

## ASX RELEASE

22 August 2019

### FUNDING TO START PROCUREMENT OF THE 2ND CLUSTER OF SATELLITES

#### Highlights

- **Binding term sheet for A\$3 million secured convertible note agreed**
  - **First Tranche A\$2 million, due 2 September 2019 subject to the execution of definitive documentation**
  - **Second Tranche A\$1 million available on the same terms at the discretion of investors**
  - **6-month Term**
- **Debt to equity conversion at A\$0.50 per CDI – 160% premium<sup>1</sup>**
- **Funding will start procurement of 2nd cluster of satellites and their 2020 launch**
- **Provides a springboard for accelerated revenue post launch of the Kleos Scouting Mission<sup>2</sup>**

Kleos Space S.A. (ASX: KSS, Frankfurt: KS1), (**Kleos** or **Company**), a space-powered Radio Frequency Reconnaissance data-as-a-service (DaaS) company, is pleased to announce it has entered into a binding term sheet for a A\$3 million debt instrument, to be issued in the form of secured convertible notes.

Andy Bowyer, CEO of Kleos, said, “This investment is targeted to enable us to accelerate business development and revenue generating activities.

“We will recruit additional product development engineers and strengthen the management team to assist with the delivery of our data products, over the coming months we will also recruit sales and sales support professionals to help respond to inbound sales enquiries and manage key accounts, increasing orders and contracts.

“Procurement of our 2nd cluster of satellites can now commence, and 2020 launch to be booked over the coming months. The second cluster will collect more data which in turn means an improved and higher value product for our customers.”

The First Tranche convertible notes will have an aggregate face value of A\$2.2 million, and will be issued at a discount for an aggregate issue price of A\$2.0 million. The First Tranche notes will have

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<sup>1</sup> Premium based on closing price 16/8/19 of A\$0.31.

<sup>2</sup> The multi-satellite Scouting Mission system 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 is unclear, or targets are out of patrol range. The first scouting mission is made up of 4x nano-satellites built by GomSpace in Denmark, each the size of a shoebox.

an interest rate of 10% per six month period, may be converted into CDIs at an issue price of \$A0.50 per CDI at the election of the investors, and must be redeemed 6 months from the date of issue unless earlier converted by the holder. The maximum number of CDIs that may be issued on conversion of the First Tranche notes is 4,840,000. The investors may elect to subscribe for the Second Tranche notes which will have an aggregate face value of A\$1.1 million, and will be issued at a discount for an aggregate issue price of A\$1.0 million, and will otherwise be issued on the same terms as the First Tranche notes. The maximum number of CDIs that may be issued on conversion of the Second Tranche notes is 2,420,000. The investors will also be granted up to 1,500,000 options over CDIs with an exercise price of A\$0.40 per CDI and a three year exercise period.

For key terms of the notes please see Schedule A to this announcement.

Evolution Equities were appointed Lead Manager to conduct the placement. The Company has agreed to grant to Evolution Equities up to 1,900,000 options over CDIs with an exercise price of A\$0.40 per CDI and a three year exercise period as part payment of its fee for the First Tranche and 950,000 options over CDIs with an exercise price of A\$0.40 per CDI and a three year exercise period as part payment of its fee for the Second Tranche.

The notes and options will be issued under the Company's Listing Rule 7.1 placement capacity and shareholder approval will not be sought for the issues.

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**About Kleos Space S.A. (ASX: KSS, Frankfurt: KS1)**

Kleos Space S.A. 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 & 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 – [www.kleos.space](http://www.kleos.space).

**SCHEDULE A:**

Key Terms of the debt Instrument	
<b>Investor:</b>	Investors nominated by Evolution Equities Pty Ltd
<b>Type of instrument</b>	Senior secured convertible notes convertible into Chess Depositary Interests (CDIs) and their underlying shares at the Conversion Price (Notes).
<b>Denomination</b>	AUD
<b>First Tranche Subscription Amount:</b>	\$2,000,000.00.
<b>Second Tranche Subscription Amount:</b>	\$1,000,000.00.
<b>First Tranche Notes</b>	Notes with a total face value equivalent to 110% of the First Tranche Subscription Amount, being \$2,200,000.00. The face value of each Note is \$1.00.
<b>Second Tranche Notes</b>	Notes with a total face value equivalent to 110% of the Second Tranche Subscription Amount, being \$1,100,000.00. The face value of each Note is \$1.00.
<b>Investor Options</b>	Options each to acquire 1 CDI, exercisable at \$0.40 each during the exercise period of 3 years from date of issue.
<b>Offering:</b>	<p>In consideration for the Investors paying the First Tranche Subscription Amount to the Issuer, the Issuer will issue to the Investors the First Tranche Notes, and 1,000,000 free attaching Investor Options in their respective proportions.</p> <p>In the event that the Investors determine, each at their sole discretion, to subscribe in their respective proportions for the Second Tranche Notes, then in consideration for the Investor paying the Second Tranche Subscription Amount to the Issuer, the Issuer will issue to the Investors the Second Tranche Notes, and 500,000 free attaching Investor Options in their respective proportions.</p>
<b>Settlement Date - First Tranche</b>	1 September 2019
<b>Settlement Date - Second Tranche</b>	Subscription for the Second Tranche Notes is at the sole and absolute discretion of the Investor, and the settlement date will be agreed between the parties if the Investor elects to subscribe for the Second Tranche Notes, but will in any event be prior to 31 December 2019.
<b>Maturity Date – First Tranche</b>	28 February 2020
<b>Maturity Date – Second Tranche</b>	Six months from the issue of the Second Tranche Notes.
<b>Interest payable on Notes:</b>	10% per 6 months on the Subscription Amount, payable on the date of Conversion or the Maturity Date, whichever is the earlier, to be adjusted pro-rata if the Notes are Converted prior to completion of a 6 month period.
<b>Conversion:</b>	Investor has the right to convert the Notes and, at its election, any interest accrued, into newly issued CDIs at any time after issuance until the Maturity Date at the Conversion Price in minimum tranches of 25,000 Notes.
<b>Conversion Price:</b>	\$0.50 per CDI. This price shall be fully adjusted for any capital adjustment (e.g. adjustment for stock splits, stock dividends etc) and other standard dilutive events.
<b>Redemption</b>	Any Notes which have not been converted by the Maturity Date will be automatically redeemed by the Issuer on the Maturity Date, for the redemption amount equivalent to the face value of those outstanding Notes.
<b>Events of Default:</b>	Standard Events of Default.
<b>Covenants</b>	<p>The Issuer will provide the Investor with the usual mechanisms to protect its investment, including anti-dilutionary measures with respect to the Notes and the Investor Options, and certain covenants, including but not limited to the following which will not be undertaken by the Company without the Investor's prior consent:</p> <ul style="list-style-type: none"> <li>• reduce or attempt to reduce its capital, buyback any CDIs, Shares or conduct a reorganisation of its capital structure, pay dividends or return capital to its shareholders;</li> <li>• sell, assign, transfer or otherwise dispose of any of its material assets; and</li> </ul>

	<ul style="list-style-type: none"> <li>• undertake any transaction which is not on arm's length terms.</li> </ul>
<b>Security</b>	Secured by way of a pledge, charge, mortgage, security deed or similar agreement to effect security over the material assets of the Issuer to be identified by the Investors, including but not limited to the cash and cash equivalents, all bank accounts, prepayments, satellite equipment and hardware (including work in progress), and all intellectual property of the Issuer.
<b>Customary Terms:</b>	The definitive documentation will contain such additional and supplementary provisions as agreed by the parties, including, without limitation, customary representations and warranties.
<b>Cleansing Statement or Prospectus</b>	The Company must do all things necessary, including lodge all relevant documents with ASIC and/or the ASX in a form, and containing the information, that is sufficient so that any CDIs issued on conversion of the Notes or exercise of the Investor Options will be tradeable on the ASX without restrictions.
<b>Termination</b>	Term Sheet will automatically terminate if definitive documentation to effect the transaction is not executed by 30 August 2019.