

ASX RELEASE

30 July 2019

Q2 2019 Activities Report

Scouting Mission satellites ready for flight; significant US market progress delivered

Kleos Space S.A. (ASX: KSS, Frankfurt: KS1), (**Kleos** or **Company**), a space-powered Radio Frequency Reconnaissance data provider, provides the following activities report for the quarter ending 30 June 2019 (Q2 2019), along with its Appendix 4C cash flow report.

Key highlights for Q2 2019

- **Scouting Mission satellites pass final milestone; ready for flight**
- **Contract signed with L3 Harris Technologies (NYSE: LHX), 6th largest US defence company and top 10 globally – market cap US\$42B**
- **Kleos on US Government Procurement platform – GSA Portal**
- **Expansion into South American market – Ex Airbus Intelligence Managing Director**
- **Initial Early Adopters contracts signed with leading Defence and Security Contractors**
- **Kongsberg Satellite Services (KSAT) appointed ground station service provider**
- **Launch of initial product range, pricing strategy and pre-order functionality**
- **Targeting additional pre-orders and delivery contracts ahead of launch**
- **AUD\$2.7 million on account and no debt, end of Q2 '19**

Scouting Mission satellites ready for launch

Kleos' Scouting Mission satellites are now flight ready and are awaiting launch in Q4 2019, having successfully passed the Test Readiness Review with Gomspace A/S in April and Final Acceptance Review in late June.

Final Acceptance Review was the last main milestone before shipping to launch site and involved a complete system overview using KSAT's ground station bespoke test kit.

Pre-flight testing of critical functions within the satellite's detection systems performed significantly better than specification, further increasing Kleos' geolocation data accuracy and value.

Post reporting period end, Kleos' satellites were secured in protective Electrostatic Discharge (ESD) transportation boxes, used to prevent damage in the event of an electrostatic discharge at any point up to launch vehicle integration.

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

US Progress

Kleos' participated at the United States Geospatial Intelligence Foundation's GEOINT 2019 Symposium - the largest annual global geospatial intelligence event attracting more than 4,000 visitors.

Attended by professionals from government, military, industry and academia, GEOINT provided Kleos with access to potential early adopter clients as well as international market exposure.

Kleos has entered into a commercial channel partner agreement with L3Harris Technologies (**NYSE: LHX**), **6th largest US defence company and top 10 globally – market cap US\$42B – www.l3harris.com** to market the Kleos product suite to government agencies in the USA.

Under the terms of the agreement, L3Harris will place the Kleos product suite on their GSA Earth Observation Solutions (EOS) Schedule and will collaborate with the organization to prepare and present mission scenario demonstrations to the National Geospatial-Intelligence Agency.

With decades of experience delivering mission critical technologies to the U.S. Intelligence Community and geospatial intelligence customers, L3Harris partners with agencies to effectively collect, process, manage, analyse, and deliver data for mission success.

GSA Schedules are indefinite delivery, indefinite quantity, long-term contracts under the US Government General Services Administration's Multiple Award Schedule (MAS) Program meaning they are open ended with no set amount. While the term of the contract is fixed, the deliverables are not. During the term of a GSA Schedule Contract, any federal customer can order an unlimited amount of products or services. GSA Schedule Contracts were developed to assist federal employees in purchasing products and services; they contain pre-negotiated prices, delivery terms, warranties, and other terms and conditions which streamline the buying process.

GSA Schedule Contracts are the most widely used US Government Contract accounting for \$45Bn USD in annual sales, they provide access to additional bid opportunities and provide a shorter, simplified sales process.

A GSA Schedule Contract can be used to sell to hundreds of federal customers, including: Federal and Executive Agencies, Department of Defence (DOD) and all Civilian Agencies, Government Owned Corporations and Various Institutions and International Organizations.

Kleos move into South American market

Kleos appointed Pierre Duquesne as sales representative for the South American market targeting the planned investments over 45 billion euros for the maritime and port sector in Latin America and the Caribbean.

Pierre Duquesne, a Franco-German executive, worked in the regional space industry for the last twenty years in different business development, marketing, sales and general management roles, most recently as Managing Director for Airbus Intelligence in South America. With the transition to the digital economy and the generalization of data-driven strategies, Pierre Duquesne envisions major opportunities for new space ventures taking a sustainable approach to benefit society and the environment.

KSAT appointed ground station service provider

In May, Kleos appointed Kongsberg Satellite Services (KSAT) as its ground station service provider.

KSAT has 50 years' industry experience and is one of the world's leading providers of data reception and near real-time Earth observation services with an extensive global ground network consisting of 15 locations.

Kleos' satellites will initially transmit observational data to the KSAT downlink ground station Svalbard in Norway. KSAT's additional ground stations will provide back-up facilities and enlarged flexibility for Kleos.

Initial product range and pre-order functionality

During the reporting period, Kleos moved closer towards commercialisation of its global maritime geolocation Data-as-a-Service on kleos.space, which defines the company's initial product range as well as pre-order functionality.

Kleos' Radio Frequency (RF) Reconnaissance data products are available in three levels – Guardian RF, Guardian LOCATE and Guardian UDT – and can be pre-ordered by registered users on a monthly or annual basis.

Data products will be delivered to customers following the collection of data from Kleos' Scouting Mission satellites, having been processed through the company's algorithms on the ground.

Government Concession granted

During the reporting period, Kleos was granted the Luxembourg Government Concession to establish and operate a Luxembourg satellite system in Low Earth Orbit.

Signed by Luxembourg Prime Minister Xavier Bettel, the Concession is a key operational milestone that is required to launch and operate the Kleos' Scouting Mission and any subsequent satellite constellations under the Luxembourg flag.

Management and advisor appointments

During the reporting period, Iain Hackston was appointed to the role of International Chief Financial Officer on a part-time basis. He brings significant expertise to the company with extensive experience in aerospace and satellite financial modelling and development which will be instrumental in driving growth for Kleos and increasing the company's profitability

Mr Hackston has previously held senior leadership and finance positions and has experience across strategy, finance, operations, sales and business development, technology, innovation and corporate governance.

In May, Kleos engaged investor relationship advisors MMR Corporate Services Pty Ltd to further develop the company's international investor market profile. MMR Corporate's brief includes providing Kleos with advice on media and investor engagement as well as general corporate advisory services.

Outlook

At 30 June 2019, the company had no debt and EUR€1.7/AUD\$2.7 million in cash. 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 needing search and rescue at sea.

Kleos Space CEO Andy Bowyer said, "Kleos continues to progress towards commercialisation of our geolocation intelligence data products, with our initial Scouting Mission satellites now ready for flight."

"Our satellites have now achieved all key technical milestones with pre-flight testing showing improved radio frequency detection capabilities, further increasing the accuracy and value of our data offering."

"Our route to our key US Government customers is now secured, and with participation at the GEOINT Symposium increasing awareness of our geolocation maritime data offering with US government and commercial customers we achieved promising contracts from early adopters. We are targeting further pre-orders and delivery contracts ahead of our satellite launch in Q4 2019."

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")

30th June 2019

Consolidated statement of cash flows		Current quarter EURO'000	Year to date (6 months) EURO'000
1. Cash flows from operating activities			
1.1 Receipts from customers		0	392
1.2 Payments for			
(a) research and development		-31	-31
(b) product manufacturing and operating costs		-43	-788
(c) advertising and marketing		-32	-101
(d) leased assets			
(e) staff costs		-269	-431
(f) administration and corporate costs		-270	-633
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
1.9 Net cash from / (used in) operating activities		-645	-1602
2. Cash flows from investing activities			
2.1 Payments to acquire:			
(a) property, plant and equipment		-300	-606
(b) businesses (see item 10)			
(c) investments			

Consolidated statement of cash flows		Current quarter EURO'000	Year to date (6 months) EURO'000
2.2	(d) intellectual property		
	(e) other non-current assets		
	Proceeds from disposal of:		
	(a) property, plant and equipment		
	(b) businesses (see item 10)		
	(c) investments		
2.3	(d) intellectual property		
	(e) other non-current assets		
2.3	Cash flows from loans to other entities	-164	-350
2.4	Dividends received (see note 3)		
2.5	Other (provide details if material)		
2.6	Net cash from / (used in) investing activities	-464	-956

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	2811	4260
4.2	Net cash from / (used in) operating activities (item 1.9 above)	-645	-1602
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-464	-956
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 (6 months) EURO'000
4.5	Effect of movement in exchange rates on cash held		
4.6	Cash and cash equivalents at end of quarter	1702	1702

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	1687	2811
5.2	Call deposits	15	
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)	1702	2811

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**

19

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**

164

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	80
9.3 Advertising and marketing	30
9.4 Leased assets	0
9.5 Staff costs	280
9.6 Administration and corporate costs	300
9.7 Property plant and equipment (satellites)	755
9.8 Total estimated cash outflows	1495

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: 30/07/2019
(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.