos Space Asia Pacific, Erik will explore sales opportunities in the Asia Pacific region, including Australia.



**BRADLEY SAXBY**  
**CHIEF FINANCIAL OFFICER**

Bradley Saxby was appointed Chief Financial Officer in April 2018. Bradley is responsible for supporting the Directors in relation to the strategic decisions and overseeing future funding opportunities for the Company. He will primarily be responsible for governing the financial activities of the Company.

Bradley's experience includes private equity investments, corporate acquisitions, leveraged buy-outs and general corporate finance advisory. Bradley has acted as a principal investment advisor to ultra high net worth family offices and been responsible for sourcing, managing and completing international transactions across a wide range of asset classes and investment structures.

Bradley has in-depth experience in supervising emerging companies and leveraging his extensive knowledge of the debt and equity markets. He began his career at PricewaterhouseCoopers and focused on private-to-public listings and other general assurance services.

Bradley is a Chartered Accountant and a member of the Institute of Chartered Accountants Australia and Institute of Chartered Accountants England.

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## 5.2 DIRECTOR DISCLOSURES

No Director of the Company has been the subject of any disciplinary action, criminal conviction, personal bankruptcy or disqualification in Australia or elsewhere in the last 10 years which is relevant or material to the performance of their duties as a Director of the Company, or which is relevant to an investor's decision as to whether to subscribe for CDIs.

No Director has been an officer of a company that has entered into any form of external administration as a result of insolvency during the time that they were an officer or within a 12-month period after they ceased to be an officer.

## 5.3 EXECUTIVE TEAM

The Company has a highly experienced management team as set out below:

NAME	POSITION
Peter Round	Executive Chairman
Andrew Bowyer	Chief Executive Officer and Managing Director
Miles Ashcroft	Chief Technology Officer
Bradley Saxby	Chief Financial Officer
Erik Tyler	Managing Director - Kleos Space Asia Pacific
Tony Holt	Consultant Mission Manager 26 years' experience delivering Space engineering and flight missions including Director positions at Surrey Satellite Technology.
Daniel Martin	Principal Electronics 7 years' experience in Space electronics leadership positions.
Lara Busto	Principal Mechanical 6 years' experience in Space mechanical leadership positions.
Paulina Marra	Principal Data Scientist 7 years' experience in Data Science leadership positions, previously of European Commission.

## 5.4 DIRECTORS' INTERESTS AND REMUNERATION

### EXECUTIVE DIRECTOR REMUNERATION

The following table sets out the Executive Directors' annual remuneration payable for the year ending 31 December 2018.

DIRECTOR	DIRECTOR'S FEES
Andrew Bowyer	<p>€94,000 per annum (full-time).</p> <p>Whilst resident in Luxembourg, the following is also currently paid:</p> <ul style="list-style-type: none"> <li>• €46,200 housing rental</li> <li>• €15,040 cost of living allowance</li> <li>• English speaking school fees, (which were €37,000 for the school year 17/18 and paid during financial year ended 31 December 2017).</li> </ul> <p>Note: the impatriate tax regime in Luxembourg allows for qualifying individuals and employers to receive tax relief in relation to rent, school fees and relocation costs for up to 5 years, if settled through an employer.</p>
Miles Ashcroft	€96,000 per annum for a minimum of 100 days per year.
Peter Round	<p>€150,000 per annum for a minimum of 100 days per year plus A\$7,000 per annum to Chair the Audit and Risk Committee.</p> <p>Peter Round may use days outside the 100 days allocated to Kleos to consult with the Luxembourg Government, Royal Air Force and the International Institute of Strategic Studies on defence related matters.</p>
Erik Tyler	€132,000 per annum (full-time).

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## NON-EXECUTIVE DIRECTOR COMPENSATION

Under the Company's Constitution, each Non-Executive Director may be paid remuneration for ordinary services performed as a Director.

Under the ASX Listing Rules the maximum fees payable to Non-Executive Directors may not be increased without prior approval from the Company at a General Meeting. Directors will seek approval from time to time as deemed appropriate.

The following table sets out the Non-Executive Director's annual remuneration payable for the year ending 31 December 2018.

DIRECTOR	DIRECTOR'S FEES
David Christie	€38,400 per annum plus A\$7,000 per annum to Chair the Remuneration and Nomination Committee.

## 5.5 PERFORMANCE RIGHTS

The Company has agreed to grant the following performance rights to Directors and senior management on or around listing. Each performance right is granted for nil consideration and no amount is payable on vesting.

DIRECTOR / EXECUTIVE	NUMBER OF PERFORMANCE RIGHTS	TERM	VESTING CONDITIONS
Peter Round	1,000,000	Expire on the 12 month anniversary of Listing.	Vest upon revenue greater than €2,000,000 being achieved
	1,000,000	Expire on the 24 month anniversary of Listing.	Vest upon revenue greater than €4,000,000 being achieved
Andrew Bowyer	4,250,000	Expire on the 18 month anniversary of Listing.	Vest upon signing of first commercial contract for DaaS
	5,000,000	Expire on the 18 month anniversary of Listing.	Vest upon successful launch of Scouting Satellite
	4,250,000	Expire on the 24 month anniversary of Listing.	Vest upon revenue greater than €4,000,000 being achieved
Miles Ashcroft	4,250,000	Expire on the 18 month anniversary of Listing.	Vest upon signing of first commercial contract for DaaS
	5,000,000	Expire on the 18 month anniversary of Listing.	Vest upon successful launch of Scouting Satellite
	4,250,000	Expire on the 24 month anniversary of Listing.	Vest upon revenue greater than €4,000,000 being achieved
David Christie	500,000	Will expire if David Christie voluntarily ceases to be a Director of Kleos before 26 March 2019.	Vest upon 26 March 2019
Bradley Saxby	2,000,000	Will expire if Bradley Saxby ceases to be an employee of Kleos prior to 11 April 2019.	Vest upon 11 April 2019
	2,000,000	Will expire if Bradley Saxby ceases to be an employee of Kleos prior to vesting 11 April 2020.	Vest upon 11 April 2020

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## 5.6 EMPLOYMENT AGREEMENTS AND CONSULTANCY AGREEMENTS

The terms of the services agreements for Peter Round, Miles Ashcroft and Erik Tyler, and the employment agreement for Andrew Bowyer are summarised below.

### PETER ROUND – CHAIRMAN AND EXECUTIVE DIRECTOR

Peter Round has entered into a services agreement with the Company to provide services as the Company's Chairman and Executive Director. Peter is engaged on a part-time basis, and his remuneration is €150,000 per annum for a 100 day per year commitment. Peter is eligible to participate in the Company's LTI Plan and has been granted 1,000,000 Shares and will be granted 2,000,000 Performance Rights on or around listing (see Sections 5.7 and 5.8 for further details).

Peter's services agreement contains express provisions protecting the Company's confidential information and intellectual property.

Under the terms of Peter's agreement, either party is entitled to terminate Peter's engagement by giving 12 months' written notice. Peter's appointment as a Director will automatically terminate if Shareholders do not re-appoint Peter as a Director in accordance with the Articles or if Peter ceases to perform his executive role.

After termination of the engagement, the services agreement provides that Peter will be subject to non-compete and non-solicitation of employee restrictions for a period of one year following the termination of the services agreement.

### ANDREW BOWYER - CHIEF EXECUTIVE OFFICER AND MANAGING DIRECTOR

Andrew Bowyer is employed by the Company in the position of Chief Executive Officer and Managing Director. Andrew is employed on a full-time basis, and his remuneration is €94,000 per annum plus €46,200 for housing rental, €15,040 for cost of living allowance and the payment of English speaking school fees, (which were €37,000 for the school year 17/18 and paid during financial year ended 31 December 2017). Andrew is eligible to participate in the Company's LTI Plan, and will be granted 13,500,000 Performance Rights on or around listing (see Sections 5.7 and 5.8 for further details).

Andrew's employment contract contains express provisions protecting the Company's confidential information and intellectual property.

Under the terms of Andrew's employment contract, either party is entitled to terminate Andrew's employment by giving six months' written notice. Andrew's appointment as a Director will automatically terminate if he resigns as Chief Executive Officer.

After termination of employment, the employment contract provides that Andrew will be subject to non-compete and non-solicitation of employee restrictions for a period of one year following the termination or cessation of employment.

### MILES ASHCROFT - CHIEF TECHNICAL OFFICER

Miles Ashcroft has entered into a services agreement with the Company to provide services as the Company's Chief Technical Officer and Executive Director. Miles is engaged on a part-time basis, and his remuneration is €96,000 per annum for a minimum of 100 days per year. Miles is eligible to participate in the Company's LTI Plan, and will be granted 13,500,000 Performance Rights on or around listing (see Sections 5.7 and 5.8 for further details).

Miles' services agreement contains express provisions protecting the Company's confidential information and intellectual property. Under the terms of Miles' agreement, either party is entitled to terminate Miles's engagement by giving 6 months' written notice. Miles' appointment as a Director will automatically terminate if Shareholders do not re-appoint Miles as a Director in accordance with the Articles or if Miles ceases to perform the role of Chief Technical Officer.

After termination of the engagement, the services agreement provides that Miles will be subject to non-compete and non-solicitation of employee restrictions for a period of one year following the termination of the services agreement.

### ERIK TYLER - MANAGING DIRECTOR KLEOS SPACE ASIA PACIFIC

Erik Tyler has entered into a services agreement with the Company to provide services as the Managing Director of Kleos Space Asia Pacific, and Executive Director of the Company. Erik is engaged on a full-time basis, and his remuneration is €132,000 per annum.

Erik's services agreement contains express provisions protecting the Company's confidential information and intellectual property.

Under the terms of Erik's agreement, either party is entitled to terminate Erik's engagement by giving 3 months' written notice. Erik's appointment as a Director will automatically terminate if Shareholders do not re-appoint Erik as a Director in accordance with the Articles or if Erik ceases to perform the role of Managing Director Kleos Space Asia Pacific.

After termination of the engagement, the services agreement provides that Erik will be subject to non-compete and non-solicitation of employee restrictions for a period of one year following the termination of the services agreement.

## 5.7 EQUITY INCENTIVE PLANS

The Company has recently adopted an employee incentive plan known as the Kleos Long Term Incentive Plan (**LTI Plan**), to assist in the reward, retention and motivation of the Company's Directors, senior management, and other employees. The LTI Plan is intended to assist with aligning the interests of participants with shareholders by providing an opportunity for Eligible Participants to earn equity interests in the Company.

Under the rules of the LTI Plan, the Board has discretion to offer:

- a full-time or part-time employee of any Group Company or a Director (**Eligible Employee**) options to acquire Shares, Performance Rights to acquire Shares, and/or Shares, including Shares to be acquired under a limited recourse loan funded arrangement; and
- any other natural person providing services to the Group (**Eligible Person**) options to acquire Shares, Performance Rights to acquire Shares, and/or Shares, (collectively, the **Awards**).

In each case the Awards can be made subject to vesting conditions and/or performance hurdles as determined by the Board.

The terms and conditions of the LTI Plan are set out in comprehensive rules. A summary of the rules of the LTI Plan is set out below:

- The LTI Plan is open to Eligible Employees and Eligible Persons (together **Eligible Participants**) and other persons providing services to the Company or its related bodies corporate, as determined by the Board. Participation is voluntary.

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- The Board may determine the type and number of Awards to be issued under the LTI Plan to each participant and other terms of issue of the Awards, including but not limited to:
  - what conditions and/or performance hurdles must be met by a participant in order for an Award to vest (if any);
  - the amount payable to be paid by a participant on the grant of Awards (if any);
  - the exercise price of any option granted to a participant;
  - the period during which a vested option can be exercised; and
  - any forfeiture conditions or disposal restrictions applying to the Awards and any Shares that a participant receives upon exercise of their options or vesting of Performance Rights.
- The Board may, in its discretion, also determine that the Company will issue limited recourse loans to participants to use for the purchase of Shares as part of a Share Award (as defined in the LTI Plan) under the LTI Plan.
- When any conditions and/or performance hurdles have been satisfied, participants will receive fully vested Shares, or their options/Performance Rights will become vested and will be exercisable into Shares (as applicable).
- Each vested Option and Performance Right enables the participant to be issued or to be transferred one Share upon exercise or vesting (as applicable), subject to the rules governing the LTI Plan and the terms of any particular offer.
- Participants holding Options or Performance Rights are not permitted to participate in new issues of Securities by the Company but adjustments may be made to the number of Shares over which the options or Performance Rights are granted and/or the exercise price (if any) to take into account changes in the capital structure of the Company that occur by way of pro rata and bonus issues in accordance with the rules of the LTI Plan and the ASX Listing Rules.
- If a "change of control event" occurs to the Company, and unless the Board determines otherwise:
  - Awards granted will vest where the Board determines that the vesting conditions and performance hurdles applicable to those Awards have been satisfied, with vesting to occur on a pro rata basis having regard to the vesting period and actual performance;
  - any options and Performance Rights which the Board determines will not vest under the above sub-paragraph will automatically lapse; and
  - any Share Awards and loan funded Shares which the Board determines will not vest under the above sub-paragraph will be bought-back by the Company from the participant for nominal consideration.

A "change of control" event will occur when a person or entity becomes a legal or beneficial owner of 50% or more of the issued capital of the Company; a person or entity becomes entitled to, acquires, holds or has an equitable interest in more than 50% of the issued share capital of the Company; or the Board determines that there are circumstances that have occurred or are likely to occur which will result in significant changes to the structure or control of the Company which may adversely affect the value of the Awards.

- If a participant becomes a "bad leaver", unless the Board determines otherwise:
  - any and all vested options held by the participant which have not been exercised will continue in force and remain exercisable until the expiry date;
  - the participant will be entitled to continue to hold all vested Share Awards and loan funded Shares;

- all unvested options and/or Performance Rights held by the Participant will automatically lapse; and
- all unvested Share Awards and/or loan funded Shares held by the Participant will be bought-back by the Company from the Participant for nominal consideration.

A participant will be a "bad leaver" if the participant resigns, is terminated for performance or is terminated or dismissed for misconduct.

- If a participant is a "good leaver":
  - unless the Board determines otherwise any and all vested options held by the participant which have not been exercised will continue in force and remain exercisable until the Expiry Date;
  - the Participant will be entitled to continue to hold all vested Share Awards and loan funded Shares; and
  - the Board may determine the manner in which any unvested Awards held by the participant will be dealt with.

A participant is a "good leaver" if they are not a "bad leaver".

- The LTI Plan limits the number of Awards that the Company may grant without Shareholder approval, such that the sum of all Awards on issue (assuming all options and Performance Rights were exercised) do not at any time exceed in aggregate 10% of the fully diluted share capital of the Company as at the date of any proposed new Awards.
- The Board may delegate management and administration of the LTI Plan, together with any of their powers or discretions under the LTI Plan, to a committee of the Board or to any one or more persons selected by them.
- Subject to the ASX Listing Rules and the Constitution, the Board may at any time amend the LTI Plan or the terms and conditions upon which Awards have been issued under the LTI Plan provided, generally, that the amendment does not materially reduce the rights of any Participant in respect of Awards granted to them.
- The Board may elect to use an employee share trust or other mechanism for the purposes of holding Awards and/or Shares for Participants under the Plan, and delivering Plan Shares on behalf of Participants upon exercise of Options and/or Performance Rights (as the case may be).

Awards may be granted to Eligible Participants (as defined in the LTI Plan) residing in Luxembourg and the United Kingdom, or other jurisdictions, as approved by the Board from time to time, under the LTI Plan subject to any local law and local tax requirements.



## 5.8 INTERESTS OF DIRECTORS

Other than as set out below or elsewhere in the Prospectus, no Director or proposed Director:

- has or had at any time during the two years preceding the date of this Prospectus an interest in the formation or promotion of the Company, or in any property acquired or proposed to be acquired by the Company or in the Offer; and
- has been paid or agreed to be paid any amount, or has been given or agreed to be given any other benefit, either to induce him or her to become, or to qualify him or her as, a Director or otherwise for services rendered by him or her in connection with the formation or promotion of the Company or the Offer.

## REMUNERATION OF DIRECTORS

Please see Sections 5.4, 5.5 and 5.6 for a summary of the fees and remuneration paid by the Company to its Executive Directors.

## PRE-IPO CONSULTANCY SERVICES - DAVID CHRISTIE

Prior to his appointment as a Non-Executive Director, David Christie provided the following consultancy services to Kleos:

- advice in relation to the appointment of a third-party company secretary by Kleos;
- advice on the drafting, development and implementation of Kleos' policies and procedures; and
- assisting Kleos to establish its corporate governance policies and procedures, including formation of corporate governance committees.

David's pre-Listing consulting services commenced on 28 February 2018, and was terminated on 20 April 2018. Kleos has agreed to grant to David Christie 500,000 Performance Rights on or around Listing in consideration for his services as further described in Section 5.5. The Performance Rights will vest on 26 March 2019.

## DIRECTORS INTERESTS IN SHARES AND OTHER SECURITIES

DIRECTOR	SHARES (ON COMPLETION OF THE OFFER)		PERFORMANCE RIGHTS		OWNERSHIP <sup>1,2</sup>		
	HOLDING	EQUIVALENT NUMBER OF CDIS	HOLDING	EQUIVALENT NUMBER OF CDIS	IMMEDIATELY PRIOR TO COMPLETION OF OFFER (UNDILUTED)	AT COMPLETION OF THE OFFER (UNDILUTED)	AT COMPLETION OF THE OFFER (FULLY DILUTED)
Peter Round	1,000,000	1,000,000	2,000,000	2,000,000	2.00%	0.94%	2.08%
Andrew Bowyer	25,000,000 <sup>3</sup>	25,000,000	13,500,000	13,500,000	49.91%	23.45%	26.71%
Miles Ashcroft	25,000,000 <sup>3</sup>	25,000,000	13,500,000	13,500,000	49.91%	23.45%	26.71%
Erik Tyler	3,470,000	3,470,000	-	-	6.93%	3.25%	2.41%
David Christie	-	-	500,000	500,000	0.00%	0.00%	0.35%

### NOTES:

1. Excludes any CDIs acquired under the Offer.
2. Includes Performance Rights to be granted to Directors on or around Listing as described in Section 5.5.
3. Interest represents 25,000,000 Shares held by Magna Parva which is owned by Andrew Bowyer and Miles Ashcroft.

## INDEMNIFICATION OF DIRECTORS AND OFFICERS

The Company has entered into deeds of indemnity, access and insurance with each Director. Under these deeds, the Company has agreed to indemnify, to the extent permitted by applicable law, each Director in respect of certain liabilities which the Director may incur as a result of, or by reason of (whether solely or in part), being or acting as an officer of the Company. These liabilities include losses or liabilities incurred by the Director to any other person as an officer of the Company, including legal expenses. The Company has also agreed to maintain in favour of each officer a Directors' and officers' policy of insurance for the period that they are officers and for seven years after they cease to act as officers.

## LUXEMBOURG GOVERNMENT CONSULTANCY

Kleos' Chairman, Peter Round, undertakes a consultancy role for the Luxembourg Government advising on a Defence Industry Strategy linking Luxembourg Defence, its defence capable industries and its R&T abilities. Kleos considers that this role only enhances his suitability as Executive Chairman of the Company. It is the Company's view that this involvement works strategically for the Luxembourg Government because the Company represents their aspiration for having defence-related industry in the Grand Duchy of Luxembourg.

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**RELATED PARTY INTERESTS**

Other than as set out below or elsewhere in this Prospectus, there are no existing agreements or arrangements and there are no currently proposed transactions in which the Company was, or is to be, a participant, and in which any related party had or will have a direct or indirect material interest:

- the compensation arrangements with Directors and executive officers, which are described in this Section 5.8;
- the indemnification arrangements with the Directors which are described in this Section 5.8; and
- the intellectual property Assignment Agreement between Magna Parva and Kleos which is described in Section 9.2.

**POLICY FOR APPROVAL OF RELATED PARTY TRANSACTIONS**

The Company's Audit and Risk Committee is responsible for reviewing and approving all transactions in which the Company is a participant and in which any parties related to the Company, including its executive officers, Directors, beneficial owners of more than 5% of the Company's CDIs, immediate family members of the foregoing persons and any other persons whom the Board determines may be considered related parties of the Company, has or will have a direct or indirect material interest.

The Audit and Risk Committee or its Chair, as the case may be, will only approve those related party transactions that are determined to be in, or are not inconsistent with, the best interests of the Company and its Shareholders, after taking into account all available facts and circumstances as the Audit and Risk Committee or the Chairperson determines in good faith to be necessary. Transactions with related parties will also be subject to Shareholder approval to the extent required by the ASX Listing Rules.

**5.9 BOARD'S ROLE IN RISK OVERSIGHT**

The Board's role in risk oversight includes receiving reports from management and the Audit and Risk Committee on a regular basis regarding material risks faced by the Company and applicable mitigation strategies and activities. The report details the effectiveness of the risk management program and identifies and addresses material business risks such as technological, strategic, business, operational, financial, human resources and legal/regulatory risks. The Board and its committees consider these reports, discuss matters with management and identify and evaluate any potential strategic or operational risks including appropriate activity to address those risks.

The responsibilities of the Board are set down in the Company's Board Charter, which has been prepared having regard to the ASX Corporate Governance Principles. A copy of the Company's Board Charter is available on the Company's website at <https://kleos.space/>. The Company will also send you a paper copy of its Board Charter, at no cost to you, should you request a copy during the Offer Period.

**5.10 BOARD COMMITTEES**

As set out below, the Board has established two standing committees to facilitate and assist the Board in fulfilling its responsibilities. The Board may also establish other committees from time-to-time to assist in the discharge of its responsibilities.

Each committee has the responsibilities described in its committee charter (which has been prepared having regard to the ASX Corporate Governance Principles) adopted by the Company. A copy of the charter for each of the committees is available on the Company's website at <https://kleos.space/>. The Company will also send you a free paper copy of its charter should you request a copy during the Offer Period.

COMMITTEE	OVERVIEW	MEMBERS
Audit and Risk Committee	Oversees the Company's corporate accounting and financial reporting, including auditing of the Company's financial statements and the qualifications, independence, performance and terms of engagement of the Company's external auditor.	Peter Round (Chairperson) Andrew Bowyer David Christie
Remuneration and Nomination Committee	Establishes, amends, reviews and approves the compensation and equity incentive plans with respect to senior management and employees of the Company including determining individual elements of total compensation of the Chief Executive Officer and other members of senior management. The Remuneration and Nomination Committee is also responsible for reviewing the performance of the Company's executive officers with respect to these elements of compensation.  Recommends the Director nominees for each annual general meeting and ensures that the audit, compensation and nominating & corporate governance committees of the Board have the benefit of qualified and experienced independent Directors.	Peter Round (Chairperson) David Christie Andrew Bowyer

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## 5.11 CORPORATE GOVERNANCE POLICIES

The Company has also adopted the following policies, each of which has been prepared having regard to the ASX Corporate Governance Principles and is available on the Company's website at <https://kleos.space/investors>.

- **Code of Conduct** – this policy sets out the standards of ethical behaviour that the Company expects from its Directors, officers and employees;
- **Continuous Disclosure Policy** – once listed on ASX, the Company will need to comply with the continuous disclosure requirements of the ASX Listing Rules and the Corporations Act to ensure the Company discloses to ASX any information concerning the Company which is not generally available and which a reasonable person would expect to have a materially effect on the price or value of the CDIs. As such, this policy sets out certain procedures and measures which are designed to ensure that the Company complies with its continuous disclosure obligations;
- **Risk Management Policy** – this policy is designed to assist the Company to identify, assess, monitor and manage risks affecting the Company's business;
- **Securities Trading Policy** – this policy is designed to maintain investor confidence in the integrity of the Company's internal controls and procedures and to provide guidance on avoiding any breach of the insider trading laws;
- **Shareholder Communications Policy** – this policy sets out practices which the Company will implement to ensure effective communication with its Shareholders; and
- **Diversity Policy** – this policy sets out the Company's objectives for achieving diversity amongst its board, management and employees.

The Company will send a free paper copy of any of the above policies upon request during the Offer Period.

## 5.12 ASX CORPORATE GOVERNANCE PRINCIPLES

The Board has evaluated the Company's current corporate governance policies and practices in light of the ASX Corporate Governance Principles. A brief summary of the approach currently adopted by the Company is set out below.

### PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

The Board's responsibilities are defined in the Board Charter.

The Company has also established a clear delineation between the Chairman's responsibility for the Company's strategy and activities, and the day-to-day management of operations conferred upon the Chief Executive Officer and certain other officers of the Company. The Remuneration and Nomination Committee evaluates the performance of senior executives.

### PRINCIPLE 2 – STRUCTURE THE BOARD TO ADD VALUE

Whilst the Board will comprise five Directors at Listing, the majority of the Company's Board will not be comprised of independent Directors as recommended by the ASX Corporate Governance Principles. However the roles of Chairman and Chief Executive Officer are exercised by two separate individuals as required by ASX Principle 2.

The Company's Remuneration and Nomination Committee is responsible for regularly reviewing the size, composition and skills of the Board to ensure that the Board is able to discharge its responsibilities effectively, and to identify gaps in the skills or experience of the Board. The Remuneration and Nomination Committee is comprised of three Directors, one of whom is an independent Director for ASX purposes. The Remuneration and Nomination Committee is governed by a charter which is available on the Company's website at <https://kleos.space/>.

As the Company is still in an early stage of development, it has not yet undertaken a formal review of the Board's performance. However, the Board Charter provides for an annual self-assessment of the Board's performance to be provided to the Nomination & Corporate Governance Committee.

### PRINCIPLE 3 – PROMOTE ETHICAL AND RESPONSIBLE DECISION MAKING

The Company has adopted a Code of Conduct, as well as a Securities Trading Policy, a Diversity Policy and a policy and procedure for related party transactions.

### PRINCIPLE 4 – SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

The Company has established an Audit and Risk Committee to oversee the management of financial and internal risks and the Company's risk strategy and to assess the effectiveness of the Company's risk management framework. The Audit and Risk Management Committee is comprised of three Directors. Whilst a majority of the members are not independent Directors for ASX purposes, the Board believes that the composition and skills of the members of the Audit and Risk Management Committee are appropriate for the Company. The Audit and Risk Management Committee is governed by a charter which is available on the Company's website at <https://kleos.space/>.

### PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE

The Company is committed to providing timely and balanced disclosure to the market in accordance with its Continuous Disclosure Policy.

### PRINCIPLE 6 – RESPECT THE RIGHTS OF SHAREHOLDERS

The Company has adopted a Shareholder Communications Policy for Shareholders wishing to communicate with the Board. The Company seeks to recognise numerous modes of communication, including electronic communication, to ensure that its communication with Shareholders is frequent, clear and accessible.

All Shareholders are invited to attend the Company's annual general meeting, either in person or by representative. The Board regards the annual general meeting as an excellent forum in which to discuss issues relevant to the Company and accordingly encourages full participation by Shareholders. Shareholders have an opportunity to submit questions to the Board and to the Company's auditors.

### PRINCIPLE 7 – RECOGNISE AND MANAGE RISK

In conjunction with the Company's other corporate governance policies, the Company has adopted a Risk Management Policy, which is designed to assist the Company to identify, evaluate and mitigate risks affecting the Company. In addition, the Board has established three standing committees to provide focused support in key areas. Regular internal communication between the Company's management and Board supplements the Company's quality system, complaint handling processes, employee policies and standard operating procedures which are all designed to address various forms of risks.

### PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY

The Company has established a Remuneration and Nomination Committee as set out in this Section 5. The Company Remuneration and Nomination Committee is responsible for overseeing the level and composition of remuneration of the Company's Directors and executives. The Company will provide disclosure of its Directors' and executives' remuneration in its annual report.

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SECTION 06

# FINANCIAL INFORMATION





## 6. FINANCIAL INFORMATION

### INTRODUCTION

The financial information for the Company (Financial Information) contained within this Section 6 includes:

a) The historical financial information being the:

- Historical audited income statement for the financial period from incorporation on 6 June 2017 to 31 December 2017;
- Historical audited balance sheet as at 31 December 2017; and
- Historical audited cash flow statement for the financial period from incorporation on 6 June 2017 to 31 December 2017.

(the **Historical Financial Information**)

b) Pro forma historical financial information being the:

- pro forma historical income statement for the period from the date of incorporation on 6 June 2017 to 31 December 2017 (**Pro Forma Historical Income Statement**);
- pro forma historical cash flow statement for the period from the date of incorporation on 6 June 2017 to 31 December 2017 (**Pro Form Historical Cash Flow Statement**); and
- pro forma historical statement of financial position as at 31 December 2017 (**Pro Forma Historical Balance Sheet**).

(the **Pro forma Historical Financial Information**).

Together the Historical Financial Information and the Pro forma Historical Financial Information comprise the Financial Information (**Financial Information**).

The key accounting policies of the Company relevant to the Financial Information are set out in Appendix A.

All amounts presented in this Section 6 are reflected in Euros, which is the Company's functional and presentational currency unless otherwise specified.

A Pro Forma Historical Income Statement, Pro Forma Historical Cash Flow Statement and Pro Forma Historical Balance Sheet only have been included as the Board believes that this is the most relevant financial information for potential investors as it demonstrates the Company's financial performance for the period from incorporation to 31 December 2017. Additionally the Board believes this demonstrates the Company's net asset position and funding capacity as at 31 December 2017, to enable future growth of the Company.

### BASIS OF PREPARATION AND PRESENTATION OF FINANCIAL INFORMATION

The Financial Information has been reviewed by Deloitte Financial Services Pty Limited (**Deloitte**) in accordance with standards on assurance engagements (**ASAE**) 3450 as set out in the Investigating Accountant's Report (**IAR**) in Section 7 of this Prospectus. Applicants should note the scope and limitation of the IAR as outlined in this Section.

The Financial Information included in this Section 6 has been prepared in accordance with International Financial Reporting Standards (**IFRS**). The Financial Information is presented in an abbreviated form insofar as it does not include all of the disclosures and statements as required by IFRS as applicable to annual financial reports. A summary of key accounting policies of the Company relevant to the Financial Information are set out below in Appendix A.

The Financial Information presented in this Prospectus is extracted from the audited financial statements of the Company for the period ended 31 December 2017, which were audited by Deloitte in accordance with international auditing standards and in respect of which an unmodified opinion was issued. The opinion issued by Deloitte on the Financial Information referred to above was unmodified, but included a paragraph on material uncertainty related to going concern. Refer to the "going concern" section on page 60 of this Prospectus for further details.

For the purpose of the pro forma adjustments, an exchange rate of A\$1.59 : €1 has been adopted for the conversion of Australian Dollars (A\$) into Euro (€).

Post-Listing, the Company will continue to prepare its financial statements in accordance with IFRS issued by the International Accounting Standards Board and its financial statements post-Listing will be audited and reviewed by the Company's auditor in accordance with international auditing standards.

### BASIS OF PRO FORMA HISTORICAL INCOME STATEMENT

The Pro Forma Historical Income Statement has been derived from the following information:

- the income statement of the Company for the period ended 31 December 2017; and
- Pro forma adjustments incorporated into the Pro Forma Historical Income Statement as detailed below in this Section 6 of this Prospectus, as if they occurred from the date of incorporation on 6 June 2017.

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#### **BASIS OF PRO FORMA HISTORICAL CASH FLOW STATEMENT**

The Pro Forma Historical Cash Flow Statement has been derived from the following information:

- the cash flow statement of the Company for the period ended 31 December 2017; and
- Pro forma adjustments incorporated into the Pro Forma Historical Cash Flow Income Statement as detailed below in this Section 6 of this Prospectus, as if they occurred from the date of incorporation (6 June 2017).

#### **BASIS OF PRO FORMA HISTORICAL BALANCE SHEET**

The Pro Forma Historical Balance Sheet has been derived from the following information:

- the statement of financial position of the Company as at 31 December 2017; and
- Pro forma adjustments incorporated into the Pro Forma Historical Balance Sheet as detailed below in this Section 6 of this Prospectus, as if they occurred on 31 December 2017.

#### **MANAGEMENT DISCUSSION AND ANALYSIS OF THE HISTORICAL FINANCIAL INFORMATION**

In July 2017, given the commercial readiness of the Kleos technology and data collection mission, Magna Parva spun out the business into the Company, and Kleos became a wholly owned subsidiary of Magna Parva. Magna Parva contributed the initial equity capital €0.0125 million and a loan of €0.189 million to fund the initial operations of the Company. The spin-out was treated as a business combination.

In line with the Company's accounting policy for business combinations it was treated as a common control transaction, and a €nil value was assigned to the intellectual property acquired, being the value it was carried under predecessor accounting in Magna Parva's financial statements.

Kleos also entered into a Memorandum of Understanding with the Luxembourg Government in July 2017 under which the Government agreed to provide Kleos up to a further €2 million of grant funding as part of the Luxembourg Space Technology Development programme with respect to the development of its technology and geolocation mission design. The Memorandum of Understanding was formalised under a European Space Agency agreement in November 2017 in which the maximum grant was agreed as €1,958,000. As at 31 December 2017, €0.685 million was received in cash and €0.249 million recognised as grant income based on achievement of grant milestones during the period with the balance of €0.436 million reflected in deferred income.

During this period, the Company expensed all research and development costs which will be the case until the technical feasibility of the first launch has been completed. After operating expenses, research and development expenses and payroll, the Company recorded a net loss of €0.184 million.

The Historical Balance Sheet at 31 December 2017 reflects a net working capital and net asset deficiency of €0.172 million which primarily arises from the deferral of grant income €0.436 million in deferred income and the Magna Parva loan €0.188 million offset by cash on hand of €0.457 million.

#### **FORECAST FINANCIAL INFORMATION**

As Kleos Space is at an early stage of development, there are significant uncertainties associated with forecasting the future revenues and expenses of the Company. On this basis, the Directors believe that there is no reasonable basis for the inclusion of financial forecasts in this Prospectus.

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## PRO FORMA HISTORICAL INCOME STATEMENT

The table below sets out the financial performance of the Company for the period ended 31 December 2017 and the pro forma adjustments which were used in arriving at the Pro Forma Historical Income Statement of the Company.

€ ('000)	KLEOS PERIOD ENDED 31 DEC 2017 (AUDITED)	PRO FORMA <sup>1</sup> ADJUSTMENTS <sup>2</sup>		KLEOS AS AT 31 DEC 2017 (PRO FORMA)
Grant Income	249	-	-	249
Operating expenses	(79)	(134)	(31)	(244)
Research & development expenses	(149)	-	-	(149)
Payroll expenses	(203)	(190)	(1,720)	(2,113)
Other income/expenses	(2)	-	-	(2)
<b>Loss before income tax expense</b>	<b>(184)</b>	<b>(324)</b>	<b>(1,751)</b>	<b>(2,259)</b>
Income tax expense	-	-	-	-
<b>Loss after income tax expense<sup>3</sup></b>	<b>(184)</b>	<b>(324)</b>	<b>(1,751)</b>	<b>(2,259)</b>

### NOTES

- Listed company costs:** management has estimated the additional pro-rated six months annual costs that will be incurred in operating as a listed company. These costs include ASX fees, additional directors' compensation and anticipated additional legal, tax and accounting compliance costs.
- Performance Rights, Shares and Option expense:** relates to the fair value of Shares, Performance Rights and Options to be issued to advisors, Directors and key management personnel as set out in Section 5.5 of the Prospectus. Pro forma share based payment adjustments for Performance Rights and Options that vest over certain vesting periods only include six month vesting costs. For Shares that vest upfront, the full share based payment expense has been included.
- Loss after income tax:** the Directors have concluded that it is not yet probable that future taxable profits will be available against which unused tax losses can be utilised. Consequently, in accordance with IFRS section 12 regarding income taxes, the Company has not recognised either a net deferred tax asset at 31 December 2017 or any income tax benefit arising from losses in the Pro Forma Historical Income Statement.

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## PRO FORMA HISTORICAL CASH FLOW STATEMENT

The table below sets out the cash flows of the Company for the period ended 31 December 2017 and the pro forma adjustments which were used in arriving at the Pro Forma Historical Cash Flow Statement of the Company.

€ ('000)	KLEOS PERIOD ENDED 31 DEC 2017 (AUDITED)	PRO FORMA ADJUSTMENTS <sup>1</sup>	KLEOS AS AT 31 DEC 2017 (PRO FORMA)
<b>Cash Flows from Operating Activities</b>			
Receipts from Government Grant	685	-	685
Payments to suppliers and employees	(429)	(324)	(753)
<b>Cash Flows from/(used in) Operating Activities</b>	<b>256</b>	<b>(324)</b>	<b>(68)</b>
<b>Cash Flows from Financing Activities</b>			
Capital contribution	12	-	12
Loans from related parties	189	-	189
<b>Cash Flow from Financing Activities</b>	<b>201</b>	<b>-</b>	<b>201</b>
Cash and cash equivalents at the beginning of the Period	-	-	-
Cash impact from the period	457	(324)	133
<b>Cash and cash equivalents at the end of the Period</b>	<b>457</b>	<b>(324)</b>	<b>133</b>

### NOTES

- Listed company costs: management has estimated the additional pro-rated six month annual costs that will be incurred in operating as a listed company. These costs include ASX fees, additional directors' compensation and anticipated additional legal, tax and accounting compliance costs.

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## PRO FORMA HISTORICAL BALANCE SHEET

The table below sets out the financial position of the Company as at 31 December 2017 and the pro forma adjustments which were used in arriving at the Pro Forma Historical Balance Sheet of the Company.

€ ('000)	KLEOS PERIOD ENDED 31 DEC 2017 (AUDITED)	PRO FORMA ADJUSTMENT					KLEOS AS AT 31 DEC 2017 (PRO FORMA)
		1	2	3	4	5	
<b>ASSETS</b>							
Cash and cash equivalents	457	(868)	1,478	6,918	7	-	7,992
Prepayments	2	-	-	-	-	-	2
Other current assets	22	-	-	-	-	-	22
<b>Total Assets</b>	<b>481</b>	<b>(868)</b>	<b>1,478</b>	<b>6,918</b>	<b>7</b>	<b>-</b>	<b>8,016</b>
<b>LIABILITIES</b>							
<b>Current liabilities</b>							
Accounts payable	21	-	-	-	-	-	21
Accrued expenses	7	-	-	-	-	-	7
Deferred revenue	436	-	-	-	-	-	436
Other current liabilities	189	-	-	-	-	(189)	-
<b>Total liabilities</b>	<b>653</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(189)</b>	<b>464</b>
<b>Net Assets/(Liabilities)</b>	<b>(172)</b>	<b>(868)</b>	<b>1,478</b>	<b>6,918</b>	<b>7</b>	<b>(189)</b>	<b>7,552</b>
<b>EQUITY</b>							
Contributed equity/ Equity Reserves	12	(120)	1,847	6,918	1,758	189	10,604
Accumulated losses	(184)	(748)	(369)	-	(1,751)	-	(3,052)
<b>Total equity/ (deficiency in equity)</b>	<b>(172)</b>	<b>(868)</b>	<b>1,478</b>	<b>6,918</b>	<b>7</b>	<b>189</b>	<b>7,552</b>

### NOTES

- Estimated costs:** Estimated costs associated with the offer amount to €1.713 million. These include €0.838 million of total costs relating to shares issued to advisors as part of the IPO which have been credited to contributed equity. Of the €1.713 million, €0.965 million of these costs are offset against equity as they are incremental costs directly attributed to the issue of the CDIs. Costs not offset against equity of €0.748 million have been expensed through the income statement and reflect a reduction in retained earnings.
- Convertible notes:** represents the proceeds of the pre-IPO convertible notes issued subsequent to period end and the impact of the 20% discount on conversion as a financing cost of the convertible notes.
- IPO proceeds:** represents the gross proceeds from the Offer of €6.918 million.
- Performance Rights, Shares and Option expenses:** relates to the fair value of Shares, Performance Rights and Options to be issued to advisors, Directors and key management team as set out in Section 5.4 and 5.5 of the Prospectus. Pro forma share based payment adjustments for Performance Rights and Options that vest over certain vesting periods only include 6 month vesting costs. For Shares that vest upfront the full share based payment expense has been included.
- Funds owed to Magna Parva:** Funds owed to the parent entity were converted into equity prior to the date of this Prospectus.

The pro forma adjustments discussed above relate to matters or events that have not been finalised at the date of this Prospectus. There are significant assumptions that have been used in determining the pro forma adjustments.

The Pro Forma Historical Balance Sheet is therefore provided for illustrative purposes only and is not represented as being necessarily indicative of the Company's view on its future position.

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## SHARE CAPITAL

The below table shows the number of CDI's on issue and respective shareholdings in the Company following the close of the Offer. The table also shows the fully diluted shareholdings following the exercise of all performance rights and options at the date of this Prospectus being exercised.

CAPITAL STRUCTURE	NO. OF CDI'S ( '000)	VALUATION AT 31 DEC 17 AUD (\$'000)	SHAREHOLDING %
Existing shareholders	23,460	4,692	22.00%
Magna Parva Loan Conversion	1,540	308	1.44%
Pre IPO Convertible Note holders	14,688	2,938	13.77%
Advisors and Key Management Personnel	11,940	2,388	11.20%
New equity raised through IPO	55,000	11,000	51.58%
	<b>106,628</b>	<b>21,326</b>	<b>100%</b>
Fully diluted			
Existing shareholders	23,460	4,692	16.28%
Magna Parva Loan Conversion	1,540	308	1.07%
Pre IPO Convertible Note holders	14,688	2,938	10.19%
Advisors and Key Management Personal	11,940	2,388	8.28%
New equity raises through IPO	55,000	11,000	38.16%
Shares issued on vesting of Performance Rights	33,500	6,700	23.24%
Options – Brokers	4,000	800	2.78%
	<b>144,128</b>	<b>28,826</b>	<b>100%</b>

### NOTES

1. Market Capitalisation is shown in Australian Dollars based on A\$0.20 Offer Price per CDI..

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## NET TANGIBLE ASSETS

The below table shows the net tangible assets of Kleos following completion of the Offer and following all share Options as at the date of this Prospectus being exercised and all Performance Rights having vested.

	AS AT 31 DEC 2017 (€'000)
<b>Pro forma net assets</b>	7,552
Less intangibles	-
Net tangible assets	7,552
<b>No. of CDI's on issue</b>	
Undiluted	106,628
Fully diluted	144,128
<b>Net tangible asset per share</b>	
Undiluted (cents)	0.071
Fully diluted (cents)	0.052

## RELATED PARTY DISCLOSURES

Other than as disclosed in this Prospectus, the Company is not party to any related party arrangements.

## GOING CONCERN

The Financial Information has been prepared on the going concern basis.

During the period ended 31 December 2017 the Company incurred a net loss of €0.184 million. As at 31 December 2017 the Company has a net asset deficiency of €0.172 million and cash on hand of €1.713 million.

The Company has prepared an analysis of its cash requirements for the next 12 months which indicates that the Company only has sufficient cash resources from secured income streams to fund its ongoing operations until August 2018. The ability of the Company to continue as a going concern is dependent on its ability to successfully raise funding under the Offer and execute on its growth strategies in line with the Board approved budgets.

In order to raise sufficient additional funding to meet the requirements of the Company and to manage its future cash outflows, since 31 December 2017 the Company has undertaken the following initiatives:

- Secured funding through a pre-IPO Convertible Note issue raising €1.478 million;
- Announced its planned IPO to raise €6.918 million in new capital to fund future growth and working capital requirements;
- Undertaken a program to continue to monitor the Company's ongoing working capital requirements in line with Board approved budgets; and
- Continued its focus on maintaining an appropriate level of corporate overheads in line with the Company's available cash resources and Board approved budgets.

The Company has recently been able to raise funding by way of a Convertible Note issue to meet its ongoing working capital requirements. The Directors are confident that the Company will be able to raise the necessary funding under the Offer to meet future working capital requirements prior to August 2018.

At the date of this Prospectus, and having considered the above factors, the Directors are confident that the Company will be able to continue as a going concern. Notwithstanding this, if additional funding under the Offer to meet working capital requirements is not obtained, there is significant uncertainty whether the Company will continue as a going concern and, therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial statements.

No adjustments have been made relating to the recoverability and classification of recorded asset values and the amount and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

## DIVIDEND POLICY

No dividend is anticipated to be paid in the short to medium term until the Company is in a more mature business generating stable revenues and profits. In the foreseeable future any surplus cash flow will be invested into maximising the growth of the business.

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SECTION 07

# INVESTIGATING ACCOUNTANT'S REPORT



Deloitte Corporate Finance Pty Limited  
ACN 003 833 127  
AFSL 241457  
Grosvenor Place  
225 George Street  
Sydney, NSW, 2000  
Australia

Phone: +61 2 9322 7000  
www.deloitte.com.au

30 May 2018

The Board of Directors  
Kleos Space S.A.  
Technoport, 9, Avenue des Hauts-Fourneaux  
L-4362 Esch-sur-Alzette  
Luxembourg

Dear Directors,

**INVESTIGATING ACCOUNTANT'S REPORT ON HISTORICAL AND PRO FORMA HISTORICAL FINANCIAL INFORMATION AND FINANCIAL SERVICES GUIDE**

**Introduction**

This report has been prepared at the request of the Directors of Kleos Space S.A. (the Company) for inclusion in a Prospectus to be issued by the Company in respect of the offer of 55 Million Chess Depository Instruments in the Company at \$0.20 each (the Offer).

Deloitte Corporate Finance Pty Limited is wholly owned by Deloitte Touche Tohmatsu and holds the appropriate Australian Financial Services licence under the Corporations Act 2001 for the issue of this report.

References to the Company and other terminology used in this report have the same meaning as defined in the Glossary of the Prospectus.

**Scope**

**Historical Financial Information**

Deloitte Corporate Finance Pty Limited has been engaged by the Directors of the Company to review:

- the Income Statement for the period from the date of incorporation 6 June 2017 to 31 December 2017;
- the Statement of Financial Position as at 31 December 2017; and
- Cash Flow Statement for the period from the date of incorporation 6 June 2017 to 31 December 2017, (together the Historical Financial Information).

as set out in Section 6 of the Prospectus.

The Historical Financial Information has been prepared in accordance with the stated basis of preparation, being the recognition and measurement principles contained in International Financial Reporting Standards and the Company's adopted accounting policies. The Historical Financial Information has been extracted from the financial report of the Company for the period ended 31 December 2017, which was audited by Deloitte Touche Tohmatsu in accordance with International Standards on Auditing. Deloitte Touche Tohmatsu issued

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The entity named herein is a legally separate and independent entity. In providing this document, the author only acts in the named capacity and does not act in any other capacity. Nothing in this document, nor any related attachments or communications or services, have any capacity to bind any other entity under the 'Deloitte' network of member firms (including those operating in Australia).

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## Deloitte.

an unmodified audit opinion on the financial report. This opinion contained a paragraph on material uncertainty related to going concern. The Historical Financial Information is presented in the Prospectus in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by International Financial Reporting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports.

### **Pro forma Historical Financial Information**

Deloitte Corporate Finance Pty Limited has been engaged by the Directors of the Company to review:

- pro forma historical income statement for the period from the date of incorporation 6 June 2017 to 31 December 2017;
- pro forma historical cash flow statement for the period from the date of incorporation 6 June 2017 to 31 December 2017; and
- pro forma historical statement of financial position as at 31 December 2017, (together the Pro forma Historical Financial Information).

as set out in Section 6 of the Prospectus.

The Pro forma Historical Financial Information has been derived from the Historical Financial Information, after adjusting for the effects of pro forma adjustments described in Section 6 of the Prospectus.

The stated basis of preparation is the recognition and measurement principles contained in International Financial Reporting Standards applied to the Historical Financial Information and the events or transactions to which the pro forma adjustments relate, as if those events or transactions had occurred as at the date of the Historical Financial Information. Due to its nature, the Pro forma Historical Financial Information does not represent the Company's actual or prospective financial position.

### **Directors' Responsibility**

The Directors are responsible for:

- the preparation and presentation of the Historical Financial Information and the Pro forma Historical Financial Information, including the selection and determination of pro forma adjustments made to the Historical Financial Information and included in the Pro forma Historical Financial Information; and
- the information contained within the Prospectus.

This responsibility includes for the operation of such internal controls as the Directors determine are necessary to enable the preparation of the Historical Financial Information and the Pro forma Historical Financial Information that is free from material misstatement, whether due to fraud or error.

### **Our Responsibility**

Our responsibility is to express a limited assurance conclusion on the Historical Financial Information and the Pro forma Historical Financial Information based on the procedures performed and the evidence we have obtained. We have conducted our engagement in accordance with Australian Standard on Assurance Engagement (ASAE) 3450 Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information.

A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain reasonable assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we will not express an audit opinion.

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We have performed the following procedures as we, in our professional judgement, considered reasonable in the circumstances:

### **Historical Financial Information**

- a review of the extraction of Historical Financial Information from the audited financial statements of the Company for the period from incorporation 6 June 2017 to 31 December 2017;
- analytical procedures on the audited Statement of Financial Position of the Company at 31 December 2017, Income Statement and Cash Flow Statement of the Company for the period from incorporation 6 June 2017 to 31 December 2017;
- a consistency check of the application of the stated basis of preparation, as described in the Prospectus, to the Historical Financial Information;
- a review of Company's work papers, accounting records and other documents; and
- enquiry of Directors, management and others in relation to the Historical Financial Information.

### **Pro forma Historical Financial Information**

- consideration of work papers, accounting records and other documents, including those dealing with the extraction of Historical Financial Information of the Company from its audited financial statements for the period from incorporation 6 June 2017 to 31 December 2017;
- consideration of the appropriateness of Pro forma Adjustments described in Section 6 of the Prospectus;
- enquiry of Directors, management, personnel and advisors;
- the performance of analytical procedures applied to the Pro forma Historical Financial Information;
- a review of work papers, accounting records and other documents of the Company and its auditors; and
- a review of the accounting policies adopted and used by the Company over the period for consistency of application.

Our engagement did not involve updating or re-issuing any previously issued audit or review report on any financial information used as a source of the financial information.

### **Conclusions**

#### ***Historical Financial Information***

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Historical Financial Information, as described in section 6 of the Prospectus, and comprising:

- the income statement of the Company for the period from the date of incorporation 6 June 2017 to 31 December 2017;
- the statement of financial position as at 31 December 2017; and
- the cash flow statement for the period from the date of incorporation 6 June 2017 to 31 December 2017,

are not prepared, in all material respects, in accordance with the stated basis of preparation, as described in Section 6 of the Prospectus.

#### ***Pro forma Historical Financial Information***

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Pro forma Historical Financial Information is not prepared in all material respects, in accordance with the stated basis of preparation as described in Section 6 of the Prospectus.

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### Restrictions on Use

Without modifying our conclusions, we draw attention to Section 6 of the Prospectus, which describes the purpose of the Financial Information, being for inclusion in the Prospectus. As a result, the Investigating Accountant's Report may not be suitable for use for another purpose.

### Consent

Deloitte Corporate Finance Pty Limited has consented to the inclusion of this limited assurance report in the Prospectus in the form and context in which it is included.

### Disclosure of Interest

Deloitte Corporate Finance Pty Limited does not have any interest in the outcome of this Offer other than the preparation of this report and participation in the due diligence procedures for which normal professional fees will be received.

Deloitte Touche Tohmatsu is the auditor of the Company.

Yours sincerely

Tara Hill  
Authorised Representative of  
Deloitte Corporate Finance Pty Limited  
(AFSL Number 241457)  
AR Number 465764  
Financial Services Guide

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# Deloitte.

August 2017

## Financial Services Guide (FSG)

### What is an FSG?

An FSG is designed to provide information about the supply of financial services to you.

Deloitte Corporate Finance Pty Limited (DCF) (AFSL 241457) provides this FSG to you, so you know how we are remunerated and who to contact if you have a complaint.

### Who supplies the financial services?

We provide this FSG to you where you engage us to act on your behalf when providing financial services.

Alternatively, we may provide this FSG to you because our client has provided financial services to you that we delivered to them.

The person who provides the financial service to you is our Authorised Representative (AR) and DCF authorises the AR to distribute this FSG.

### What financial services are we licensed to provide?

We are authorised to provide financial product advice and to arrange for another person to deal in financial products in relation to securities, interests in managed investment schemes, government debentures, stocks or bonds, to retail and wholesale clients. We are also authorised to provide personal and general financial product advice and deal by arranging in derivatives and regulated emissions units to wholesale clients, and general financial product advice relating to derivatives to retail clients.

### General financial product advice

We provide general advice when we have not taken into account your personal objectives, financial situation or needs, and you would not expect us to have done so. In this situation, you should consider whether our general advice is appropriate for you, having regard to your own personal objectives, financial situation or needs.

If we provide advice to you in connection with the acquisition of a financial product, you should read the relevant offer document carefully before making any decision about whether to acquire that product.

### Personal financial product advice

When we give you advice that takes into account your objectives, financial situation and needs, we will give you a Statement of Advice to help you understand our advice, so you can decide whether to rely on it.

### How are we remunerated?

Our fees are usually determined on a fixed fee or time cost basis plus reimbursement of any expenses incurred in providing the services. Our fees are agreed with, and paid by, those who engage us.

Clients may request particulars of our remuneration within a reasonable time after being given this FSG.

Apart from these fees, DCF, our directors and officers, and any related bodies corporate, affiliates or associates, and their directors and officers, do not receive any commissions or other benefits.

All employees receive a salary, and, while eligible for annual salary increases and bonuses based on overall performance, they do not receive any commissions or other benefits as a result of the services provided to you.

The remuneration paid to our directors reflects their individual contribution to the organisation and covers all aspects of performance.

We do not pay commissions or provide other benefits to anyone who refers prospective clients to us.

### Associations and relationships

The Deloitte member firm in Australia (Deloitte Touche Tohmatsu) controls DCF. Please see [www.deloitte.com/au/about](http://www.deloitte.com/au/about) for a detailed description of the legal structure of Deloitte Touche Tohmatsu.

We, and other entities related to Deloitte Touche Tohmatsu, do not have any formal associations or relationships with any entities that are issuers of financial products. However, we may provide professional services to issuers of financial products in the ordinary course of business.

### What should you do if you have a complaint?

Please contact us about a concern:

The Complaints Officer  
PO Box N250  
Grosvenor Place  
Sydney NSW 1220  
[complaints@deloitte.com.au](mailto:complaints@deloitte.com.au)  
Phone: +61 2 9322 7000

If an issue is not resolved to your satisfaction, you can lodge a dispute with the Financial Ombudsman Service (FOS). FOS provides fair and independent financial services dispute resolution free to consumers.

[www.fos.org.au](http://www.fos.org.au)  
1800 367 287 (free call)  
Financial Ombudsman Service  
GPO Box 3 Melbourne VIC 3001

### What compensation arrangements do we have?

Deloitte Australia holds professional indemnity insurance that covers the financial services we provide. This insurance satisfies the compensation requirements of the Corporations Act 2001 (Cth).

Deloitte Corporate Finance Pty Limited, ABN 19 003 833 127, AFSL number 241457 of Level 1 Grosvenor Place, 225 George Street, Sydney NSW 2000  
Member of Deloitte Touche Tohmatsu Limited  
Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee, and its network of member firms, each of which is a legally separate and independent entity.

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SECTION 08

# DETAILS OF THE OFFER





## 8. DETAILS OF THE OFFER

### 8.1 WHAT IS THE OFFER?

The Company is offering 55,000,000 CDIs under the Offer to raise in aggregate a total of A\$11,000,000. The CDIs are being offered at an issue price of A\$0.20 per CDI.

The Offer will consist of:

- the Institutional Offer, which consists of an invitation to certain Institutional Investors in Australia and a number of other authorised jurisdictions to apply for CDIs;
- the Broker Firm Offer, which is open to Australian and New Zealand resident Retail Investors who have received a firm allocation from their broker; and
- the Chairman's List Offer, which is open to persons in Australia, the UK and Luxembourg who have received a Chairman's list invitation from the Company.

The Company also reserves the right to close the Offer early, to accept late Applications or extend the Offer without notifying any recipient of this Prospectus or any Applicant.

### 8.2 IS THE OFFER UNDERWRITTEN?

No, the offer is not underwritten. Hunter Capital Advisors are lead managing the Offer on the terms set out in the Offer Management Agreement summarised in Section 9.4.

### 8.3 MINIMUM SUBSCRIPTION

The minimum subscription required for the Offer to proceed is A\$11,000,000. If the minimum subscription is not obtained within four months after the date of this Prospectus, the Company will repay all Application Amounts in full without interest as soon as practicable or issue a supplementary or replacement prospectus and allow Applicants one month in which to withdraw their Applications and be repaid their Application Amount in full without interest. The Company will retain any interest earned on Application Amounts.

### 8.4 USE OF FUNDS

The proposed sources and used of funds associated with the Offer are as follows:

SOURCES OF FUNDS	A\$ ('000)	€ ('000)	% OF FUNDS
Existing cash	3,077	1,935	22%
Proceeds from offer	11,000	6,918	78%
<b>Total sources</b>	<b>14,077</b>	<b>8,853</b>	<b>100%</b>

USE OF FUNDS	A\$ ('000)	€ ('000)	% OF FUNDS RAISED
Satellite construction	2,300	1,447	16%
Satellite launch	2,200	1,384	16%
Satellite insurance (5 years)	600	377	4%
Sales and marketing	2,000	1,258	14%
General and administrative	1,500	943	11%
Research and development	2,500	1,572	18%
Other working capital	1,585	997	11%
Costs of the Offer	1,391	875	10%
<b>Total uses</b>	<b>14,077</b>	<b>8,853</b>	<b>100%</b>

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The table opposite is a statement of current intentions as at the date of this Prospectus. Investors should note that, as with any budget, the allocation of funds set out in the above table may change depending on a number of factors, including the outcome of sales success, operational and development activities, regulatory developments, and market and general economic conditions. In light of this, the Board reserves its right to alter the way the funds are applied. In addition, as the proceeds of the Offer will be received in Australian dollars and the expenditure will be in Euro, the actual amount of the proceeds used for each of the items above will depend on the Australian dollar to Euro exchange rate at the time the funds are converted to Euro.

The Board believes that the Company's current cash reserves, plus the net proceeds of the Offer will be sufficient to fund the Company's business objectives until at least 12 months post Listing. These business objectives comprise:

- Fund the launch of the Scouting Satellite;
- Develop the Company's product offering including the Guardian ABI platform in order to be sold to the defence and security sector;
- Fund working capital requirements.

The Board will consider the use of further equity funding if appropriate to accelerate growth or fund a specific project, transaction or expansion including the launch of additional satellites.

## 8.5 HOW DO I APPLY UNDER THE OFFER?

### WHO IS ELIGIBLE TO PARTICIPATE IN THE OFFER?

**Who can apply for CDIs under the Broker Firm Offer?** The Broker Firm Offer is open to Australian and New Zealand resident Retail Investors who have received a firm allocation from their broker.

**Who can apply for CDIs under the Institutional Offer?** The Institutional Offer is open to certain Institutional Investors in Australia and a number of other authorised jurisdictions. The Lead Manager will advise Institutional Investors of the application procedures for the Institutional Offer.

**Who can apply for CDIs under the Chairman's List Offer?** The Chairman's List Offer is open to selected investors in Australia, the UK and Luxembourg nominated by the Company to participate in the Chairman's List Offer.

### COMPLETING AND RETURNING YOUR APPLICATION UNDER THE OFFER

**What is the minimum and maximum application under the Offer?** Applications must be for a minimum of 10,000 CDIs and multiples of 1,000 CDIs thereafter. The Lead Manager, in consultation with the Company, reserves the right to reject any Application or to allocate a lesser number of CDIs than applied for. There is no maximum number of value of CDIs that may be applied for under the Broker Firm Offer or Chairman's List Offer.

**How do I apply under the Broker Firm Offer?** Applicants under the Broker Firm Offer should contact their Broker for instructions on how to complete the Broker Firm Offer Application Form accompanying this Prospectus. The Lead Manager may seek to obtain identification information from Applicants. The Company reserves the right to reject an Application if that information is not provided.

**How to complete and attach your cheque for the Application Amount** The process for applying for CDIs is set out in Schedule 1.

### FEEES, COSTS AND TIMING FOR APPLICATIONS

**When does the Offer open?** 14 June 2018

**What is the deadline to submit an Application under the Offer?** 21 June 2018. The Board reserves the right to close the Offer early, to accept late Applications or extend the Offer.

**Is there any brokerage, commission or stamp duty payable by Applicants?** No brokerage, commission or stamp duty is payable by Applicants on acquisition of CDIs under the Offer.

**What are the costs of the Offer and who is paying them?** The costs of the Offer are approximately A\$1,391,000 and will be paid by the Company out of the proceeds of the Offer.

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**CONFIRMATION OF YOUR APPLICATION AND TRADING ON ASX**

<b>When will I receive confirmation of whether my Application has been successful?</b>	It is expected that initial holding statements will be dispatched by post on 2 July 2018.
<b>Is DvP settlement available?</b>	Delivery versus payment ( <b>DvP</b> ) settlement is available for Applicants under both the Institutional and Broker Firm Offers. Please contact your Broker or the Lead Manager for further details.
<b>When will I receive my CDIs and when can I trade my CDIs?</b>	<p>It is expected that trading of the CDIs on ASX (on a normal settlement basis) will commence on or about 9 July 2018.</p> <p><b>It is the responsibility of each Applicant to confirm their holding before trading in CDIs. Applicants who sell CDIs before they receive an initial statement of holding do this at their own risk.</b></p> <p>The Company and the Lead Manager disclaim all liability, whether in negligence or otherwise, to persons who sell CDIs before receiving their initial statement of holding, whether on the basis of a confirmation of allocation provided by any of them.</p>
<b>Who do I contact if I have further queries?</b>	<p>If you would like more information or have any questions relating to the Offer, you can contact Link Market Services on 1800 992 793 (toll free within Australia) or +61 1800 992 793 (from outside Australia).</p> <p>If you are uncertain as to whether an investment in the Company is suitable for you, please contact your stockbroker, financial adviser, accountant, lawyer or other professional adviser.</p>

**8.6 ABOUT THE CDIS**

The Company is incorporated in Luxembourg. To enable companies such as Kleos to have their securities cleared and settled electronically through CHESSE, depositary instruments called CDIs are issued. Pursuant to the ASX Settlement Operating Rules, CDI holders receive all of the economic benefits of actual ownership of the underlying Shares. CDIs are traded in a manner similar to shares of Australian companies listed on ASX.

CDIs will be held in uncertificated form and settled/transferred through CHESSE. No share certificates will be issued to CDI holders. Shareholders cannot trade their Shares on ASX without first converting their Shares into CDIs.

One CDI represents one underlying Share. The main difference between holding CDIs and Shares is that CDI holders hold the beneficial ownership in the Shares instead of legal title. CHESSE Depositary Nominees Pty Limited (**CDN**), a subsidiary of ASX, will hold the legal title to the underlying Shares.

The Shares underlying the CDIs will be registered in the name of CDN and will be held on behalf of and for the benefit of the CDI holder. CDIs will be CHESSE-approved from the date of Official Quotation in accordance with the ASX Listing Rules and the ASX Settlement Operating Rules. The Shares underlying the CDIs will rank equally with the Shares that the Company has previously issued. Investors should note that there are certain differences between Shares in Kleos and ordinary shares which are typically issued by Australian incorporated public companies. A summary of the key rights attaching to CDIs and Shares is set out in Sections 10.6 and 10.9, and a comparison of the rights attaching to CDIs and Shares with rights of holders of shares in an Australian listed company is set out in Section 10.8.

Holders of CDIs can choose to have their CDIs converted to a direct holding of Shares, however, if they do so they will no longer be able to trade on ASX. Similarly, subject to any restrictions under applicable law, holders of Shares may choose to convert their Shares to CDIs to enable them to trade on ASX.

**8.7 ALLOCATION POLICY**

The basis of allocation of CDIs under the Offer will be determined by the Company and the Lead Manager, subject to any firm allocations under the Broker Firm Offer. Certain Applicants nominated by the Company may be given preference in allotment of CDIs.

The allocation of CDIs under the Chairman's List Offer will be determined by the Company

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## 8.8 SUBSTANTIAL HOLDERS

The table below sets out the interests of the existing shareholders as at the date of this Prospectus and immediately following the Offer who hold a substantial interest in Securities of the Company. The table does not reflect any CDIs which the existing shareholders may subscribe for under the Offer and assumes that all Shares are held as CDIs.

	DATE OF PROSPECTUS		IMMEDIATELY FOLLOWING THE OFFER			
	NUMBER OF SHARES	PERCENTAGE OF SHARES	NUMBER OF SHARES (UNDILUTED)	PERCENTAGE OF SHARES (UNDILUTED)	NUMBER OF SHARES (FULLY DILUTED)	PERCENTAGE OF SHARES (FULLY DILUTED)
<b>EXISTING SHAREHOLDERS</b>						
Magna Parva Limited	25,000,000	75.90%	25,000,000	23.45%	25,000,000	17.35%
Hunter Capital Advisors Pty Ltd	Nil	-	4,000,000	3.75%	8,000,000	5.55%
Bradley Saxby	3,470,000	10.53%	3,470,000	3.25%	7,470,000	5.18%
Tyler Corporation Pty Ltd	3,470,000	10.53%	3,470,000	3.25%	3,470,000	2.41%

## 8.9 APPLICATION AMOUNT

Application Amounts received under the Broker Firm Offer and the Chairman's List Offer will be held in a special purpose bank account until CDIs are issued to successful Applicants. Applicants under the Broker Firm Offer or Chairman's List Offer whose Applications are not accepted, or who are allocated a lesser number of CDIs than the amount applied for, will be mailed a refund (without interest) for all or part of their Application Amounts, as applicable. No refunds due solely to rounding will be provided. Interest will not be paid on any monies refunded and any interest earned on Application Amounts pending the allocation or refund will be retained by the Company.

## 8.10 ASX LISTING

No later than seven days after the date of this Prospectus, the Company will apply to ASX for admission to the official list of ASX and for its Securities to be granted official quotation by ASX. The Company is not currently seeking a listing of its CDIs or Shares on any stock exchange other than ASX.

The fact that ASX may admit the Company to the official list of ASX and grant official quotation of the CDIs is not to be taken in any way as an indication of the merits of the Company or the CDIs offered for subscription under the Offer. ASX takes no responsibility for the contents of this Prospectus. Normal settlement trading in the CDIs, if quotation is granted, will commence as soon as practicable after the issue of holding statements to successful Applicants.

It is the responsibility of Applicants to determine their allocation prior to trading in the Shares. Applicants who sell Shares before they receive confirmation of their allotment will do so at their own risk.

If permission for quotation of the CDIs is not granted within three months after the date of this Prospectus, all Application Amounts received by the Company will be refunded without interest as soon as practicable.

## 8.11 CHES AND ISSUER SPONSORED HOLDINGS

The Company will apply to participate in CHES and will comply with the ASX Listing Rules and the ASX Settlement Operating Rules. CHES is an electronic transfer and settlement system for transactions in securities quoted on ASX under which transfers are effected in an electronic form.

When the CDIs become approved financial products (as defined in the ASX Settlement Operating Rules), holdings will be registered in one of two subregisters, being an electronic CHES subregister or an issuer sponsored subregister. For all successful Applicants, the CDIs of a security holder who is a participant in CHES or a securityholder sponsored by a participant in CHES will be registered on the CHES subregister. All other CDIs will be registered on the issuer sponsored subregister.

Following completion, the Securityholder will be sent a holding statement that sets out the number of CDIs that have been allocated to them. This statement will also provide details of a security Holder Identification Number (HIN) for CHES holders or, where applicable, the Securityholder Reference Number (SRN) of issuer sponsored holders. The relevant securityholder will subsequently receive statements showing any changes to their holding. Certificates will not be issued.

Securityholders will receive subsequent statements during the first week of the following month if there has been a change to their holding on the register and as otherwise required under the ASX Listing Rules and the Corporations Act. Additional statements may be requested at any other time either directly through the Shareholder's sponsoring broker in the case of a holding on the CHES subregister or through the Share Registry in the case of a holding on the issuer sponsored subregister.

The Company and the Share Registry may charge a fee for these additional issuer sponsored statements.

## 8.12 TAX IMPLICATIONS OF INVESTING IN THE COMPANY

The taxation consequences of any investment in the CDIs will depend on your particular circumstances. It is your responsibility to make your own enquiries concerning the taxation consequences of an investment in the Company.

A general overview of the Australian taxation implications of investing in the Company are set out in Section 10.12 and are based on current tax law and ATO tax rulings. The information in Section 10.12 is not intended as a substitute for investors obtaining independent tax advice in relation to their personal circumstances.

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### 8.13 OVERSEAS DISTRIBUTION

No action has been taken to register or qualify the offer of Shares under this Prospectus, or to otherwise permit a public offering of Shares, in any jurisdiction outside Australia and New Zealand.

#### OFFER ONLY MADE WHERE LAWFUL TO DO SO

The distribution of this Prospectus in jurisdictions outside Australia and New Zealand may be restricted by law. This Prospectus does not constitute an offer in any place in which, or to whom, it would not be lawful to make such an offer. Persons into whose possession this document comes should inform themselves about and observe any restrictions on acquisition or distribution of the Prospectus. Any failure to comply with these restrictions may constitute a violation of securities laws.

#### EUROPEAN ECONOMIC AREA

The CDIs may not be offered, distributed or sold in any jurisdiction in which it would be unlawful. In relation to each member state of the European Economic Area (each, a **Relevant Member State**) which has implemented the EU Prospectus Directive, an offer of the CDIs to the public may not be made in any Relevant Member State other than:

- a) to any legal entity which is a qualified investor as defined in the EU Prospectus Directive;
- b) to fewer than 150 natural or legal persons (other than qualified investors as defined in the EU Prospectus Directive), as permitted under the EU Prospectus Directive, subject to obtaining the prior consent of the Company for any such offer; or
- c) to any other entity in any other circumstances falling within Article 3(2) of the EU Prospectus Directive, provided that no such offer of the CDIs shall require the Company to publish a prospectus pursuant to Article 3 of the EU Prospectus Directive or supplement a prospectus pursuant to Article 16 of the EU Prospectus Directive.

For the purposes of this provision, the expression an "offer of the CDIs to the public" in relation to the CDIs in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the CDIs to be offered so as to enable an investor to decide to purchase or subscribe to the CDIs, as the same may be varied in that Relevant Member State by any measure implementing the EU Prospectus Directive in that Relevant Member State. The expression EU Prospectus Directive means Directive 2003/71/EC as amended, including by Directive 2010/73/EU and includes any relevant implementing measure in the Relevant Member State.

#### LUXEMBOURG

An offer to the public of the CDIs has not been made, and may not be made within the territory of the Grand Duchy of Luxembourg unless:

- a) a prospectus has been duly approved by the Commission de Surveillance du Secteur Financier (**CSSF**) pursuant to Part II of the Luxembourg law dated 10 July 2005 on prospectuses for securities, as amended (Luxembourg Prospectus Law) and implementing the Prospectus Directive if Luxembourg is the home Member State as defined under the Luxembourg Prospectus Law; or
- b) if Luxembourg is not the home Member State, the CSSF has been notified by the competent authority in the home Member State that a prospectus in relation to the CDIs has been duly approved in accordance with the Prospectus Directive; or
- c) the offer of the CDIs benefits from an exemption to or constitutes a transaction not subject to, the requirement to publish a prospectus pursuant to the Luxembourg Prospectus Law.

#### UNITED KINGDOM

This Prospectus does not constitute a prospectus for the purpose of the prospectus rules issued by the Financial Conduct Authority (**FCA**) pursuant to section 84 of the Financial Services and Markets Act 2000 (as amended) (**FSMA**) and has not been approved by or filed with the FCA. The information contained in this Prospectus is only being made, supplied or directed on a confidential basis at:

- a) persons in the United Kingdom who are qualified investors within the meaning of section 86(7) of the FSMA; or
- b) no more than 150 persons in the United Kingdom (other than those qualified investors in paragraph (a) above) within the meaning of section 86(1)(b) of the FSMA,

and the CDIs are not otherwise being offered or sold and will not otherwise be offered or sold to the public in the United Kingdom (within the meaning of section 102B of the FSMA), save in circumstances where it is lawful to do so without an approved prospectus (within the meaning of section 85 of the FSMA) being made available to the public before the offer is made.

Any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any CDIs has only been communicated or caused to be communicated and will only be communicated or caused to be communicated in the United Kingdom in circumstances in which section 21(1) of the FSMA does not apply to the Company.

In the United Kingdom this Prospectus is supplied only to, and is directed at:

- a) persons having professional experience in matters relating to investments who fall within the definition of investment professionals in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotions) Order 2005 (as amended) (**FPO**);
- b) high net worth bodies corporate, unincorporated associations and partnerships and trustees of high value trusts as described in Article 49 of the FPO; or
- c) persons who fall within another exemption to the FPO and to whom it may otherwise be lawfully communicated,

(all such persons being "**Relevant Persons**"). Any investment or investment activity to which this Prospectus relates is available only to Relevant Persons and will be engaged in only with Relevant Persons.

By accepting receipt of this Prospectus, each United Kingdom recipient is deemed to confirm, represent and warrant to the Company that it is a Relevant Person. Any person who is not a relevant person should not act or rely on this presentation or any of its contents. This document should not be distributed, published or reproduced, in whole or in part, nor may its contents be disclosed by recipients to any other person in the United Kingdom.

Access to this Prospectus has been limited so that it shall not constitute a general offer. If you have gained access to this Prospectus contrary to the foregoing restrictions you will be unable to purchase any CDIs described herein.

#### NEW ZEALAND

##### The Institutional Offer

This Offer is available only to persons receiving this Offer in New Zealand (electronically or otherwise) who are Wholesale Investors. This Prospectus does not constitute and should not be construed as an offer, invitation, proposal or recommendation to apply for CDIs by investors in New Zealand who are not Wholesale Investors. Applications or any requests for information from investors in New Zealand who are not Wholesale Investors will not be accepted. This Prospectus has not been, and will not be, lodged with the Registrar of Financial Service Providers in New Zealand and is not a product disclosure statement under the Financial Markets Conduct Act 2013. New Zealand Wholesale Investors wishing to invest in the Company should be aware that there may be different tax implications of investing in the Company and should seek their own tax advice as necessary.

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The Offer made to New Zealand investors is available only to, and may only be accepted by, a Wholesale Investor (in terms of clause 3(2) and 3(3) of Schedule 1 of the Financial Markets Conduct Act 2013) who has completed a Wholesale Investor Certification or an Eligible Investor Certification or who invests a minimum amount of NZ\$750,000 in CDIs. Each New Zealand investor acknowledges and agrees that:

- he, she or it has not offered or sold, and will not offer or sell, directly or indirectly, any CDIs in the Company; and
- he, she or it has not distributed and will not distribute, directly or indirectly, this Prospectus or any other offering materials or advertisement in relation to any offer of any CDIs in the Company, in each case in New Zealand other than to a person who is a Wholesale Investor (in terms of clause 3 of Schedule 1 of the Financial Markets Conduct Act 2013), and;
- he, she, or it will notify the Company if they cease to be a Wholesale Investor (in terms of clause 3(2) and 3(3) of Schedule 1 of the Financial Markets Conduct Act 2013).

The following warning statement applies in relation to those New Zealand investors who are Wholesale Investors solely by reason of the minimum amount payable by them on acceptance of the offer being at least NZ\$750,000.

#### *Warning*

New Zealand law normally requires people who offer financial products to give information to investors before they invest. This requires those offering financial products to have disclosed information that is important for investors to make an informed decision.

The usual rules do not apply to this Offer because there is an exclusion for offers where the amount invested upfront by the investor (plus any other investments the investor has already made in the financial products) is NZ\$750,000 or more. As a result of this exclusion, you may not receive a complete and balanced set of information. You will also have fewer other legal protections for this investment.

Investments of this kind are not suitable for retail investors.

Ask questions, read all documents carefully, and seek independent financial advice before committing yourself.

#### **The Broker Firm Offer**

This Offer to New Zealand investors is a regulated offer made under Australian and New Zealand law. In Australia, this is Chapter 8 of the Corporations Act and regulations made under the Corporations Act. In New Zealand, this is subpart 6 of Part 9 of the Financial Markets Conduct Act 2013 and Part 9 of the Financial Markets Conduct Regulations 2014.

This Offer and the contents of this Prospectus are principally governed by Australian rather than New Zealand law. In the main, the Corporations Act and the regulations made under the Corporations Act set out how the Offer must be made.

There are differences in how financial products are regulated under Australian law. For example, the disclosure of fees for managed investment schemes is different under the Australian regime.

The rights, remedies, and compensation arrangements available to New Zealand investors in Australian financial products may differ from the rights, remedies, and compensation arrangements for New Zealand financial products.

Both the Australian and New Zealand financial markets regulators have enforcement responsibilities in relation to this Offer. If you need to make a complaint about this Offer, please contact the Financial Markets Authority, New Zealand (<http://www.fma.govt.nz>). The Australian and New Zealand regulators will work together to settle your complaint.

The taxation treatment of Australian financial products is not the same as for New Zealand financial products.

If you are uncertain about whether this investment is appropriate for you, you should seek the advice of an appropriately qualified financial adviser.

The Offer may involve a currency exchange risk. The currency for the financial products is not New Zealand dollars. The value of the financial products will go up or down according to changes in the exchange rate between Australian and New Zealand dollars. These changes may be significant.

If you expect the financial products to pay any amounts in a currency that is not New Zealand dollars, you may incur significant fees in having the funds credited to a bank account in New Zealand in New Zealand dollars.

If the financial products are able to be traded on a financial product market and you wish to trade the financial products through that market, you will have to make arrangements for a participant in that market to sell the financial products on your behalf. If the financial product market does not operate in New Zealand, the way in which the market operates, the regulation of participants in that market, and the information available to you about the financial products and trading may differ from financial product markets that operate in New Zealand.

#### **UNITED STATES RESIDENTS**

The Shares being offered pursuant to this Prospectus have not been registered under the US Securities Act and may not be offered or sold in the United States absent registration or an applicable exemption from registration under the US Securities Act and applicable state securities laws. This Prospectus does not constitute an offer to sell, or the solicitation of an offer to buy, nor shall there be any sale of the Shares in any state or other jurisdiction in which such offer, solicitation or sale would be unlawful. In addition, any hedging transactions involving the Shares may not be conducted unless in compliance with the US Securities Act.

#### **OVERSEAS OWNERSHIP AND RESALE REPRESENTATION**

It is your responsibility to ensure compliance with all laws of any country relevant to your Application. The return of a duly completed Application Form will be taken by the Company to constitute a representation and warranty made by you to the Company that there has been no breach of such laws and that all necessary consents and approvals have been obtained.

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SECTION 09

# MATERIAL CONTRACTS





## 9. MATERIAL CONTRACTS

The Directors consider that the material contracts described below are those which an investor would reasonably regard as material and which investors and their professional advisers would reasonably expect to find described in this Prospectus for the purpose of making an informed assessment of an investment in the Company under the Offer.

This Section 9 contains a summary of the material contracts and their substantive terms which are not otherwise disclosed elsewhere in this Prospectus.

### 9.1 EUROPEAN SPACE AGENCY CONTRACT

The Company entered into a contract with The European Space Agency (**ESA**) acting on behalf of the Government of the Grand Duchy of Luxembourg and acting through its establishment The European Space Research and Technology Centre (**ESTEC**) on 9 November 2017 (**ESA Contract**).

Under the ESA Contract, the Company undertakes to perform the activity "Geolocation Intelligence System Ground Demonstrator" (the **Project**) involving a ground demonstrator of the In-Space Manufacturing technology and geolocation technology.

In connection with the Project, the Company is required to report to the ESA on work completed and provide a technical data package including confidential technical documentation. The Company is also required to deliver to the Government of Luxembourg all hardware (including test equipment and control electronics) built or purchased under the ESA Contract, together with an operational manual, unless otherwise agreed.

Under the ESA Contract the ESA is required to make payments totalling €1,958,000 to the Company on satisfaction of certain milestones. As at the date of this Prospectus the Company has received €685,000 by way of advance payment.

The Company will own all intellectual property rights and have the right to apply for and own any registered intellectual property rights arising from, work performed under the ESA Contract (the **Contract intellectual property**). Under the ESA Contract, the Government of Luxembourg is granted a free, worldwide licence for the Contract intellectual property, with the right to grant sublicences for its own activities and programmes in the field of Space research and technology and applications. The ESA is granted a free, worldwide licence for the Contract intellectual property for the purpose of the Luxembourg Third Party Programme and the ESA's own activities and programmes in the field of Space research and technology and applications. The rights under the licence for the Contract intellectual property may be limited if the Company can demonstrate that the use of the rights by the Government of Luxembourg of the ESA is in conflict with the Company's legitimate commercial interests, being an interest that the Company can demonstrate is important to the Company's ability to commercially exploit the contract intellectual property for a defined period of time including but not limited to an economic position vis-à-vis a competitor, loss of profits or survival of an undertaking.

The Company is required to report to the ESA if any Contract intellectual property may be protected as a registered intellectual property right and advise whether it intends to apply for protection. If the Company fails to apply for registration of the Contract intellectual property, or if the Company abandons registered Contract intellectual property, the Government of Luxembourg and the ESA will be granted the rights to the Contract intellectual property and reserve the right to require the Company to assign the Contract intellectual property to a third party, or if no third-party purchaser is identified, to the Government of Luxembourg or the ESA for no consideration.

The ESA has the right to terminate the ESA Contract either wholly or in part by giving written notice to the Company. If the ESA Contract is terminated without the fault of the Company, the Company is required to implement instructions provided by the ESA, and the parties are required to use their best efforts to mitigate the consequences of the termination.

Subject to the Company complying with the instructions, the ESA shall take over from the Company at a fair and reasonable price certain parts, materials and components, and will indemnify the Company for certain losses attributable to the termination up to the amount payable under the ESA Contract. If the ESA Contract is terminated due to the fault of the Company, the Company will keep amounts already received for achieved milestones and the ESA will pay a fair and reasonable price for work carried out by the Company prior to the termination. The ESA may seek a refund of any excess portion of an advance payment and may claim compensation from the Company.

The Company has engaged two sub-contractors to assist with limited aspects of the ESA Contract. The sub-contractors will own the intellectual property rights arising from work performed under the sub-contract. One of the sub-contractors may create intellectual property that Kleos may wish to utilise. To the extent that Kleos wishes to use such intellectual property, the sub-contractor shall licence the intellectual property to Kleos on an exclusive basis for the purpose of commercial terms to be agreed.

Kleos entered into a non-binding Memorandum of Understanding with Magna Parva and the Government of Luxembourg on 24 July 2017. Under the Memorandum of Understanding, the Luxembourg Government undertook to contribute funding to Kleos' business activities. The agreement to provide the funding has been documented in the ESA Contract.

### 9.2 INTELLECTUAL PROPERTY ASSIGNMENT AGREEMENT

The Company entered into the Intellectual Property Assignment Agreement with Magna Parva on 2 August 2017, pursuant to which Magna Parva assigned all right, title and interest in intellectual property rights arising in respect of the interferometry, geolocation technology and the in-space pultrusion manufacturing technology. In consideration for the assignment of the Intellectual Property, the Company paid Magna Parva €1. The Intellectual Property Assignment Agreement was varied on 18 April 2018.

Details of the intellectual property transferred are set out in Section 3.6.

The Company has agreed to pay Magna Parva a percentage of "derived profit" in accordance with the Intellectual Property Assignment Agreement as set out in the table below. "Derived profit" means the revenue from sales of the following types of goods and services:

- (i) goods and services involving the use of radio signal interferometry;
- (ii) large deployable structures;
- (iii) manufacturing of very large booms in-Space; and collectively the "Goods and Services", less
- (iv) the costs of sale of the Goods and Services including without limitation, research and development costs and employee costs.

Revenues and costs of sales will be accounted for in accordance with IFRS.

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ROYALTY PERIOD	DURATION	ROYALTY PAYMENT
First Royalty period	Commencing on 1 January 2018 and ending on 31 December 2020	5% of "derived profit"
Second Royalty period	Commencing on 1 January 2021 and ending on 31 December 2030	2.5% of "derived profit"

The Royalty is payable for each calendar year in the First Royalty period and the Second Royalty period.

Under the intellectual property Assignment Agreement, Magna Parva retains the right to support the Company where required.

Under the intellectual property Assignment Agreement, Magna Parva has assigned the Company various rights including but not limited to:

- (i) in respect of the in-space pultrusion manufacturing technology, the right to file an application applying for a patent or similar protection in any Country or Territory in the World.

### 9.3 GOMSPACE A/S AUTHORIZATION TO PROCEED

Kleos has entered into an Authorization to Proceed (ATP) with GomSpace A/S for the acquisition of the Scouting Satellite. Under the ATP Kleos and GomSpace have agreed that the procurement price for the Scouting Satellite system will be €2.34 million, provided that certain agreed-upon specifications do not change. Under the ATP, Kleos grants GomSpace permission to commence the project to supply the Scouting Satellite, including conducting a System Requirements Review and a Preliminary Design Review. Kleos has made a payment of €250,000 to GomSpace, and has committed to entering into a final contract for the acquisition of the Scouting Satellite. This payment will be applied towards the procurement price for the Scouting Satellite system.

### 9.4 OFFER MANAGEMENT AGREEMENT

The Lead Manager has agreed to lead manage the Offer pursuant to an Offer Management Agreement dated on or around the date of this Prospectus entered into by the Lead Manager and the Company.

For the purposes of this Section 9.4, Offer Documents means the following documents issued or published by, or on behalf of, the Company with their prior approval, in respect of the Offer and in a form approved by the Lead Manager:

- this Prospectus (including any supplementary prospectus) and any application form;
- any cover email sent by or on behalf of the Company to eligible institutional investors outside of Australia in connection with the Institutional Offer; and
- the marketing roadshow presentation and/or public announcements used by the Company in connection with the Offer used or made after the date of this Prospectus.

#### 9.4.1 FEES AND EXPENSES

Subject to the Lead Manager satisfying its obligations under the Offer Management Agreement, the Company has agreed to pay the Lead Manager a management fee of 7.0% of the proceeds of the Offer (plus GST).

The Company has also agreed to issue:

- 4,000,000 CDIs issued; and
- 4,000,000 unlisted options on the key terms and conditions set out in Section 10.5.

Finally, the Company has agreed to reimburse all reasonable expenses of the Lead Manager that are connected with the Offer.

#### 9.4.2 TERMINATION EVENTS

If any of the following events occur, the Lead Manager may, at any time until the new CDIs have been allotted and issued by the Company (Completion), terminate the Offer Management Agreement, without cost or liability, by notice to the Company:

- there is a breach by a party of the Offer Management Agreement (including a breach of a representation or warranty);
- there is introduced, or there is a public announcement of a proposal to introduce into any legislature of Australia, a law or regulation, or a new government policy is adopted by a government in a relevant jurisdiction, or there is a public announcement of a proposal to adopt a new government policy by such a government that is likely to prohibit the Offer or treatment of the securities or regulate or affect the Offer or treatment of the securities;
- any adverse change or disruption occurs in the existing financial markets, political or economic conditions currency exchange rates or controls or financial markets in Australia, New Zealand, the United States, the United Kingdom, Hong Kong or any member state of the European Union or in foreign exchange rates or any development involving a prospective adverse change in political, financial or economic conditions in any of those countries;
- a general moratorium on commercial banking activities in Australia, New Zealand, the United States, the United Kingdom, Hong Kong or any member state of the European Union is declared by the relevant central banking authority in any of those countries, or there is a materially disruption in commercial banking or security settlement or clearance services in any of those countries;
- trading in all securities quoted or listed on ASX, the New Zealand Exchange, New York Stock Exchange, London Stock Exchange or the Hong Kong Stock Exchange, is suspended or limited in a materially respect;
- a contract or an agreement referred to in the Prospectus is:
  - breached by the Company or any of their related bodies corporate (as defined in sections 9 and 50 of the Corporations Act); or
  - terminated (whether by breach or otherwise);
- a party is in default of any of the terms or conditions of this agreement or breaches any warranty, undertaking or covenant given or made by it under this agreement (including any conditions precedent);
- other than as disclosed from those identified in the Prospectus, the Company charges or agrees to charge, the whole, or a substantial part of the assets of the Company;

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- any of the following occur:
  - a director or member of the executive team of the Company (as listed in the Prospectus or otherwise) is charged with an indictable offence;
  - any governmental agency commences any public action against the Company or any of its directors or senior managers in their capacity as a director or senior manager of the Company;
  - any director or senior manager of the Company is disqualified from managing a corporation under any law of any jurisdiction; or
  - a party or a director or senior manager of the party engages in any fraudulent conduct or activity;
- any representation or warranty contained in this agreement on the part of a party is breached or becomes false, misleading or incorrect;
- except as contemplated by the Prospectus, a prescribed occurrence under section 652C of the Corporations Act occurs (but substituting "target" for "person");
- there is an outbreak of hostilities (whether or not war or a national emergency has been declared) not presently existing, or an escalation in existing hostilities occurs, or a major act of terrorism occurs in or involving any one or more of the following:
  - Australia;
  - New Zealand;
  - the United Kingdom;
  - the United States of America;
  - Hong Kong;
  - the People's Republic of China;
  - India;
  - South Korea;
  - Russia;
  - Japan and;
  - any member state of the European Union,

or involving any diplomatic, military, commercial or political establishment of any of those countries or a major terrorist act is perpetrated anywhere in the world;

- the due diligence report prepared in connection with the Offer, or material provided to verify statements made in Offer Documents, or any other information supplied by or on behalf of the Company to the Lead Manager in relation to the Company or the Offer is or becomes false or misleading or deceptive or likely to mislead or deceive, including by way of omission;
- if a regulatory body withdraws, revokes or amends any regulatory approvals required for the Company to perform its obligations under the Offer Management Agreement.

#### 9.4.3 CONDITIONS, WARRANTIES, UNDERTAKINGS AND OTHER TERMS

The Offer Management Agreement contains certain standard representations, warranties and undertakings by the Company to the Lead Manager as well as common conditions precedent, including the receipt by the Lead Manager of the final, signed due diligence report and ASX indicating that it will grant permission for quotation of the shares on the ASX.

The representations and warranties given by the Company relate to matters such as conduct of the Company, power and authorisations, information provided by the Company, information in this Prospectus and compliance with laws and the ASX Listing Rules. The Company also provides additional representations and warranties in connection with the business and affairs of the Company including in relation to licences and eligibility for listing.

The Company's undertakings include that it will not, until 90 days after Completion, issue (or agree to issue) or indicate in any way that it may or will issue or agree to issue any CDIs, Shares or other securities that are convertible or exchangeable into equity, or that represent the right to receive equity, without the prior written consent of the Lead Manager other than pursuant to the Offer or as described in the Offer Documents.

#### 9.4.4 INDEMNITY

Subject to certain exclusions relating to, among other things, fraud, wilful misconduct or gross negligence of any indemnified party, the Company agrees to keep the Lead Manager and its representatives indemnified from losses suffered by them in connection with the Offer or the appointment and role of the Lead Manager pursuant to the Offer Management Agreement.

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SECTION 10

# ADDITIONAL INFORMATION





## 10. ADDITIONAL INFORMATION

### 10.1 INCORPORATION AND GROUP STRUCTURE

The Company was incorporated on 6 June 2017 and was converted to a public limited liability company (*société anonyme*) on 29 May 2018. Kleos is the main operating company in the group.

The Company has one wholly owned subsidiary, Kleos Space Asia Pacific, which was incorporated in New South Wales, Australia on 19 March 2018 and which will be used to carry on Kleos' Asia Pacific sales operations.

### 10.2 BALANCE DATE

The accounts for the Company will be made up to 31 December annually.

### 10.3 CURRENT CAPITAL STRUCTURE

The issued capital of the Company as at the date of this Prospectus is set out in the table below:

CLASS OF SECURITY	NUMBER
Shares	32,940,000
Convertible Notes	4,700

### 10.4 CAPITAL STRUCTURE FOLLOWING THE OFFER

As at the Allotment Date, the issued share capital of the Company will comprise the following:

CLASS OF SECURITY	NUMBER OF SECURITIES	CDI EQUIVALENT
Shares	106,627,500	106,627,500
Options	4,000,000	4,000,000
Performance rights	33,500,000	33,500,000

The Company issued 4,700 non-interest bearing convertible notes in January 2018. Prior to Listing the convertible notes will convert into 14,687,500 Shares (equivalent to 14,687,500 CDIs) at an issue price of \$0.16 per Share.

### 10.5 OPTIONS

The Company has agreed to grant 4,000,000 Options to the Lead Manager under this Prospectus on or around Listing with an exercise price of \$0.30 and a 3 year term.

Each Option will entitle the holder to subscribe for one Share.

The Options will not be listed on the ASX or any other listing authority, stock exchange or market.

The following terms apply to the Options:

- Adjustment to exercise price - the exercise price of an Option will be adjusted in the following circumstances:
  - pro rata issue - if the Company makes a pro rata issue of Shares/CDIs, to existing Shareholders or CDI Holders (except a bonus issue) the exercise price of an Option will be reduced proportionally (in accordance with the ASX Listing Rules); or
  - bonus issue - if the Company makes a bonus issue of Shares/CDIs or equity securities (other than an issue in lieu of, or in satisfaction of, dividends or by way of dividend reinvestment), the number of Share which must be issued on exercise of an Option will be increased proportionally and no change will be made to the exercise price.
- Transfer - the Options may only be transferred to a sophisticated or professional investor under the Corporations Act. The Options may not be transferred to a competitor of Kleos.
- Expiry Date - the Options will expire on the third anniversary of the date of allotment, unexercised Options will automatically lapse on the third anniversary of the date of allotment.

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## 10.6 ARTICLES OF ASSOCIATION AND RIGHTS ATTACHING TO THE SHARES

A summary of the Company's securities and provisions of its Articles of Association (Articles), which will apply from the Allotment Date, is set out below. This summary is not intended to be exhaustive.

### CAPITAL

The share capital is set at €203,970 represented by 32,940,000 Shares in registered form, without a nominal value.

The share capital may be increased or reduced by a resolution of a general meeting of Shareholders (**General Meeting**), following the procedure to amend the Articles as stated below. The Company may redeem or buy-back its own shares within the limits set out in the 1915 Law, the Articles (including but not limited to article 5.3 and article 20.14 of the Articles) and any LTIPR), as adopted by the Company from time to time.

### SHARES

The Shares are indivisible and the Company recognises only one owner per Share. If a Share is owned by several persons, they shall appoint a single representative who shall represent them in respect of the Company.

### AUTHORISED SHARE CAPITAL AND BONUS SHARES

The Board is authorised, for a period of five years commencing on 29 May 2018 (**Approval Period**) (and subject to the ASX Listing Rules), to create, renew or increase the authorised capital pursuant to article 6.1 of the Articles, to:

- (i) grant options to subscribe for Shares and to issue any other instruments convertible into Shares within the limits of the authorised capital to such persons and on such terms as it sees fit;
- (ii) increase the issued share capital (on one or more occasion) for a maximum aggregate amount of €5,000,000,000 at a minimum subscription price of €0.001 per Share;
- (iii) determine the date of the issue (or any successive issue) and the terms and conditions of the subscription for Shares and/or CDIs.

At the end of the Approval Period, the Board may seek shareholder approval to renew the authorization to increase the Company's issued share capital for a period of up to five years. If shareholder approval is not given, existing shareholders will have a pro-rata right of pre-emption over future Share issues. These pre-emption rights will do not apply to an issue of Shares to an employee of the Company or a subsidiary.

### DIVIDENDS AND LEGAL RESERVE

Shareholders are entitled to receive, out of the annual net profits of Kleos, such dividends as decided by the Shareholders at the annual General Meeting of Kleos. Dividends will be decided in accordance with the following principles:

- Firstly, the General Meeting is required by Luxembourg law to allocate 5% of Kleos' annual net profits to a legal reserve. This requirement will cease when the legal reserve reaches 10% of Kleos' share capital.
- Then, the General Meeting may decide by ordinary resolution to (i) pay a dividend to the Shareholders and/or (ii) transfer the balance to a reserve account and/or (iii) to carry the balance forward. The Board will propose an allocation of annual net profit to the General Meeting for approval.
- Losses will be carried forward upon an ordinary resolution of Shareholders.

### VOTING

A Shareholder is entitled to one vote per Share in the Company. Meetings can be convened by the Board or by the Company's statutory auditors, or following a request of Shareholders representing at least one-tenth of the total share capital of the Company.

### GENERAL MEETINGS

The General Meeting may pass resolutions to authorise the following:

- (i) appointment of Directors and determination of their number and remuneration;
- (ii) removal of Directors, with or without cause;
- (iii) appointment of statutory or external auditors, and determination of their number and remuneration;
- (iv) removal of independent auditor for cause or with the auditor's approval;
- (v) renewal of an authorisation of share capital and bonus shares;
- (vi) determination of the allocation of the balance of annual net profits (including payment of a dividend, transfer to a reserve account or carry forward of the amount);
- (vii) limitation or cancellation of a preferential subscription right of existing Shareholders; and
- (viii) otherwise, the adoption and ratification of all acts and operations which are consistent with the Company's corporate object.

Written notice of any General Meeting shall be given to all Shareholders at least eight days prior to the meeting except in the case of emergency.

### AMENDMENT TO THE ARTICLES

A General Meeting may only amend the Articles if at least one-half of the share capital of the Company is represented at the General Meeting, and the agenda includes the text of any proposed amendment. Additionally, any proposed amendment to the Company's Articles must be subject to the prior approval of the Luxembourg Government, which has an in-principle period of 20 days to oppose the amendment.

If this quorum is not reached, a second general meeting shall be convened by means of notices, on the Luxembourg *Recueil Electronique des Sociétés et Associations* and in a Luxembourg newspaper, at least 15 days before the meeting. These notices will state the date and agenda of the second general meeting and the results of the previous general meeting. The second general meeting will then deliberate validly regardless of the proportion of the Company's share capital represented. At both general meetings, resolutions must be adopted by at least two-thirds of the votes cast.

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## SIZE OF THE BOARD AND BOARD VACANCIES

The size, remuneration and term of the Company's Board will be determined by the Shareholders at a General Meeting. Vacancies may be provisionally filled by a resolution of the other Directors (by simple majority), until a new Director is appointed by the next General Meeting. The composition and powers of any of the committees created by the Board (including the terms of their appointment, removal, remuneration and duration of the mandate) are determined by the Board.

The office of each Director, other than the Managing Director, will terminate at the latest of:

- (i) the date of the Company's third annual General Meeting following the date of the relevant Director's appointment; or
- (ii) the date falling three (3) years after the date of the relevant Director's appointment.

The Directors are eligible for re-appointment at the expiry of their term of office.

## DIRECTOR FEES

The Directors are entitled to receive fees for their services as Directors. If the Company is admitted to the official list of ASX, any increase in the aggregate amount of Directors' fees (excepting the remuneration of any Executive Director) inclusive of any Directors' fees payable by an entity controlled by the Company or a subsidiary of the Company over \$A1,000,000 must be approved by a resolution of the Shareholders of the Company in accordance with the ASX Listing Rules. Unless otherwise directed by the resolution approving the Directors' fees, the sum is to be divided among the Directors in any proportions as the Directors may resolve from time to time, or failing agreement, equally. If a Director holds office for less than the whole of the relevant period in respect of which Directors' fees are paid, that Director is only entitled to receive Directors' fees in proportion to the time during the period for which the Director has held office.

The remuneration of any Executive Director may be fixed by the Directors and may be by way of salary or commission or participation in profits or by all or any of those modes, but may not be by a commission or percentage of operating revenue.

## TAKEOVER PROVISIONS

The Company has incorporated into its Articles shareholder protection provisions that are similar to the provisions of the Corporations Act. These provisions seek to protect the interests of shareholders where a person seeks to acquire substantial interest in, or control of, the Company.

The Articles prohibit a person from acquiring a relevant interest in issued voting shares in the Company if any person's voting power in the Company will increase from 20% or below to more than 20%, or from a starting point that is above 20% and below 90%. Exceptions to the prohibition apply (eg acquisitions with shareholder approval, 3% creep over 6 months and rights issues that satisfy prescribed conditions).

The Articles require every person who is a substantial holder (that is, they and their associates hold 5% or more in the voting power of the Company) to notify the Company and ASX that they are a substantial holder and to give the prescribed information in relation to their holding if: i) the person being to have, or ceases to have, a substantial holding in the Company; ii) the person has a substantial holding in the Company and there is a movement or at least 1% in their holding; or iii) the person makes a takeover bid for securities in the Company. Note that this obligation is separate to, and in addition to, the obligation to notice the Company on obtaining 10% or more in the capital of the Company (refer to Section 10.8).

A person has a substantial holding if the total votes attached to voting shares in the Company in which they or their associates have relevant interests is 5% or more of the total number of votes attaching to voting shares in the Company, or the person has made a takeover bid for voting shares in the Company and the bid period has started and not yet ended.

## CONCESSION

In order to comply with the conditions that the Company expects will apply to the Concession (see Section 2.6.2 for further details), the Articles contain provisions which prescribe the following:

- circumstances in which a person will be considered to be ineligible to be a Shareholder or CDI holder of the Company;
- a right of the Company to request information from a Shareholder or CDI holder, including a statutory declaration to verify such information, to assist the Company in assessing a person's eligibility to be a Shareholder or CDI holder of the Company;
- that a Shareholder or CDI holder's voting and dividend rights in respect of that holder's Shares or CDIs may be suspended when that person is considered by the Company or a Luxembourg licensing authority to be ineligible to be a Shareholder or CDI holder; and
- the right of the Company to dispose of the Shares or CDIs and the process for the compulsory disposal, share sale, redemption or buy-back of a holder's Shares or CDIs in the Company, in the circumstances where that person is ineligible to be a Shareholder or CDI holder of the Company.

See Section 10.7 for further details.

A copy of the Articles may be obtained free of charge by emailing [ir@kleos.space](mailto:ir@kleos.space).

## 10.7 RESTRICTIONS ON THE ACQUISITION OF SHARES AND CDIS

Kleos must obtain a Concession from the Luxembourg Government to establish and exploit the Scouting Satellite under the Electronic Media Law.

The Concession is expected to be subject to a number of conditions which must be complied with at all times by the Company. The conditions include that any person who intends to directly or indirectly hold Shares, CDI, securities or other interests in the Company (**Proposed Acquisition**) in such a way that the proportion of voting rights directly or indirectly held by such person will meet or exceed 20%, 33%, or 50% or any other threshold applicable by law (**Threshold**) must inform the Board of the Proposed Acquisition (**Notice of Proposed Acquisition**).

Prior to a natural or legal person completing a Proposed Acquisition that person must obtain the prior consent of the Luxembourg Government.

On receipt of a Notice of Proposed Acquisition, the Board must notify the Luxembourg Government of the Proposed Acquisition (**Notification**). The Luxembourg Government may approve or oppose the Proposed Acquisition within three months from the date of receipt of the Notification by the Board (**Review Period**).

In the event a person exceeds one of the Thresholds without the pre-approval of the Luxembourg Government, and the Luxembourg Government objects to the holding it may:

- suspend the exercise of the corresponding voting rights or request the nullity or cancellation of the votes; and/or
- require the holders of shares to reduce their participation to fall below the aforementioned threshold.

In the period of time between the Notification by the Board to the Luxembourg Government and until the approval of the Proposed Acquisition by the Luxembourg Government, none of the proposed acquirer(s) shall have voting rights in connection with the Proposed Acquisition.

Because Kleos is incorporated in Luxembourg, certain provisions of the Corporations Act, including in relation to takeover and substantial holdings do not apply. Similarly, Kleos is not subject to Luxembourg takeover laws. Kleos has therefore incorporated into its Articles shareholder protection provisions that are similar to the provisions of the Corporations Act. See Section 10.6 for further information.

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### 10.8 COMPARISON OF LAWS GOVERNING THE COMPANY AS A LUXEMBOURG COMPANY WITH LAWS GOVERNING AUSTRALIAN PUBLICALLY LISTED COMPANIES GENERALLY

	LUXEMBOURG LAW	AUSTRALIAN LAW
<b>Transactions that require Shareholder approval</b>	<p>Under the 1915 Law, the principal transactions or actions requiring shareholder approval include:</p> <ul style="list-style-type: none"> <li>adopting or altering the articles of association of the company;</li> <li>appointing and removing directors, statutory auditor(s) (<i>commissaire(s)</i>) or alternatively the external auditor(s) (<i>réviseur(s) d'entreprises agréés</i>), and determination of their fees (unless otherwise provided by the articles in respect of fees);</li> <li>putting the company into a form of external administration, migration, approving a merger or converting the company into another legal form;</li> <li>amendments to the rights attaching to shares;</li> <li>transactions affecting the share capital of the company, such as an increase to the share capital, decrease to the share capital or the buybacks of shares, to the extent that those transactions are not expressly permitted in the articles of association of the company;</li> <li>any amendments to the corporate objectives of the company;</li> <li>authorisation and allocation of existing shares or new shares that are proposed to be issued free of charge to salaried employees, or to certain categories of employees;</li> <li>approving the annual accounts and allocation of the profits or losses of the company.</li> </ul>	<p>Under the Corporations Act, the principal transactions or actions requiring shareholder approval include:</p> <ul style="list-style-type: none"> <li>adopting or altering the constitution of the company;</li> <li>appointing or removing a director or auditor;</li> <li>certain transactions with related parties of the company;</li> <li>putting the company into liquidation; and</li> <li>changes to the rights attached to shares.</li> </ul> <p>Shareholder approval is also required for certain transactions affecting share capital (e.g. share buybacks and share capital reductions).</p> <p>Under the ASX Listing Rules, shareholder approval is required for matters including:</p> <ul style="list-style-type: none"> <li>increases in the total amount of directors' fees;</li> <li>directors' termination benefits in certain circumstances;</li> <li>certain transactions with related parties;</li> <li>certain issues of shares; and</li> <li>if a company proposes to make a significant change to the nature or scale of its activities or proposes to dispose of its main undertaking.</li> </ul>
<b>Shareholders' right to request or requisition a general meeting</b>	<p>The 1915 Law provides that the board of directors is required to convene a general meeting of shareholders on the written request of shareholders representing at least 10% of the total share capital of the Company. The request from those shareholders must include the proposed agenda for the general meeting. The general meeting shall then be held within one month from the request.</p> <p>One or more shareholders, holding at least 1/10 of the total share capital of the Company may request that items be added to the proposed agenda of a general meeting of shareholders.</p>	<p>The Corporations Act requires the directors to call a general meeting on the request of members with at least 5% of the vote that may be cast at the general meeting or at least 100 shareholders who are entitled to vote at a general meeting.</p> <p>Shareholders with at least 5% of the votes that may be cast at the general meeting may also call and arrange to hold a general meeting at their own expense.</p>
<b>Shareholders' right to appoint proxies to attend and vote at meetings on their behalf</b>	<p>Every shareholder is entitled to be represented at a general meeting and can appoint a proxyholder who may attend the general meeting and vote on the shareholder's behalf.</p>	<p>The position is comparable under the Corporations Act.</p>

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	LUXEMBOURG LAW	AUSTRALIAN LAW
<b>Changes in the rights attaching to shares</b>	<p>The rights attaching to shares are set out in the articles. To amend rights attaching to shares it is necessary to amend the articles of association of the company.</p> <p>Under the 1915 Law, the articles of association of the company may be amended by a decision of the general meeting of shareholders (i) at which at least half of the shareholders are present or represented ("quorum requirement") and (ii) is passed by at least two-thirds of the votes validly cast ("majority requirement") (unless a higher majority is required by the articles of association of the company).</p> <p>Where there is more than one class of shares and the proposed decision to be made at the general meeting may impact the respective rights of the classes of shareholders, the above quorum and majority requirements must be satisfied with respect to each class of shares.</p>	<p>The Corporations Act allows a company to set out in its constitution the procedure for varying or cancelling rights attached to shares in a class of shares.</p> <p>If a company does not have a constitution, or has a constitution that does not set out a procedure, such rights may only be varied or cancelled by:</p> <ul style="list-style-type: none"> <li>• a special resolution passed at a meeting for a company with a share capital of the class of members holding shares in the class; or</li> <li>• a written consent of members with at least 75% of the votes in the class.</li> </ul>
<b>Shareholder protections against oppressive conduct</b>	<p>The 1915 Law provides that directors shall be liable to the company (i) for any misconduct in the management of the company's affairs and (ii) for any violation of Luxembourg law and the articles of association of the company. In such cases, the company, upon a decision of the general meeting of shareholders passed by a clear majority, may initiate a claim for damages against any directors who are liable for misconduct or an abovementioned breach.</p> <p>A claim for damages can also be brought by shareholders who, at the general meeting which decided upon discharge of one or more directors, owned shares with the right to vote at such meeting which represented at least 10% of the votes attached to all shares.</p> <p>Under certain circumstances, shareholders may request the appointment of a temporary external administrator by making a request to a Luxembourg court.</p>	<p>Under the Corporations Act, shareholders have statutory remedies for oppressive or unfair conduct of the company's affairs and the court can make any order as it sees appropriate.</p>



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LUXEMBOURG LAW	AUSTRALIAN LAW
<p><b>Shareholders' rights to bring or intervene in legal proceedings on behalf of the company</b></p>	<p>Under Luxembourg law, only the board of directors has the authority to bring or intervene in legal proceedings on behalf of the company.</p> <p>Shareholders have no rights to bring or intervene in legal proceedings on behalf of the company.</p>
<p><b>"Two Strikes" rule in relation to remuneration reports</b></p>	<p>The Corporations Act permits a shareholder to apply to the court for leave to bring proceedings on behalf of the company, or to intervene in proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for those proceedings, or for a particular step in those proceedings.</p> <p>The court must grant the application if it is satisfied that:</p> <ul style="list-style-type: none"> <li>• it is probable that the company will not itself bring the proceedings, or properly take responsibility for them, or for the steps in them;</li> <li>• the applicant is acting in good faith;</li> <li>• it is in the best interests of the company that the applicant be granted leave;</li> <li>• if the applicant is applying for leave to bring proceedings, there is a serious question to be tried; and</li> <li>• either at least 14 days before making the application, the applicant gave written notice to the company of the intention to apply for leave and of the reasons for applying, or the court considers it appropriate to grant leave.</li> </ul> <p>The Corporations Act provides that proceedings brought or intervened in with leave must not be discontinued, compromised or settled without the leave of the court.</p>
<p>Under Luxembourg law, the annual accounts shall contain an annex setting out any significant information regarding the financial situation of the Company including (but not limited to) the remuneration of Board members and supervisory Board members (if any).</p> <p>The articles of association of the company must indicate which corporate body is entitled to determine the remuneration of the directors. If the articles of association of the company are silent, then a general meeting of shareholders may determine the remuneration of the directors.</p>	<p>The Corporations Act requires that a company's annual report must include a report by the directors on the company's remuneration framework (called a remuneration report).</p> <p>A resolution must be put to shareholders at each annual general meeting of a company's shareholders (<b>AGM</b>) seeking approval for the remuneration report. The approval is advisory only, however, if more than 25% of shareholders vote against the remuneration report at two consecutive AGMs (i.e. two strikes). An ordinary (50%) resolution must be put to shareholders at the second AGM proposing that a further meeting be held within 90 days at which all of the directors who approved the second remuneration report must resign and stand for re-election.</p>



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	LUXEMBOURG LAW	AUSTRALIAN LAW
<b>Disclosure of substantial holdings</b>	<p>Luxembourg law does not require the disclosure of substantial holdings by shareholders (except in limited circumstances which do not apply to Kleos).</p> <p>However, Kleos has incorporated into its Articles shareholder protection provisions that are similar to the provisions of the Corporations Act. Refer to Section 10.6</p> <p>Further, it is a requirement of the Concession that any person who owns, directly or indirectly at least 10% of the share capital or the voting rights and/or the CDIs shall inform the Company of such holdings.</p>	<p>The Corporations Act requires every person who is a substantial holder to notify the listed company and the ASX that they are a substantial holder and to give prescribed information in relation to their holding if:</p> <ul style="list-style-type: none"> <li>the person begins to have, or ceases to have, a substantial holding in the company or scheme;</li> <li>the person has a substantial holding in the company or scheme and there is a movement of at least 1% in their holding; or</li> <li>the person makes a takeover bid for securities of the company.</li> </ul> <p>Under the Corporations Act a person has a substantial holding if the total votes attached to voting shares in the company in which they or their associates have relevant interests is 5% or more of the total number of votes attached to voting shares in the company, or the person has made a takeover bid for voting shares in the company and the bid period has started and not yet ended.</p> <p>These provisions do not apply to the Company as an entity established outside Australia.</p>
<b>How are takeovers regulated?</b>	<p>Luxembourg law relating to takeovers only applies to takeover bids for securities which are traded on a regulated market in one or more member states of the European Union. Accordingly, Kleos is not regulated by any takeover law.</p> <p>Kleos has included provisions in its Articles that are similar to the provisions of the Corporations Act. Refer to Section 10.6.</p>	<p>The Corporations Act prohibits a person from acquiring a relevant interest in issued voting shares in a listed company if any person's voting power in the company will increase from 20% or below to more than 20%, or from a starting point that is above 20% and below 90%.</p> <p>Exceptions to the prohibition apply (eg. Acquisitions with shareholder approval, 3% creep over 6 months and rights issues that satisfy prescribed conditions).</p> <p>Substantial holder notice requirements apply (as discussed above under the heading "Disclosure of substantial holdings").</p> <p>Compulsory acquisitions are permitted by persons who hold 90% or more of securities or voting rights in a company.</p> <p>The Australian takeovers regime will not apply to Kleos as a foreign company.</p>



## 10.9 CHESSE DEPOSITARY INTERESTS

Details of CDIs and the key differences between holding CDIs and holding the underlying Shares is detailed below:

QUESTION	ANSWER
<b>What are CDIs?</b>	<p>In order for the Shares to trade electronically on the ASX, the Company intends to participate in the electronic transfer system known as CHESSE operated by ASX Settlement.</p> <p>CHESSE cannot be directly used for the transfer of securities of companies domiciled in certain foreign jurisdictions, such as Luxembourg. Accordingly, to enable the Shares to be cleared and settled electronically through CHESSE, the Company intends to issue depository interests called CHESSE Depository Interests or CDIs.</p> <p>CDIs confer the beneficial ownership in foreign securities such as the Shares on the CDI holder, with the legal title to such Shares being held by an Australian depository nominee.</p>
<b>Who is the depository nominee and what do they do?</b>	<p>The Company will appoint CDN, a subsidiary of the ASX, and an approved general participant of ASX Settlement to act as its Australian depository.</p> <p>CDN will hold legal title to the Shares on behalf of CDI holders. CDN will receive no fees for acting as the depository for the CDIs.</p> <p>By completing an Application Form, an Applicant will apply for Shares to be issued to CDN, which will in turn issue CDIs to the Applicant.</p>
<b>What registers will be maintained recording your interests?</b>	<p>The Company will operate a certificated principal register of Shares in the Luxembourg branch and an uncertificated issuer sub-register of CDIs and an uncertificated CHESSE sub-register of CDIs in Australia.</p> <p>The Company's uncertificated issuer sponsored sub-register of CDIs and uncertificated CHESSE sub-register of CDIs will be maintained by the Share Registry. The branch register is the register of legal title (and will reflect legal ownership by CDN of the Shares underlying the CDIs with the Shares held by CDN recorded on the branch register of Shares in Australia). The two uncertificated sub-registers of CDIs combined will make up the register of beneficial title of the Shares underlying the CDIs.</p>
<b>How is local and international trading in CDIs affected?</b>	<p>CDI holders who wish to trade their CDIs will be transferring the beneficial interest in the Shares rather than the legal title. The transfer will be settled electronically by delivery of the relevant CDI holdings through CHESSE. In other respects, trading in CDIs is essentially the same as trading in other CHESSE approved securities, such as shares in an Australian company.</p>
<b>What is the CDI:Share ratio?</b>	<p>One CDI will represent an interest in one Share.</p>
<b>What will Applicants receive on acceptance of their Applications?</b>	<p>Successful Applicants will receive a holding statement which sets out the number of CDIs held by the CDI holder and the reference number of the holding. These holding statements will be provided to a holder when a holding is first established and where there is a change in the holdings of CDIs.</p>
<b>How do CDI holders convert from a CDI holding to a direct holding of Shares on the Luxembourg principal register?</b>	<p>CDI holders who wish to convert their ASX listed CDIs to Shares to be held on the Luxembourg register can do so by instructing the Company's Share Registry either:</p> <ul style="list-style-type: none"> <li>• directly in the case of CDIs on the issuer sponsored sub register operated by the Company. CDI holders will be provided with a form entitled "Register Removal Request" for completion and return to the Company's Share Registry; or</li> <li>• through their sponsoring participant (usually their broker) in the case of CDIs which are sponsored on the CHESSE sub register. In this case, the sponsoring broker will arrange for completion of the relevant form and its return to the Company's Share Registry.</li> </ul> <p>The Company's Share Registry will then arrange for the Shares to be transferred from CDN into the name of that holder and a new share certificate will be issued. This will cause the Shares to be registered in the name of the holder on the Company's share register and trading on ASX will no longer be possible. The Shares are not and will not in the near future be quoted on any market in Luxembourg.</p> <p>The Company's Share Registry will not charge an individual security holder or Kleos a fee for transferring CDI holdings into Shares (although a fee will be payable by market participants). It is expected that this process will be completed with 24 hours, provided that the Share Registry is in receipt of a duly completed and valid removal request form. However, no guarantee can be given about the time for this conversion to take place.</p> <p>If holders of Shares wish to convert their holdings to CDIs, they can do so by contacting the Company's Share Registry. The Company's Share Registry will not charge a fee to a holder of Shares seeking to convert the Shares to CDIs (although a fee will be payable by market participants).</p>

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QUESTION	ANSWER
<p><b>What are the voting rights of a CDI holder?</b></p>	<p>If holders of CDIs wish to attend and vote at the Company's general meeting, they will be able to do so. Under the ASX Listing Rules and the ASX Settlement Operating Rules, the Company as an issuer of CDIs must allow CDI holders to attend any meeting of the holders of Shares unless relevant Luxembourg law at the time of the meeting prevents CDI holders from attending those meetings.</p> <p>In order to vote at such meetings, CDI holders have the following options:</p> <ol style="list-style-type: none"> <li>instructing CDN, as the legal owner, to vote the Shares underlying their CDIs in a particular manner. A voting instruction form will be sent to CDI holders with the notice of meeting or proxy statement for the meeting and this must be completed and returned to the Company's Share Registry prior to the meeting; or</li> <li>informing the Company that they wish to nominate themselves or another person to be appointed as CDN's proxy with respect to their Shares underlying the CDIs for the purposes of attending and voting at the general meeting; or</li> <li>converting their CDIs into a holding of Shares and voting these at the meeting (however, if thereafter the former CDI holder wishes to sell their investment on ASX it would be necessary to convert the Shares back to CDIs). In order to vote in person, the conversion must be completed prior to the record date for the meeting. See above for further information regarding the conversion process.</li> </ol> <p>As holders of CDIs will not appear on the Company's share register as the legal holders of the Shares, they will not be entitled to vote at Shareholder meetings unless one of the above steps is undertaken.</p> <p>As each CDI represents one Share, a CDI holder will be entitled to one vote for every one CDI they hold.</p> <p>Proxy forms, CDI voting instruction forms and details of these alternatives will be included in each notice of meeting sent to CDI holders by the Company.</p> <p>These voting rights exist only under the ASX Settlement Operating Rules, rather than the 1915 Law. Since CDN is the legal holder of applicable shares, the holders of CDIs do not have any directly enforceable rights under the Company's Articles of Association.</p>
<p><b>What dividend and other distribution entitlements do CDI holders have?</b></p>	<p>Despite legal title to the Shares being vested in CDN, the ASX Settlement Operating Rules provide that CDI holders are to receive all economic benefits and other entitlements in relation to the underlying Shares, these include dividends and other entitlements which attach to the underlying Shares. These rights exist only under the ASX Settlement Operating Rules (which have the force of law by virtue of the Corporations Act), rather than under the 1915 Law.</p> <p>Whilst the Company does not anticipate declaring any dividends in the foreseeable future, should it do so in the longer term, the Company will declare any dividends in Euro as that is its main functional currency. In that event, the Company will pay any dividend in Euro or AS depending on the country of residence of the CDI holder. If the CDI holder in Australia wishes to receive dividends in Euro they must complete an appropriate form and return it to the Company's Share Registry, no later than the close of business on the dividend record date.</p>
<p><b>What corporate action entitlement (such as rights issues and bonus issues) do CDI holder have?</b></p>	<p>CDI holders receive all direct economic and other entitlements in relation to the underlying Shares. These include entitlements to participate in rights issues, bonus issues and capital reductions. These rights exist only under the ASX Settlement Operating Rules, rather than under the 1915 Law.</p> <p>It is possible that marginal differences may exist between the resulting entitlement of a CDI holder and the entitlements that would have accrued if a CDI holder held their holding directly as Shares. As the ratio of CDIs to Shares is not one-to-one and any entitlement will be determined on the basis of Shares rather than CDIs, a CDI holder may not always benefit to the same extent, for example, from the rounding up of fractional entitlements. The Company is required by the ASX Settlement Operating Rules to minimise any such differences where legally permissible.</p>
<p><b>What rights do CDI holders have in the event of a takeover?</b></p>	<p>If a takeover bid or similar transaction is made in relation to the Shares of which CDN is the registered holder, under the ASX Settlement Operating Rules, CDN must not accept the offer made under the takeover bid except to the extent that acceptance is authorised by the relevant CDI holder. CDN must ensure that the offeror processes the takeover acceptance of a CDI holder if such CDI holder instructs CDN to do so.</p> <p>These rights exist only under the ASX Settlement Operating Rules, rather than under the 1915 Law.</p>
<p><b>What notices and announcement will CDI holders receive?</b></p>	<p>CDI holders will receive all notices and company announcements (such as annual reports) that Shareholders are entitled to receive from the Company. These rights exist only under the ASX Settlement Operating Rules, rather than under the 1915 Law.</p>
<p><b>What rights do CDI holders have on liquidation or winding up?</b></p>	<p>In the event of the Company's liquidation, dissolution or winding up, a CDI holder will be entitled to the same economic benefit on their CDIs as holders of Shares. These rights exist only under the ASX Settlement Operating Rules, rather than under the 1915 Law.</p>



QUESTION	ANSWER
<b>Will CDI holders incur any additional ASX or ASX Settlement fees or charges as a result of holding CDIs rather than Shares?</b>	A CDI holder will not incur any additional ASX or ASX Settlement fees or charges as a result of holding CDIs rather than Shares.
<b>Where can further information be obtained?</b>	For further information in relation to CDIs and the matters referred to above, please refer to the ASX website and the documents entitled a) "Understanding CHESS Depository Interests at: <a href="http://www.asx.com.au/documents/settlements/CHESS_Depository_Interests.pdf">http://www.asx.com.au/documents/settlements/CHESS_Depository_Interests.pdf</a> b) ASX Guidance Note 5 at: <a href="http://www.asx.com.au/documents/rules/gn05_chess_depository_interests.pdf">http://www.asx.com.au/documents/rules/gn05_chess_depository_interests.pdf</a> or contact your stockbroker or the Offer Information Line.

### 10.10 ESCROW ARRANGEMENTS

A number of Shareholders are restricted from dealing in their securities in Kleos under the ASX Listing Rules.

With respect to ASX imposed restriction, the ASX Listing Rules require that certain persons or entities such as seed capitalists, promoters and related parties enter into restriction agreements under which they are restricted from dealing in a specified number of their CDIs or Shares for up to 24 months from the date of quotation of those CDIs or Shares. The restriction agreements will be in the form required by the ASX Listing Rules over such number of CDIs or Shares and for such period of time as determined by the ASX, and restrict the ability of the holder of the CDIs or Shares from disposing of, creating any security interest in or transferring effective ownership or control of such CDIs or Shares.

The table below sets out the periods during which certain Shareholders are restricted from dealing in their CDIs and Shares pursuant to ASX restrictions.

ESCROWED PARTY	ESCROW PERIOD	SHARES HELD IN ESCROW	EQUIVALENT NUMBER OF CDIS	PERFORMANCE RIGHTS / OPTIONS HELD IN ESCROW	EQUIVALENT NUMBER OF CDIS
Magna Parva Limited	24 months from Listing	23,460,000	23,460,000	-	-
Hunter Capital Advisors Pty Ltd	24 months from Listing	4,000,000	4,000,000	4,000,000	4,000,000
Tyler Corporation Pty Ltd	24 months from Listing	3,470,000	3,470,000	-	-
Bradley Saxby	24 months from Listing	3,470,000	3,470,000	4,000,000	4,000,000
Peter Round	24 months from Listing	1,000,000	1,000,000	2,000,000	2,000,000
Andrew Bowyer	24 months from Listing	-	-	13,500,000	13,500,000
Miles Ashcroft	24 months from Listing	-	-	13,500,000	13,500,000
David Christie	24 months from Listing	-	-	500,000	500,000

Magna Parva has agreed to enter into a voluntary restriction agreement in relation to the balance 1,540,000 Shares it holds (equivalent to 1,540,000 CDIs) for an escrow period of 24 months commencing on Listing.

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## 10.11 TAXATION CONSIDERATIONS

The following comments provide a general summary of the material tax considerations for Australian and non-Australian resident (or **non-resident**) investors who are considering investing in CDIs.

This summary is based on the Australian and, where relevant, Luxembourg tax laws and regulations in force at the date of this Prospectus (together with established interpretations and practices in respect of those laws and regulations), which may change over the term of an investment. This summary does not take into account the tax laws or regulations of countries other than Australia and Luxembourg.

This summary is general in nature and is not intended to be an authoritative or complete statement of all potential tax implications for each investor, nor to be relied upon as tax advice. Given that the precise implications of ownership or disposal of CDIs will depend upon each investor's specific circumstances, investors should obtain independent advice on the tax implications of acquiring, holding and disposing of CDIs, taking into account their specific circumstances (including whether they are Australian tax resident) before making any investment or other decision in relation to investing in CDIs.

The categories of investor considered in this summary are limited to investors who hold their CDIs on capital account. This summary does not consider the consequences for investors who are insurance companies, banks or collective investment schemes, investors who hold their CDIs on revenue account or carry on a business of trading in CDIs or other equity interests, investors who acquired their CDIs in connection with an employee share scheme or investors who are exempt from tax. This summary also does not consider the consequences for investors who are subject to Division 230 of the Income Tax Assessment Act 1997 (Cth) (the Taxation of Financial Arrangements or TOFA regime) in relation to their investment in the Company.

## 10.12 AUSTRALIAN RESIDENT INVESTORS

### 10.12.1 DISTRIBUTIONS

Dividends paid by the Company should generally be included in the assessable income of an Australian resident investor in the income year in which the dividend is received. Specifically, the investor should include the gross amount of the dividend received, together with any amount of Luxembourg dividend withholding tax (WHT) that may be payable in respect of the dividend, in its assessable income. As the Company is not expected to be an Australian resident for tax purposes, dividends paid by the Company should not be frankable and Australian resident investors should not be entitled to any franking credits as a result of receiving dividends from the Company.

Luxembourg dividend WHT of 15% should apply to dividends paid by the Company to Australian resident investors. As Luxembourg has not currently concluded a comprehensive double tax treaty with Australia, this WHT cannot be reduced, but may give rise to a foreign income tax offset (FITO) for an Australian resident investor, which can be used to offset Australian income tax that would otherwise be payable by the investor. This is subject to application of the FITO limit, which broadly caps the available FITO at the greater of AS\$1,000 or the amount of Australian income tax that would have been payable on the dividend. The FITO is allowed for the income year in which the Luxembourg dividend WHT is paid and is non-refundable, with the result that if it exceeds the amount of Australian income tax otherwise payable for an income year, the excess is lost and cannot be carried forward to a later income year.

Dividends paid by the Company to an Australian resident corporate investor which holds at least 10% of the Shares in the Company (through the CDIs) should be treated as non-assessable non-exempt income. Accordingly, such dividends should not be included in the assessable income of the Australian resident corporate investor and should not be eligible for a FITO in respect of any Luxembourg dividend WHT that may be imposed.

### 10.12.2 DISPOSAL OF CDIS

A capital gains tax (CGT) event should arise to an Australian resident investor on disposal of CDIs.

A capital gain should arise to the extent that the capital proceeds on disposal exceed the tax cost base of the CDIs (broadly, the amount paid to acquire the CDIs plus certain non-deductible incidental costs).

A CGT discount may be available to reduce a capital gain made by an individual, complying superannuation entity or trustee investor. The CGT discount may be available where the CDIs have been held for at least 12 months prior to disposal (not including the dates of acquisition and disposal). The CGT discount for individuals and trusts is 50%, and for complying superannuation entities is 33½%. In relation to trusts, the rules are complex, but in broad terms, the CGT discount may flow up to beneficiaries of the trust, provided those beneficiaries are not companies. The CGT discount is not available to companies. Any current year or carry forward capital losses should offset the capital gain first before the CGT discount can be applied.

If the Australian resident investor has previously been a non-resident (or temporary resident of Australia), the CGT discount may be reduced. Investors who find themselves in this scenario should seek independent taxation advice.

A capital loss should arise to the extent that the capital proceeds on disposal are less than the reduced tax cost base of the CDIs. Capital losses may be offset against capital gains derived in the same income year or carried forward to future income years, subject to any applicable loss recoupment tests being satisfied.

Where an Australian resident corporate investor holds at least 10% of Shares in the Company (through the CDIs) for a continuous period of at least 12 months in the 2 years prior to disposal, any capital gain or loss may potentially be reduced to the extent that the Company has an underlying active business (applying current practice). Investors who find themselves in this scenario should seek independent taxation advice.

If Luxembourg income tax applies to any capital gain which is included in an Australian resident investor's assessable income, such income tax may potentially give rise to a FITO for the Australian resident investor. However, Luxembourg should generally not seek to tax any capital gain arising on disposal of the CDIs unless one of the following applies:

- either the investor (i) holds Shares in the Company (through the CDIs) representing more than 10% of the Shares of the Company and such Shares were held for less than 6 months prior to their sale or (ii) has been a resident taxpayer in Luxembourg for at least 15 years and had acquired non-resident status less than 5 years prior to the disposal; or
- the CDIs are attributable to a permanent establishment or a fixed place of business maintained in Luxembourg by the investor.

Investors who find themselves in the above circumstances should seek independent taxation advice as to the associated consequences which may arise.

### 10.12.3 FOREIGN ACCRUALS RULES

Australia's tax law currently includes a regime which regulates the taxation of Australian-controlled foreign companies (referred to as **CFCs**). The broad objective of this CFC regime is to tax Australian residents with a material interest in a foreign company on an accruals basis (i.e. even in the absence of distributions), where the income derived by that company is passive in nature and not comparably taxed offshore.

In the present case, the CFC regime is generally unlikely to apply to an Australian resident investor on the basis that the Company is listed on the ASX and the requisite control tests are not expected to be satisfied. However, where an Australian resident investor holds at least 10% of the Shares in the Company (through the CDIs), it is recommended that independent taxation advice is sought to confirm no adverse CFC implications are likely to arise.

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#### 10.12.4 OTHER LUXEMBOURG TAX MATTERS

An Australian resident investor should not be subject to Luxembourg income tax or net wealth tax in respect of its CDIs unless the CDIs are attributable to a permanent establishment or a fixed place of business (e.g. an office) maintained in Luxembourg by the investor.

#### NON-AUSTRALIAN RESIDENT INVESTORS

The following section of this summary discusses the material Australian tax considerations which may arise to non-resident investors participating under the Offer. It does not provide comments with respect to the non-Australian tax consequences that may arise to such investors, other than certain Luxembourg tax consequences which are described at a high level.

For the avoidance of doubt, the comments contained in this section do not apply to investors who are tax resident in Luxembourg, except to the extent that they pertain to Australian tax considerations.

It is recommended that non-resident investors (including those who are tax resident in Luxembourg) seek independent advice as to the tax consequences which may arise in their jurisdiction of residence, having regard to their particular circumstances.

#### 10.12.5 DISTRIBUTIONS

Dividends paid by the Company to non-resident investors should generally not be included in assessable income for Australian tax purposes unless such dividends are paid from profits that are Australian sourced (and no relief is available under an applicable double tax treaty).

Non-resident investors who receive dividends from the Company in connection with a permanent establishment (e.g. a branch or office) in Australia may be subject to Australian income tax in respect of such dividends. Further advice should be sought by investors who find themselves in this situation.

As with Australian resident investors, Luxembourg dividend WHT of 15% may apply to dividends paid by the Company to non-resident investors. However, depending on various factors (including the nature of the investor's holding, the type of investor and the investor's country of residence), it is possible that this WHT may be reduced in certain cases.

#### 10.12.6 DISPOSAL OF CDIS

A CGT event should prima facie arise to a non-resident on the disposal of CDIs for Australian tax purposes. However, provided that the CDIs do not constitute "taxable Australian property" (TAP), any capital gain or loss should be disregarded.

Broadly, at a practical level, the CDIs should constitute TAP if both of the following requirements are satisfied:

- the investor (together with any associates of the investor) holds an interest of at least 10% of the Shares in the Company (through the CDIs) at the time of the disposal, or has held such an interest throughout a 12 month period in the 24 months preceding the disposal; and
- the Company is land rich for Australian income tax purposes (broadly, where more than 50% of the market value of the Company's assets is comprised by Australian real property interests and/or certain interests in respect of Australian minerals).

The CDIs should also constitute TAP if they are used by an investor in carrying on a business in Australia through a permanent establishment (e.g. a fixed place of business, such as an office, which is located in Australia).

Based on the understanding that the Company has no Australian land interests or interests in Australian minerals, any capital gain or loss arising to a non-resident investor on disposal of the CDIs is not expected to relate to TAP, unless it is connected with a non-resident investor's Australian permanent establishment.

From a Luxembourg tax perspective, Luxembourg should generally not seek to tax any capital gain arising on disposal of the CDIs unless one of the following applies:

- relief under a double tax treaty is not available to the investor (e.g. a relevant double tax treaty does not allocate the taxing rights to the jurisdiction of the investor) and either the investor (i) holds Shares in the Company (through the CDIs) representing more than 10% of the Shares in the Company and such Shares were held for less than 6 months prior to their sale or (ii) has been a resident taxpayer in Luxembourg for at least 15 years and had acquired non-resident status less than 5 years prior to the disposal; or
- the CDIs are attributable to a permanent establishment or a fixed place of business maintained in Luxembourg by the investor.

Investors who find themselves in the above circumstances should seek independent taxation advice as to the associated consequences which may arise.

#### 10.12.7 OTHER LUXEMBOURG TAX MATTERS

A non-resident investor should not be subject to Luxembourg income tax or net wealth tax in respect of its CDIs unless the CDIs are attributable to a permanent establishment or a fixed place of business (e.g. an office) maintained in Luxembourg by the investor.

#### CERTAIN MATTERS APPLICABLE TO ALL INVESTORS

#### 10.12.8 TAX FILE NUMBER AND AUSTRALIAN BUSINESS NUMBER

An investor should not be required to provide their tax file number or Australian Business Number to the Company in connection with an investment in CDIs.

#### 10.12.9 GST

Investors should not be liable for GST in relation to the acquisition or disposal of CDIs. Further, no GST should be payable in respect of dividends received by investors on their CDIs.

Depending on the circumstances, investors that are registered for GST may not be entitled to claim full input tax credits in respect of any GST paid on costs incurred in connection with their acquisition or disposal of CDIs.

It is recommended that investors seek independent tax advice with respect to GST which takes into account their particular circumstances.

#### 10.12.10 STAMP DUTY

Investors should not be liable for Australian stamp duty in respect of their investment in CDIs, unless they acquire, either alone or with an associated/related person, an interest of 90% or more in the Company. Under current stamp duty legislation, no stamp duty should ordinarily be payable by Investors on any subsequent transfer of CDIs whilst the Company remains listed.

It is recommended that investors seek independent tax advice with respect to stamp duty which takes into account their particular circumstances.

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### 10.12.II NON-RESIDENT CGT WITHHOLDING TAX

A 12.5% non-final withholding tax obligation applies to the purchaser of certain TAP where the property is acquired from a non-resident investor on or after 1 July 2017. However, there is no requirement to withhold on transactions conducted through an approved stock exchange (including the ASX) or through a crossing system.

Where a disposal is made off-market, no withholding tax should generally apply in any case if the Investor has provided the purchaser with a declaration that they are Australian resident for tax purposes, or that the CDIs do not constitute indirect Australian real property interests.

### 10.13 INTERESTS OF EXPERTS AND ADVISERS

Other than as set out below, or as otherwise disclosed in this Prospectus, no person named in this Prospectus as providing professional or advisory services in connection with the preparation of this Prospectus or any firm in which any such person is a partner:

- has or had at any time during the two years preceding the date of the Prospectus, any interest in the formation or promotion of the Company, or in any property acquired or proposed to be acquired by the Company or the Offer; or
- has been paid or agreed to be paid any amount or given or agreed to be given any other benefit for services rendered by them in connection with the formation or promotion of the Company or the Offer.

Hunter Capital Advisors Pty Ltd has acted as Lead Manager to the Offer. The Company has paid or agreed to an amount of AS\$770,000 (exclusive of GST) in respect of these services. The Company will also:

- issue 4,000,000 Shares to the Lead Manager; and
- grant 4,000,000 Options to the Lead Manager on the Key terms and conditions set out in section 10.5

Deloitte Financial Services Pty Limited has acted as the Australian Investigating Accountant and provided the Investigating Accountant's Report in Section 7 and in the summary of taxation consequence in Section 10.12. The Company has paid or agreed to pay an amount of approximately AS\$135,000 (plus disbursements and GST) in respect of these services. Further amounts may be paid to Deloitte in accordance with time-based charges.

DLA Piper Australia has acted as the Australian legal adviser to the Company in relation to the Offer. The Company has paid or agreed to pay an amount of approximately AS\$180,000 (plus disbursements and GST) up to the date of this Prospectus in respect of these services. Further amounts may be paid to DLA Piper Australia in accordance with its normal time-based charges.

DLA Piper Luxembourg has acted as Luxembourg legal adviser to the Company in relation to the Offer. The Company has paid or agreed to pay an amount of approximately €135,231 (plus VAT) in respect of these services.

The Company will pay these amounts and other expenses of the Offer out of funds raised under the Offer or available cash. Further information on the use of proceeds and payment of the expenses of the Offer is set out in Section 8.4.

### 10.14 OFFER EXPENSES

The Company has paid or will pay all of the costs associated with the Offer. If the Offer proceeds, the total estimated cash expenses in connection with the Offer (including management, advisory, legal, accounting, tax, listing and administrative fees as well as printing, advertising and other expenses) are estimated to be approximately AS\$1,391,000, of which approximately AS\$150,000 has been paid at the Prospectus Date.

### 10.15 CONSENTS

Each of the following parties has given and has not, before the issue of this Prospectus, withdrawn its written consent to being named in the Prospectus and to the inclusion, in the form and context in which it is included, of any information described below as being included with its consent.

Chapter 6D of the Corporations Act imposes a liability regime on the Company (as the offeror of the Shares), the Directors of the Company, any underwriters, persons named in the Prospectus with their consent as having made a statement in the Prospectus and persons involved in a contravention in relation to the Prospectus, with regard to misleading or deceptive statements made in the Prospectus.

Although the Company bears primary responsibility for the Prospectus, other parties involved in the preparation of the Prospectus can also be responsible for certain statements made in it.

Each of the parties referred to below, to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Prospectus other than the reference to its name and any statement or report included in this Prospectus with the consent of that party as described below:

- Hunter Capital Advisors Pty Ltd has consented to being named as Lead Manager to the Offer, but it does not make any statement in this Prospectus, nor is any statement in this Prospectus based on any statement by Hunter Capital Advisors Pty Ltd;
- Deloitte Financial Services Pty Limited has consented to being named in the Corporate Directory of this Prospectus as the Company's Investigating Accountant and to the inclusion of its Investigating Accountant's Report in Section 7 and the summary of taxation consequence in Section 10.12 in the form and context in which they appear;
- DLA Piper Australia has consented to being named in the Corporate Directory of this Prospectus as the Australian legal adviser to the Company, but it does not make any statement in this Prospectus, nor is any statement in this Prospectus based on any statement by DLA Piper Australia;
- DLA Piper Luxembourg has consented to being named in the Corporate Directory of this Prospectus as the Luxembourg legal adviser to the Company, but it does not make any statement in this Prospectus, nor is any statement in this Prospectus based on any statement by DLA Piper Luxembourg;
- Mertons Corporate Services Pty Ltd has consented to being named in the Corporate Directory and elsewhere in this Prospectus as the Company Secretary for the company - Mertons has no involvement in the preparation of any part of the prospectus other than being named as the company secretary. Mertons has not authorised or leased the issue of, and expressly disclaims and take no responsibility for, any part of the prospectus.
- Link Market Services Limited has consented to being named in the Corporate Directory and elsewhere in this Prospectus as the Share Registry for the Company. Link Market Services Limited has had no involvement in the preparation of any part of the Prospectus other than being named as Share Registry to the Company. Link Market Services Limited has not authorised or caused the issue of, and expressly disclaims and takes no responsibility for, any part of the Prospectus.

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### 10.16 ASX AND ASIC WAIVERS AND CONFIRMATIONS

The ASX has given the Company 'in principle' advice that it would be likely to provide a waiver of Listing Rule 1.1, condition 12 on receipt of the Company's application for admission to the Official List of ASX to the extent that it is necessary to permit the Company to have Performance Rights on issue which have an exercise price less than \$0.20. The ASX has given the Company 'in principle' advice that it would be likely to confirm to the Company that it may prepare its financial statements in Euro in accordance with standards acceptable to ASX, including International Financial Reporting Standards.

The Company has applied to the ASX for 'in principle' advice that it would be likely to consider the provisions of the Articles relating to the suspension of voting or dividend rights attaching to securities and forced divestment of securities in accordance with the Luxembourg Government requirements, are appropriate and equitable for the purposes of Chapter 6 of the Listing Rules.

The company has applied to the ASX for 'in principle' advice that it would be likely to grant a waiver of Listing Rule 15.15 in relation to the incorporation into the Articles of certain provisions of the Corporations Act in relation to takeovers and substantial holdings.

The Company has obtained from ASIC a modification of section 707 of the Corporations Act to the extent necessary to permit the Shares that will be issued on the conversion of the convertible notes, to be able to be sold within 12 months of their issue without the requirement for a future disclosure document being prepared in connection with that on-sale.

### 10.17 LEGAL PROCEEDINGS

To the knowledge of the Directors, at the Prospectus Date there is no material current, pending or threatened litigation with which the Company is directly or indirectly involved, which the Company believes is likely to have a materially impact on the business or the financial results of the Company.

### 10.18 INVESTOR CONSIDERATIONS

Before deciding to participate in this Offer, you should consider whether the CDIs to be issued are a suitable investment for you. There are general risks associated with any investment in the stock market. The value of CDIs listed on ASX may rise or fall depending on a range of factors beyond the control of the Company.

If you are in doubt as to the course you should follow, you should seek advice on the matters contained in this Prospectus from a stockbroker, solicitor, accountant or other professional adviser.

The potential tax effects relating to the Offer will vary between investors. Investors are urged to consider the possible tax consequences of participating in the Offer by consulting a professional tax adviser.

### 10.19 GOVERNING LAW

This Prospectus and the contracts that arise from the acceptance of Applications under the Offer are governed by the law applicable in New South Wales, Australia and each Applicant submits to the non-exclusive jurisdiction of the courts of New South Wales, Australia.

### 10.20 STATEMENT OF DIRECTORS

Other than as set out in this Prospectus, the Directors report that after due enquiries by them there have not been any circumstances that have arisen or that have materially affected or will materially affect the assets and liabilities, financial position, profits or losses or prospects of the Company, other than as disclosed in this Prospectus.

Each Director has authorised the issue of this Prospectus and has consented to the lodgement of this Prospectus with ASIC and has not withdrawn that consent.

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SECTION II

# TECHNICAL GLOSSARY





## II. TECHNICAL GLOSSARY

In this Prospectus:

TERM	DEFINITION
<b>ABI</b>	Activity Based Intelligence.
<b>AIS</b>	The automatic identification system is an automatic tracking system used on ships and by vessel trafficking services for identifying and locating vessels by electronically exchanging data with other nearby ships.
<b>API</b>	An application programming interface is a set of subroutine definitions, protocols and tools for building application software. An API may be for a web-based system, database system, computer hardware or software library.
<b>DaaS</b>	Data as a Service is a service provider that enables data access on demand to users regardless of their geographic location.
<b>ESTEC</b>	European Space Research and Technology Centre.
<b>GEOINT</b>	GEOspatial INTelligence is intelligence about the human activity on earth derived from the exploitation and analysis of imagery and geospatial information that describes, assesses, and visually depicts physical features and geographically referenced activities on the earth.
<b>Geolocation</b>	Geolocation is the identification of the real-world geographic location of an object, such as a radar source or mobile phone. The locating engine uses radio frequency location methods.
<b>GIS</b>	In general, the term describes any information system that integrates, stores, edits, analyses, shares and displays geographic information. GIS application are tools that allow users to create interactive queries (user-created searches), analyse spatial information, edit data in maps, and present the results of all of these operations.
<b>GPS</b>	A global navigation satellite system that provides geolocation and time information to a GPS receiver in all weather conditions, anywhere on or near the Earth where there is an unobstructed line of sight to four or more GPS satellites.
<b>Guardian ABI</b>	A platform in development by the Company which will offer the interface with the data for the customer and enable procurement of the basic data set or a more layered data set that provides the higher value intelligence offering.
<b>HALE</b>	A high-altitude long-endurance UAV (HALE UAV) is an unmanned aerial vehicle (UAV) that flies at or above 25, 000 feet for extended durations of time, typically 24 hours up to weeks (in the case of a high-altitude balloon). A well-known example is the Airbus Zephyr solar powered aircraft.
<b>In-Space Manufacturing (ISM)</b>	Kleos proprietary technology that provides a method of producing huge carbon composite 3D structures in Space in zero gravity.
<b>ISR</b>	Intelligence, surveillance and reconnaissance provides information and intelligence to decision-makers and action-takers, helping them make informed, timely and accurate decisions.
<b>Large Airborne Asset</b>	Intelligence gathering aircraft such as the RC-135W Rivet Joint are aircraft equipped with a variety of sensors, allowing its crew to intercept and exploit emissions across the electromagnetic spectrum, providing both strategic and tactical level intelligence.
<b>LEO</b>	Low Earth Orbit.
<b>LEO Satellite</b>	A satellite that orbits around the earth with an altitude of 2,000 km or less.
<b>MALE</b>	A medium-altitude long-endurance UAV (MALE UAV) is an unmanned aerial vehicle (UAV) that flies at an altitude window of 10,000 to 30,000 feet for extended durations of time, typically 24 to 48 hours. A well-known example is the General Atomics MQ1 Predator.
<b>NATO</b>	An intergovernmental military alliance between several countries.
<b>R&amp;T</b>	Research and Development/Technology.
<b>RF</b>	Radio frequency is any of the electromagnetic wave frequencies that lie in the range extending from around 3 kHz to 300 GHz, which include those frequencies used for communications or radar signals.

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TERM	DEFINITION
<b>SAR</b>	Synthetic Aperture Radar.
<b>Satellite</b>	A Satellite is an artificial object that has been intentionally placed into Earth orbit.
<b>Scouting Satellite</b>	The initial satellite system to be launched by the Company.
<b>SIGINT</b>	SIGnals INTelligence (SIGINT) is intelligence-gathering by interception of signals, whether communications between people (communications intelligence- abbreviated to COMINT) or from electronic signals not directly used in communication (electronic intelligence- abbreviated to ELINT).
<b>UAV</b>	Is an unmanned aerial vehicle which includes a ground-based controller and a system of communications between the two.
<b>United Nations</b>	Is an intergovernmental organisation tasked to promote international cooperation and create and maintain international order.
<b>UVIS</b>	Ultraviolet Imaging Spectrograph.
<b>VHF</b>	Very high frequency.

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SECTION 12

# GLOSSARY





## 12. GLOSSARY

In this Prospectus:

TERM	DEFINITION
<b>1915 Law</b>	Luxembourg law of 10 August 1915 on commercial companies, as amended.
<b>AASB</b>	Australian Accounting Standards Board.
<b>AIFRS</b>	Australian International Financial Reporting Standards.
<b>AFSL</b>	Australian Financial Services Licence.
<b>AGM</b>	Annual general meeting of a company's shareholders under the Corporations Act.
<b>Allotment Date</b>	The date on which the CDIs are allotted under the Offer.
<b>Applicant</b>	A person who submits a valid Application Form and required Application Amount pursuant to this Prospectus.
<b>Application</b>	An application for CDIs under this Prospectus.
<b>Application Amount</b>	Money submitted by Applicants under the Offer.
<b>Application Form</b>	The application form attached to or accompanying this Prospectus for investors to apply for CDIs under the Offer.
<b>Articles</b>	The Company's Articles of Association dated 29 May 2018.
<b>ASAE</b>	Standards on assurance engagements.
<b>ASIC</b>	The Australian Securities and Investments Commission.
<b>Associate</b>	Has the meaning ascribed to that term in the Corporations Act.
<b>ASX</b>	ASX Limited ABN 98 008 624 691 or the market it operates, as the context requires.
<b>ASX Corporate Governance Principles</b>	The corporate governance principles and recommendations of the ASX Corporate Governance Council as at the date of this Prospectus.
<b>ASX Listing Rules</b>	The official Listing Rules of ASX as amended or waived and applicable to the Company from time to time.
<b>ASX Settlement</b>	ASX Settlement Pty Ltd ACN 008 504 532.
<b>ASX Settlement Operating Rules</b>	The rules of ASX Settlement Pty Ltd ACN 008 504 532.
<b>ATO</b>	The Australian Taxation Office.
<b>Award</b>	Has the meaning ascribed to it in Section 5.6.
<b>BCUCC</b>	Business Combination Under Common Control.
<b>Board or Board of Directors</b>	The board of directors of the Company.
<b>Broker</b>	Any ASX participating organisation selected by the Lead Manager in consultation with the Company to act as a broker to the Offer.
<b>Broker Firm Offer</b>	Has the meaning ascribed to that term in Section 8.1.
<b>CAGR</b>	Compound Annual Growth Rate.
<b>CDIs</b>	CHES Depository Interests.
<b>CDN</b>	CHES Depository Nominees Pty Ltd (ACN 071 346 506), an entity registered in Australia (Financial Services Licence Number 254514).
<b>CGT</b>	Capital Gains Tax.
<b>Chairman's List Offer</b>	The offer under this Prospectus to persons who receive a Chairman's List Invitation.
<b>CHES</b>	The Clearing House Electronic Sub-Register System of share transfers operated by ASX Settlement.
<b>Closing Date</b>	The date that the Offer closes.
<b>Company or Kleos</b>	Kleos Space SA.

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TERM	DEFINITION
Concession	The concession to establish and operate a Luxembourgish satellite granted under the Electronic Media Law.
Contract intellectual property	Intellectual property under the ESA Contract.
Corporations Act	The <i>Corporations Act 2001</i> (Cth).
Corporations Regulations	The <i>Corporations Regulations 2001</i> (Cth).
Deloitte	Deloitte Financial Services Pty Limited.
Deloitte Tax	Deloitte Tax Services Pty Limited.
Directors	The directors (including any alternate directors) of the Company as at the date of this Prospectus.
DvP	Delivery versus Payment.
Electronic Media Law	Luxembourg law of 27 July 1991 on the electronic media, as amended.
Eligible Employee	Has the meaning ascribed to it in Section 5.7.
Eligible Participant	Has the meaning ascribed to it in Section 5.7.
Eligible Person	Has the meaning ascribed to it in Section 5.7.
ESA	European Space Agency.
European Space Agency Contract	Contract between the ESA, the Luxembourg Government acting through ESTEC and the Company dated 9 November 2017.
Exposure Period	The seven day period after the date of lodgement of the Prospectus with ASIC (as extended by ASIC (if applicable)).
Financial Information	Has the meaning ascribed to it in Section 6.
FITO	Foreign income tax offset.
General Meeting	Has the meaning ascribed to it in Section 10.6.
HIN	Holder Identification Number.
IAR	Investigating Accountant's Report.
IASB	International Accounting Standards Board.
IFRS	International Financial Reporting Standards.
ILR	Institut Luxembourgeois de Regulation.
Institutional Investor	An Applicant to whom offers or invitations in respect of securities can be made without the need for a lodged prospectus (or other formality, other than a formality which the Company is willing to comply with), including in Australia persons to whom offers or invitations can be made without the need for a lodged prospectus under section 708 of the Corporations Act (disregarding section 708AA), and excluding a retail client within the meaning of section 761G of the Corporations Act.
IP	Intellectual property.
Intellectual property Assignment Agreement	The intellectual property assignment agreement entered into by the Company and Magna Parva dated 2 August 2017 as amended on 18 April 2018.
IPO	Initial public offering.
Institutional Offer	Has the meaning ascribed to that term in Section 8.1.
ITU	International Telecommunication Union.
Kleos	Kleos Space S.A., including its subsidiary as the context requires.
Kleos Space Asia Pacific	Kleos Space (Asia Pacific) Pty Ltd (ACN 625 090 495)

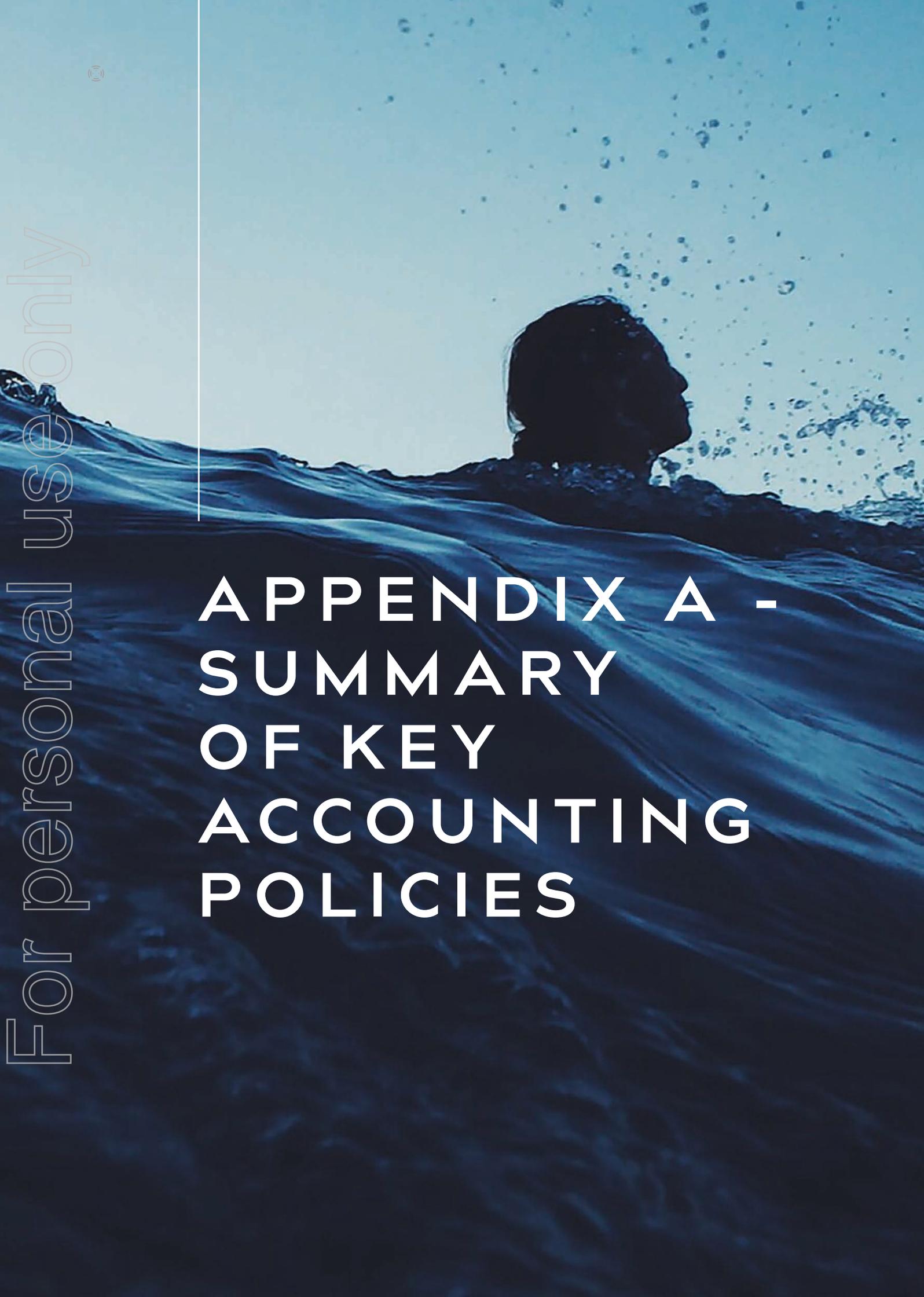
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TERM	DEFINITION
<b>Lead Manager</b>	Hunter Capital Advisors Pty Ltd ACN 603 930 418.
<b>Listing</b>	The date of the Company's listing on the ASX.
<b>LTI Plan</b>	The Company's Long Term Incentive Plan.
<b>LTIPR</b>	The Company's Long Term Incentive Plan Rules dated 29 May 2018.
<b>Magna Parva</b>	Magna Parva Limited (UK company number 05517174).
<b>NANE</b>	Non-assessable non-exempt.
<b>Offer</b>	The offer of CDIs to raise A\$11,000,000.
<b>Offer Period</b>	The period during which investors may subscribe for CDIs under the Offer.
<b>Offer Price</b>	A\$0.20 per CDI.
<b>Option</b>	An option to acquire a Share.
<b>Original Prospectus</b>	The Prospectus issued by the Company dated 30 May 2018 which was lodged with ASIC on that date and is replaced by this Prospectus.
<b>Performance Rights</b>	The performance rights granted to Directors of the Company under the LTI Plan.
<b>Plan Share</b>	Has the meaning ascribed to it in the LTIPR.
<b>Privacy Policy</b>	The privacy policy of the Company, which can be found at <a href="https://kleos.space/investors">https://kleos.space/investors</a> .
<b>Proposal</b>	The proposal from GomSpace referred to in Section 9.3.
<b>Prospectus</b>	This Prospectus, dated 13 June 2018, for the issue of CDIs to raise A\$11,000,000 (including the electronic form of that Prospectus).
<b>Prospectus Date</b>	30 May 2018, being the date of the original Prospectus was lodged with ASIC.
<b>Retail Applicant</b>	An Applicant who is not an Institutional Applicant.
<b>Retail Investor</b>	An investor who is not an Institutional Investor.
<b>Security</b>	Includes a Share or CDI which is the subject of the Offer and any other right, or any other equity interest in the Company.
<b>Share</b>	A fully paid ordinary share in the capital of the Company.
<b>Share Award</b>	Has the meaning ascribed to it in the LTIPR.
<b>Shareholder</b>	A registered holder of a Share.
<b>Share Registry</b>	Link Market Services Limited.
<b>SRN</b>	Securityholder Reference Number.
<b>Subscription Price</b>	The amount payable by Applicants to the Company for the issue of CDIs under the Offer being \$0.20 per CDI.
<b>TAP</b>	Taxable Australian property.
<b>UK</b>	United Kingdom.
<b>US Person</b>	Has the meaning given to it in Rule 902(k) under Regulation S of the US Securities Act.
<b>US Securities Act</b>	The United States Securities Act of 1933, as amended from time to time.
<b>WHT</b>	Withholding tax.

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A silhouette of a person's head and shoulders emerging from the surface of blue water. The person is looking upwards and to the right. The water is splashing around the person's head, creating a dynamic and textured background. The overall color palette is shades of blue, from light sky blue to deep navy blue.

# APPENDIX A - SUMMARY OF KEY ACCOUNTING POLICIES

## APPENDIX A

### SUMMARY OF KEY ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial information are set out below.

#### NEW OR AMENDED ACCOUNTING STANDARDS AND INTERPRETATIONS ADOPTED

The Company has adopted all of the new or amended Accounting Standards and Interpretations issued by the International Accounting Standards Board (IASB) that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Company.

#### HISTORICAL COST CONVENTION

The financial information has been prepared under the historical cost convention.

#### CRITICAL ACCOUNTING ESTIMATES

The preparation of the financial information requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial information, are disclosed herein.

#### FOREIGN CURRENCY TRANSLATION

The Company's functional and presentational currency is Euros as all revenue, expenses and payroll are incurred in Euros.

Foreign currency transactions are translated into Euro using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

#### REVENUE RECOGNITION

Revenue is recognised when it is probable that the economic benefit will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

#### RENDERING OF SERVICES

Rendering of services revenue from the sale of data as a service linked to Space-based assets is recognised by reference to the stage of completion of the contracts.

Stage of completion is measured by reference to the contracts under which the Company is bound to provide access. Where the contract outcome cannot be reliably estimated, revenue is only recognised to the extent of the recoverable costs incurred to date.

#### GOVERNMENT GRANT REVENUE

Government grants are recognised only when there is reasonable assurance that the Company will comply with any conditions attached to the grant, and the grant will be received.

#### OTHER REVENUE

Other revenue is recognised when it is received or when the right to receive payment is established.

### INCOME TAX

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered, or the liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

### CURRENT AND NON-CURRENT CLASSIFICATION

Assets and liabilities are presented in the statement of financial position based on current and non-current classification. An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the Company's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the Company's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

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## CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

## RECEIVABLES

Receivables are recognised at amortised cost, less any provision for impairment.

## LEASES

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to the ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised. A lease asset and liability are established at the fair value of the leased assets, or if lower, the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the finance costs, so as to achieve a constant rate of interest on the remaining balance of the liability.

Leased assets acquired under a finance lease are depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Company will obtain ownership at the end of the lease term.

Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the term of the lease.

## TRADE AND OTHER PAYABLES

These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial period and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

## EMPLOYEE BENEFITS

### SHORT-TERM EMPLOYEE BENEFITS

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

## FAIR VALUE MEASUREMENT

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

## ISSUED CAPITAL

Chess Depository Interests are classified as equity. CDIs are a unit of beneficial ownership in an underlying financial product which is quoted on the ASX market. A CDI confers a beneficial interest in the underlying financial product to which it relates.

Incremental costs directly attributable to the issue of New CDIs or options are shown in equity as a deduction, net of tax, from the proceeds.

## VALUE ADDED TAX (VAT) AND OTHER SIMILAR TAXES

Revenues, expenses and assets are recognised net of the amount of associated VAT, unless the VAT incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of VAT receivable or payable. The net amount of VAT recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The VAT components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of VAT recoverable from, or payable to, the tax authority.

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## BUSINESS COMBINATIONS

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired, and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with Australian Accounting Standards Board (AASB) 112 Income Taxes and AASB 119 respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with AASB 2 at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified.

Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Other contingent consideration is remeasured to fair value at subsequent reporting dates with changes in fair value recognised in profit or loss.

Most business combinations are governed by AASB 3. However, those involving entities under common control are outside the scope of this Standard. There is no other specific guidance on this topic elsewhere in IFRS. Management is therefore required to use judgement to develop an accounting policy that provides relevant and reliable information in accordance with AASB 8. Accordingly, the most suitable accounting policy is the "a predecessor value method".

## PREDECESSOR VALUE METHOD

The predecessor value method involves accounting for the assets and liabilities of the acquired business using existing carrying values. The detailed application sometimes differs but the general features of this approach are that:

- the acquired assets and liabilities are recorded at their existing carrying values rather than at fair value
- no goodwill is recorded

During the period, the Company undertook a Business Combination Under Common Control (BCUCC), acquiring the operations of the Kleos Space project from its 100% shareholder, Magna Parva for nil consideration.

Management have concluded that the transfer of human resources, intellectual property, know-how, and a suite of other tangible items from Magna Parva to the Company constituted an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs or other economic benefits directly to investors or other owners, members or participants.

For the purposes of the BCUCC, management have applied the predecessor carrying value method and treated the net assets acquired at the same carrying values as reflected in the financial statements of its shareholder, Magna Parva.

The book value of all items transferred by Magna Parva in the BCUCC at the date of the transfer to the Company was nil as they did not meet the relevant recognition and measurement criteria of assets or liabilities in accordance with applicable accounting standards as per the judgement of the directors of Magna Parva. The Directors of the Company have adopted the same recognition and measurement criteria judgments for the net assets transferred in the BCUCC as its parent, Magna Parva. As a result, there was no financial impact of the BCUCC to be reflected in the financial statements of the Company for the period ended 31 December 2017.

The company has only included the transactions of the Kleos Space project in its statement of cash flows and comprehensive income from the date that it obtained control of the project in line with the requirements of IFRS 10 Consolidated Financial Statements.

## INTANGIBLE ASSETS

### a) *Intangible assets acquired separately*

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

### b) *Internally-generated intangible assets - research and development expenditure*

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of

an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;

- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

**c) Intangible assets acquired in a business combination**

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

**d) Derecognition of intangible assets**

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

### SHARE BASED PAYMENTS

Share-based payments equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services.

The cost of equity-settled transactions is measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the Group receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions is recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

Market conditions are taken into consideration in determining fair value. Therefore, any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the Group or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the Group or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

### IMPACT OF NEW ACCOUNTING STANDARDS

The Directors have considered the changes to new accounting standards and given the early stage of the Company's operations and current accounting policies, believe that the changes will have a minimal effect on the financial results of the Company.



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PROTECTING ASSETS.  
SAVING LIVES.

GLOBAL,  
HIGH-RESOLUTION,  
INDEPENDENT  
MARITIME ACTIVITY  
DATA AS A SERVICE.

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# SCHEDULE I



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## Broker Firm Offer Application Form

This is an Application Form for CHESSE Depository Interests (CDIs) over CDIs in Kleos Space SA (CDIs) under the Broker Firm Offer on the terms set out in the Replacement Prospectus dated 13 June 2018. This Application Form and your cheque or bank draft must be received by your Broker by the deadline set out in their offer to you.

**If you are in doubt as to how to deal with this Application Form, please contact your accountant, lawyer, stockbroker or other professional adviser. The Prospectus contains information relevant to a decision to invest in CDIs and you should read the entire Prospectus carefully before applying for CDIs.**

CDIs applied for  at **A\$0.20** Price per CDI Application Monies **B A\$**

**PLEASE COMPLETE YOUR DETAILS BELOW** (refer overleaf for correct forms of registrable names)

Applicant #1  
Surname/Company Name

Title First Name Middle Name

Joint Applicant #2  
Surname

Title First Name Middle Name

Designated account e.g. <Super Fund> (or Joint Applicant #3)

TFN/ABN/Exemption Code  
First Applicant  Joint Applicant #2  Joint Applicant #3

TFN/ABN type – if NOT an individual, please mark the appropriate box  Company  Partnership  Trust  Super Fund

**PLEASE COMPLETE ADDRESS DETAILS**

PO Box/RMB/Locked Bag/Care of (c/-)/Property name/Building name (if applicable)

Unit Number/Level Street Number Street Name

Suburb/City or Town State Postcode

Email address (only for purpose of electronic communication of shareholder information)

CHESSE HIN (if you want to add this holding to a specific CHESSE holder, write the number here)  
**F X**

*Please note: that if you supply a CHESSE HIN but the name and address details on your Application Form do not correspond exactly with the registration details held at CHESSE, your Application will be deemed to be made without the CHESSE HIN and any CDIs issued as a result of the Offer will be held on the issuer sponsored sub-register.*

Telephone Number where you can be contacted during Business Hours Contact Name (PRINT)

Cheques or bank drafts should be drawn up according to the instructions given by your Broker.

Cheque or Bank Draft Number BSB Account Number  
  -

Total Amount **A\$**

**LODGEMENT INSTRUCTIONS**

You must return your application so it is received by your Broker by the deadline set out in their offer to you.

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# Your Guide to the Application Form

Please complete all relevant white sections of the Application Form in BLOCK LETTERS, using black or blue ink. These instructions are cross-referenced to each section of the form.

The CDIs to which this Application Form relates are Kleos Space SA ("Kleos") CDIs. Further details about the CDIs are contained in the Replacement Prospectus dated 13 June 2018 issued by Kleos Space SA. The Replacement Prospectus will expire on the date which is 13 months after the date of the Replacement Prospectus. While the Replacement Prospectus is current, Kleos Space SA will send paper copies of the Replacement Prospectus, any supplementary document and the Application Form, free of charge on request.

The Australian Securities and Investments Commission requires that a person who provides access to an electronic application form must provide access, by the same means and at the same time, to the relevant Replacement Prospectus. This Application Form is included in the Replacement Prospectus.

The Replacement Prospectus contains important information about investing in the CDIs. You should read the Replacement Prospectus before applying for CDIs.

- A** Insert the number of CDIs you wish to apply for. You may be issued all of the CDIs applied for or a lesser number.
- B** Insert the relevant amount of Application Monies. To calculate your Application Monies, multiply the number of CDIs applied for by the issue price. Amounts should be in Australian dollars. Please make sure the amount of your cheque or bank draft equals this amount.
- C** Write the full name you wish to appear on the register of CDIs. This must be either your own name or the name of a company. Up to three joint Applicants may register. You should refer to the table below for the correct registrable title.
- D** Enter your Tax File Number (TFN) or exemption category. Business enterprises may alternatively quote their Australian Business Number (ABN). Where applicable, please enter the TFN or ABN for each joint Applicant. Collection of TFN(s) and ABN(s) is authorised by taxation laws. Quotation of TFN(s) and ABN(s) is not compulsory and will not affect your Application. However, if these are not provided, Kleos Space SA will be required to deduct tax at the highest marginal rate of tax (including the Medicare Levy) from payments.
- E** Please enter your postal address for all correspondence. All communications to you from Kleos Space SA and the Share Registry will be mailed to the person(s) and address as shown. For joint Applicants, only one address can be entered.
- F** If you are already a CHES participant or sponsored by a CHES participant, write your Holder Identification Number (HIN) here. If the name or address recorded on CHES for this HIN is different to the details given on this form, your CDIs will be issued to Kleos Space SA's issuer sponsored subregister.
- G** Please enter your telephone number(s), area code and contact name in case we need to contact you in relation to your Application.
- H** Please complete the details of your cheque or bank draft in this section. The total amount of your cheque or bank draft should agree with the amount shown in section B.  
  
If you receive a firm allocation of CDIs from your Broker make your cheque payable to your Broker in accordance with their instructions.

## CORRECT FORMS OF REGISTRABLE NAMES

Note that ONLY legal entities are allowed to hold CDIs. Applications must be in the name(s) of natural persons or companies. At least one full given name and the surname is required for each natural person. The name of the beneficiary or any other non-registrable name may be included by way of an account designation if completed exactly as described in the examples of correct forms below.

Type of Investor	Correct Form of Registration	Incorrect Form of Registration
<b>Individual</b> Use given names in full, not initials	Mrs Katherine Clare Edwards	K C Edwards
<b>Company</b> Use Company's full title, not abbreviations	Liz Biz Pty Ltd	Liz Biz P/L or Liz Biz Co.
<b>Joint Holdings</b> Use full and complete names	Mr Peter Paul Tranche & Ms Mary Orlando Tranche	Peter Paul & Mary Tranche
<b>Trusts</b> Use the trustee(s) personal name(s)	Mrs Alessandra Herbert Smith <Alessandra Smith A/C>	Alessandra Smith Family Trust
<b>Deceased Estates</b> Use the executor(s) personal name(s)	Ms Sophia Garnet Post & Mr Alexander Traverse Post <Est Harold Post A/C>	Estate of late Harold Post or Harold Post Deceased
<b>Minor (a person under the age of 18 years)</b> Use the name of a responsible adult with an appropriate designation	Mrs Sally Hamilton <Henry Hamilton>	Master Henry Hamilton
<b>Partnerships</b> Use the partners' personal names	Mr Frederick Samuel Smith & Mr Samuel Lawrence Smith <Fred Smith & Son A/C>	Fred Smith & Son
<b>Long Names</b>	Mr Hugh Adrian John Smith-Jones	Mr Hugh A J Smith Jones
<b>Clubs/Unincorporated Bodies/Business Names</b> Use office bearer(s) personal name(s)	Mr Alistair Edward Lilley <Vintage Wine Club A/C>	Vintage Wine Club
<b>Superannuation Funds</b> Use the name of the trustee of the fund	XYZ Pty Ltd <Super Fund A/C>	XYZ Pty Ltd Superannuation Fund

Put the name(s) of any joint Applicant(s) and/or account description using < > as indicated above in designated spaces at section C on the Application Form.

GENERATING **UNIQUE,**  
**COMMERCIAL GEOINT**  
AND **SIGINT DATA,** TO  
LOCATE **THREATS, ASSETS,**  
**TARGETS OR EMERGENCY**  
**BEACONS/THOSE IN**  
**DISTRESS.**

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# CORPORATE DIRECTORY



## CORPORATE DIRECTORY

**COMPANY****KLEOS SPACE SA**

9 avenue des Hauts Forneaux  
L4362 Esch-Sur-Alzette  
Grand Duchy of Luxembourg  
**Phone:** 1800 992 793 (toll free within Australia)  
or +61 1800 992 793 (from outside Australia)  
**Email:** ir@kleos.space  
**Web:** <https://kleos.space/>

**DIRECTORS**

**Peter Round**  
Executive Chairman

**Andrew Bowyer**  
Chief Executive Officer and Executive Director

**Miles Ashcroft**  
Chief Technical Officer and Executive Director

**Erik Tyler**  
Executive Director

**David Christie**  
Non-Executive Director

**COMPANY SECRETARY****MERTONS CORPORATE SERVICES**

Level 7, 330 Collins Street  
Melbourne  
VIC 3000

**AUSTRALIAN REGISTERED OFFICE**

Level 7, 330 Collins Street  
Melbourne  
VIC 3000

**ASX CODE**

KSS

**INVESTIGATING ACCOUNTANT****DELOITTE FINANCIAL SERVICES PTY LIMITED**

Grosvenor Place  
225 George Street  
Sydney  
NSW 2000

**LEAD MANAGER****HUNTER CAPITAL ADVISORS PTY LTD**

3/Level 10  
23-25 Hunter Street  
Sydney  
NSW 2000

**AUSTRALIAN LEGAL ADVISER****DLA PIPER AUSTRALIA**

No. 1 Martin Place  
Sydney  
NSW 2000

**LUXEMBOURG LEGAL ADVISER****DLA PIPER LUXEMBOURG S.À R.L.**

37A, avenue John F. Kennedy  
L-1855 Luxembourg  
Grand Duchy of Luxembourg

**SHARE REGISTRY****LINK MARKET SERVICES LIMITED**

Level 12, 680 George Street  
Sydney  
NSW 2000

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**KLEOS**

K L E O S  
S P A C E  
S A