

ASX RELEASE

30th April 2019

Q1 2019 Activities Update

Kleos Space signs new commercial partnerships; Scouting Mission satellites pass critical milestones; on schedule for satellite launch in Q2 2019

Key highlights for Q1 2019

- **Critical milestones passed for Scouting Mission satellites**
- **€391,600 (AU\$619,000¹) grant received from Luxembourg Government**
- **MoU signed with leading geospatial intelligence company**
- **Signed channel partner agreement with specialist US-based defence company**
- **Revenue generation to commence following Initial Scouting Mission launch**

Kleos Space S.A. (ASX: KSS, Frankfurt: KS1a) (**Kleos** or **Company**), provider of space-powered Radio Frequency Reconnaissance data to guard borders, protect assets and save lives, provides the following update for the quarter ending 31 March 2019 (**Q1 2019**), together with its Appendix 4C cash flow report.

At 31 March 2019, the company had no debt and A\$4.45 million in cash, and is funded through to the revenue generation stage post-launch of the Scouting Mission satellites.

Scouting Mission satellites pass critical milestones

In January, Kleos' first cluster of satellites entered the Integration Phase after successfully undergoing Critical Design Review (CDR) with nanosatellite specialist GomSpace A/C. The CDR verified that all technical components such as schedule, design, altitude control performance and system budget meet appropriate quality and design standards. Kleos' initial Scouting Mission satellites are on schedule to be ready for launch in Q2 2019. The launch date will be advised once all mission critical checks are completed.

Post reporting period end, Kleos' Scouting Mission satellites entered the testing phase in preparation for final acceptance after successfully passing the Test Readiness Review milestone with GomSpace. During the Test Readiness Review Kleos critically assessed: system documentation, interface control documentation, Radio Frequency (RF) subsystems, budgets, verification planning, acceptance test plans and criteria, RF test procedures, downlink test plans, geolocation payload verification, end-to-end test procedures and hardware availability.

¹ All currency conversions – EUR1.00:AUD1.583, USD1.00 : AU\$1.409 31 March 2019 rounded to nearest hundred (RBA)

Upon completion of the last main milestone before launch, Final Acceptance Review, due by May, Kleos' satellites will be integrated into Rocket Lab's bespoke Maxwell dispensers for deployment into low Earth orbit.

€391,600 (AU\$619,000) grant from Luxembourg Government

In February, Kleos received €391,600 (AU\$619,000) in grant funding from the Luxembourg Government. This second tranche of Government support brings Kleos' total funding to €1,076,900 (AU\$1,705,000) so far, against a commitment of €1,958,000 (AU\$3,100,500).

Luxembourg is a giant in the space market with the industry estimated to generate two percent of the country's GDP. In addition to grant funding, the Luxembourg Government has supported the local space industry in several ways including the creation of a new investment fund and public private partnerships.

MoU signed with ImageSat International

Towards the end of the reporting period, Kleos Space signed a non-binding Memorandum of Understanding (**MoU**) with leading Israeli-based geospatial intelligence company ImageSat International N.V. (**iSi**) to explore opportunities to use Kleos' maritime radio frequency activity-based satellite data to enhance geospatial intelligence analytics.

Under the MoU, the companies will develop a value-add proposition for current and future iSi maritime customers using Kleos' geolocation data. The MoU also covers the development of a methodology to reduce collection to dissemination latency.

iSi has more than 20 years' experience in end-to-end space, intelligence and analytical solutions for defence and intelligence customers.

Channel partner agreement with US defence company

In March, Kleos signed a non-exclusive commercial agreement with newly created specialist US-based defence company Victoria Falls Technology LLC, enabling the procurement and integration of Kleos' Scouting Mission data into US defence programmes.

The agreement includes projects proposed to the US Air Force Small Business Innovation and Research (SBIR) programme, which are designed to accelerate development and production of emerging technologies that can be utilised by the US Air Force.

In the event a proposal from Victoria Falls Technology is selected by the US Air Force, development work would commence in 2020 and be carried out over a 1-2-year period with a revenue generation opportunity for Kleos between US\$750,000 – US\$3 million (AU\$1,056,800 – AU\$4.227 million). SBIR programme projects may also lead to further long-term projects.

On track to launch Kleos Scouting Mission

Kleos' first satellite cluster, known as the Kleos Scouting Mission, will be ready for launch on a Rocket Lab Electron rocket from New Zealand upon completion of all mission critical checks toward the end of the second quarter of 2019.

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

Kleos' independent activity-based intelligence, geolocation Data-as-a-Service will enable governments to detect and locate activity such as drug and people smuggling, illegal fishing and piracy, and identify those in need of search and rescue at sea.

Frankfurt corporate advisors and researchers engaged

During the quarter, Kleos engaged a Frankfurt-based corporate advisor for liaison with the Frankfurt Stock Exchange and investor engagement in Europe as the company prepares for the commercialisation of its Data-as-a-Service product this year.

The Frankfurt dual-listing is an efficient way to engage new investors central to the European industry as there are no additional governance or reporting requirements over those already performed for the ASX.

Outlook

Kleos Space CEO Andy Bowyer said, "Kleos remains on track to have our revenue-generating Scouting Mission satellites ready to be launched into low earth orbit by the end of Q2. Our satellites achieved key technical milestones this quarter and our build partner GomSpace is focused on completing final testing on-time and budget.

"Negotiations continue to progress with prospective end-customers in the defence and intelligence sectors, where our commercially independent maritime reconnaissance data is able to verify existing anti-terrorism and crime monitoring datasets.

"Commercial agreements with trusted intelligence providers in key target markets are an important part of Kleos' long-term market strategy. Collaboration with these partners will enable Kleos to begin generating revenue following the daily collection of data from our initial Scouting Mission satellites.

"Kleos' radio frequency reconnaissance data will enable governments and organisations to detect and locate illegal maritime activity, even in instances when the Automatic Identification System has been turned off. As our data does not rely on GPS, it does not alert the ship that it has been located.

"Kleos continues to build its European investor base, appointing Frankfurt-based corporate advisors and researchers to engage with investors in these markets. Our dual-listing places Kleos among other defence and space companies in a market where ISR technologies are mature."

For further information, please contact:

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About Kleos Space S.A.

Kleos Space S.A. (ASX: KSS) (Frankfurt: KS1) is a space enabled, activity-based intelligence, data as a service company based in Luxembourg. Kleos Space aims to guard borders, protect assets and save lives by delivering global activity-based intelligence and geolocation as a service. The first Kleos Space satellite system, known as Kleos Scouting Mission (KSM), will deliver commercially available data and perform as a technology demonstration. KSM will be the keystone for a later global high capacity constellation. The Scouting Mission will deliver targeted daily services with the full constellation delivering near-real-time global observation. For more information please visit: www.kleos.space.

Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

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

Name of entity

Kleos Space

ABN

625 668 733

Quarter ended ("current quarter")

31th March 2019

Consolidated statement of cash flows		Current quarter EURO'000	Year to date (3 months) EURO'000
1. Cash flows from operating activities			
1.1 Receipts from customers		392	392
1.2 Payments for			
(a) research and development			
(b) product manufacturing and operating costs		-745	-745
(c) advertising and marketing		-69	-69
(d) leased assets			
(e) staff costs		-162	-162
(f) administration and corporate costs		-363	-363
1.3 Dividends received (see note 3)			
1.4 Interest received			
1.5 Interest and other costs of finance paid			
1.6 Income taxes paid			
1.7 Government grants and tax incentives			
1.8 Other (provide details if material)		-10	-10
1.9 Net cash from / (used in) operating activities		-957	-957
2. Cash flows from investing activities			
2.1 Payments to acquire:			
(a) property, plant and equipment		-306	-306
(b) businesses (see item 10)			
(c) investments			

Consolidated statement of cash flows		Current quarter EURO'000	Year to date (3 months) EURO'000
	(d) intellectual property		
	(e) other non-current assets		
2.2	Proceeds from disposal of:		
	(a) property, plant and equipment		
	(b) businesses (see item 10)		
	(c) investments		
	(d) intellectual property		
	(e) other non-current assets		
2.3	Cash flows from loans to other entities	-186	-186
2.4	Dividends received (see note 3)		
2.5	Other (provide details if material)		
2.6	Net cash from / (used in) investing activities	-492	-492

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares		
3.2	Proceeds from issue of convertible notes		
3.3	Proceeds from exercise of share options		
3.4	Transaction costs related to issues of shares, convertible notes or options		
3.5	Proceeds from borrowings		
3.6	Repayment of borrowings		
3.7	Transaction costs related to loans and borrowings		
3.8	Dividends paid		
3.9	Other (provide details if material)		
3.10	Net cash from / (used in) financing activities		

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of quarter/year to date	4260	4260
4.2	Net cash from / (used in) operating activities (item 1.9 above)	-957	-957
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-492	-492
4.4	Net cash from / (used in) financing activities (item 3.10 above)		

Consolidated statement of cash flows		Current quarter EURO'000	Year to date (3 months) EURO'000
4.5	Effect of movement in exchange rates on cash held		
4.6	Cash and cash equivalents at end of quarter	2811	2811

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter EURO'000	Previous quarter EURO'000
5.1	Bank balances	2811	4246
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (provide details)		
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	2811	4246

6. Payments to directors of the entity and their associates

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

**Current quarter
EURO'000**

29

Fees paid to directors under commercial terms.

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

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

**Current quarter
EURO'000**

186

Financing of staff costs paid through Kleos Space Ltd.


8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end EURO'000	Amount drawn at quarter end EURO'000
8.1 Loan facilities		
8.2 Credit standby arrangements		
8.3 Other (please specify)		
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

9. Estimated cash outflows for next quarter	EURO'000
9.1 Research and development	50
9.2 Product manufacturing and operating costs	66
9.3 Advertising and marketing	30
9.4 Leased assets	0
9.5 Staff costs	360
9.6 Administration and corporate costs	180
9.7 Property plant and equipment (satellites)	1400
9.8 Total estimated cash outflows	2086

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1 Name of entity		
10.2 Place of incorporation or registration		
10.3 Consideration for acquisition or disposal		
10.4 Total net assets		
10.5 Nature of business		

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here:  Date: 29/04/19

(Director/Company secretary)

Print name: Andrew Bowyer

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.