

## ASX RELEASE

31 October 2019

### Kleos Space Q3 2019 Activities Update

#### Scouting mission launch imminent leading to revenues

##### Highlights

- **December launch confirmed for Scouting Mission**
- **New orbit meets market demand and product take-up**
- **South American commercial pre-orders signed**
- **Accepted onto US Air Force accelerator**
- **US subsidiary established to underpin US activities**
- **Maritime safety collaboration with AIS provider Spire Global**
- **\$3.3m Funding secured at 50c (60% premium) through to launch and revenue**

Kleos Space S.A (**ASX:KSS, Frankfurt:KS1, Kleos or Company**), a space-powered Radio Frequency Reconnaissance data-as-a-service (DaaS) company, provides the following update for the quarter ending 30 September 2019 (Q3 2019) and Appendix 4C cash flow report.

##### Kleos Space Receives Launch Confirmation

December launch was confirmed for Kleos' cluster of four satellites. The Scouting Mission<sup>1</sup> will launch from the Satish Dhawan Space Centre aboard PSLV C49 under a rideshare contract (including satellites from other organisations such as Spire Global) with launch management provider Spaceflight Inc. The satellites have passed a deployer fit check conforming with PSLV requirements. PSLV technical integration ensures the satellites will function with PSLV rocket dispensers.

Kleos Space CEO Andy Bowyer said, "Our Scouting Mission satellites are mission ready and we are on track to be able to commence revenue generation in the first quarter of 2020. By changing launch providers and orbit, Kleos has increased the frequency of its coverage over crucial shipping regions such as the Strait of Hormuz and the South China Sea. Data from these regions is highly valuable to defence and security customers as they are increasingly prone to 'dark' maritime activity.

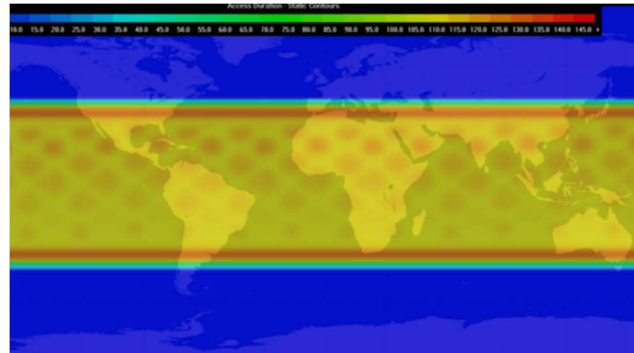


<sup>1</sup> The multi-satellite Scouting Mission system will form the foundation of a constellation that delivers a global picture of hidden maritime activity, enhancing the intelligence capability of government and commercial entities when AIS (Automatic Identification System) is defeated, imagery is unclear, or targets are out of patrol range. The scouting mission is made up of 4x nano-satellites built by GomSpace in Denmark.

“While we are preparing for the launch of our satellites out of Chennai, we continue to build our customer base, securing additional pre-order contracts from early adopters.”

### High demand orbit

The Scouting Mission satellites will launch into a 37-degree inclination delivering **optimised revisit rates over** key regions of maritime interest for defence and security customers, including the Strait of Hormuz, South China Sea, Australian coast, Southern US coast as well as the East and Western African coast.



The 37-degree inclination delivers more data from the crucial shipping regions where we have had demand from our initial target customers when compared to Sun Synchronous Orbit (SSO) offered by the initial launch provider. This allows Kleos to deliver more frequent and higher value coverage as it significantly increases revisit times around the equatorial regions.

Kleos’ Scouting Mission satellites will form the foundation of a constellation that delivers a 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.

### Commercial pre-orders in South America

Kleos received three new commercial pre-orders for its maritime geolocation data-as-a-service products from South American data integrators as per ASX announcement on 4<sup>th</sup> October 2019.

The pre-orders were secured by regional expert Pierre Duquesne, the former Managing Director for Airbus Intelligence in South America.

### Funded and secure to launch

During the quarter, Kleos secured A\$3.3 million in funding via the issue of convertible notes. The first tranche of A\$2.2 million was received in early September via the issue of 4,840,000 CDIs. The CDIs convert to equity at A\$0.50 per CDI – a 60 percent premium – and must be redeemed within six months from the date of issue. The second tranche of A\$1.1 million is available on the same terms.

Kleos will use the capital to accelerate business development and revenue generating activities. The company will recruit additional product development engineers and strengthen the management team to assist with the delivery of its data products. Kleos will also recruit sales and support professionals to manage key accounts and sales enquiries, increasing orders and contracts.

### US projects

In September, after a highly competitive pitching process delivered by Chairman Peter Round; Kleos was awarded a contract to participate in the United States Air Force Space Vehicle Directorates Catalyst (AFRL/RV) Space Accelerator program (CSA).

The 12-week program is designed to increase the US Air Force’s awareness and rapid acquisition of commercial dual-use space technology by providing relevant business development training to CSA companies and connecting them with users, decision makers and potential new customers in the US Department of Defence and commercial engagement. The program has delivered US\$10 million in follow-on funding and over 100 military contracts to its past participants.

Danny McGrane has been appointed by Kleos to deliver the CSA program and resulting opportunities. He is a highly experienced ex Royal Navy officer, NATO Deputy Chief in the US and Programme Manager for Joint Forces Command in the UK.

Kleos was also awarded a United States Air Force Small Business Innovation Research (SBIR) Phase 1 contract through accelerator Ithaca Solutions during the quarter after presenting its Scouting Mission as an innovative defence-related dual-purpose technology with a clear Air Force stakeholder need.

SBIR is a highly competitive program that encourages small businesses to engage in US federal research and development that has the potential for commercialisation.

#### **US subsidiary to target largest defence and security market**

Kleos formed a wholly-owned US subsidiary in October 2019, to integrate and sell its maritime ISR (Intelligence, Surveillance and Reconnaissance) data into US defence and security government departments, agencies and industries.

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

The new subsidiary will continue Kleos' existing work with the USAF Catalyst Accelerator and SBIR programs, leveraging the achievements of its SBIR Phase 1 contract.

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

#### **Collaboration with Spire Global**

In August, Kleos entered into a collaboration agreement with AIS (Automatic Identification System) provider Spire Global to integrate complementary datasets to improve maritime safety.

Kleos and Spire Global (one of the world's largest space to cloud analytics companies), will work together on the Safety at Sea Collaboration, creating enhanced data products for Governments, maritime agencies and other organisations with a strategic interest in detecting 'dark' maritime vessels that have ceased transmitting the AIS. By filtering with Spire's accurate picture of legitimate maritime activity, Kleos' activity-based radio frequency data will assist detection of these dark vessels.

The collaboration improves access to the respective customer bases with Spire focusing on commercial markets while Kleos is focused on the defence market.

#### **MOU with EarthLab**

During the quarter, Kleos signed a Memorandum of Understanding (MOU) with EarthLab Luxembourg S.A. to examine the use of its maritime radio frequency geolocation data for the insurance sector and other geospatial intelligence purposes.

EarthLab provides Earth observation, geospatial information and risk assessment data analytics to improve operational and strategic decision making for the insurance, reinsurance and investment fund industries. The collaboration will utilise Kleos' Scouting Mission data to enhance EarthLab's geospatial intelligence analytics, enabling EarthLab to verify radar detections and optical observations.

Collaboration opportunities include developing a value-add proposition for current and future EarthLab maritime business prospects using Kleos' data and developing a commercial procurement strategy.

**Conferences**

During the quarter, Kleos attended and presented at several major industry conferences around the world. CEO Andy Bowyer presented at the 70th International Astronautical Congress (IAC) exhibition in Washington and 10x6 Space in Luxembourg. In October, Chairman Peter Round presented Kleos' maritime ISR technology at Pacific19 in Sydney, an international exhibition showcasing cutting-edge commercial maritime and naval defence capabilities.

**Management appointments**

In October 2019, Kleos strengthened its management team with the appointment of Dara Nikolova as Finance and Operations Manager and Maris Jukss as Backend Developer and Programmer.

Dara brings extensive finance and operational insights to Kleos, previously holding a variety of finance, business development and strategy roles at Morgan Stanley, Microsoft, Google and, more recently, the world's largest satellite operator SES.

Maris will increase the efficiency and security of Kleos' geolocation intelligence data products. He joins Kleos from the Interdisciplinary Centre for Security, Reliability and Trust of the University of Luxembourg, where he was a research associate working in the software and verification group SVV Lab.

**Outlook**

At 30 September 2019, the company had convertible note debt of A2.2 million and A\$2.6 million in cash and is funded through to the revenue stage post-launch of the Scouting Mission satellites.

Kleos' activity-based geolocation intelligence data products will provide maritime situational awareness for governments and commercial organisations, enabling detection of illegal activities at sea including drug and people smuggling, illegal fishing and piracy. Kleos' independent ISR data is also suitable for integrating with, and validating, other datasets.

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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](http://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")**

30<sup>th</sup> September 2019

| <b>Consolidated statement of cash flows</b>               | <b>Current quarter<br/>EURO'000</b> | <b>Year to date<br/>(9 months)<br/>EURO'000</b> |
|---|-------------------------------------|---|
| <b>1. Cash flows from operating activities</b>            |                                     |   |
| 1.1 Receipts from customers                               |                                     | 392   |
| 1.2 Payments for  |                                     |   |
| (a) research and development                              |                                     | -31   |
| (b) product manufacturing and operating costs             | -136                                | -924  |
| (c) advertising and marketing                             | -17                                 | -118  |
| (d) leased assets   |                                     |   |
| (e) staff costs   | -251                                | -683  |
| (f) administration and corporate costs                    | -165                                | -797  |
| 1.3 Dividends received (see note 3)                       |                                     |   |
| 1.4 Interest received                                     |                                     |   |
| 1.5 Interest and other costs of finance paid              | -87                                 | -87   |
| 1.6 Income taxes paid                                     |                                     |   |
| 1.7 Government grants and tax incentives                  |                                     |   |
| 1.8 Other (provide details if material)                   |                                     | -10   |
| <b>1.9 Net cash from / (used in) operating activities</b> | <b>-656</b>                         | <b>-2259</b>                                    |
| <b>2. Cash flows from investing activities</b>            |                                     |   |
| 2.1 Payments to acquire:                                  |                                     |   |
| (a) property, plant and equipment                         | -518                                | -1124   |
| (b) businesses (see item 10)                              |                                     |   |
| (c) investments   |                                     |   |

| Consolidated statement of cash flows |   | Current quarter<br>EURO'000 | Year to date<br>(9 months)<br>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               | -153                        | -503                                   |
| 2.4                                  | Dividends received (see note 3)                       |                             |  |
| 2.5                                  | Other (provide details if material)                   |                             |  |
| <b>2.6</b>                           | <b>Net cash from / (used in) investing activities</b> | <b>-671</b>                 | <b>-1627</b>                           |

|             |   |             |             |
|-------------|---|-------------|-------------|
| <b>3.</b>   | <b>Cash flows from financing activities</b>                                 |             |             |
| 3.1         | Proceeds from issues of shares  |             |             |
| 3.2         | Proceeds from issue of convertible notes                                    | 1243        | 1243        |
| 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)   |             |             |
| <b>3.10</b> | <b>Net cash from / (used in) financing activities</b>                       | <b>1243</b> | <b>1243</b> |

|           |  |      |       |
|-----------|--|------|-------|
| <b>4.</b> | <b>Net increase / (decrease) in cash and cash equivalents for the period</b> |      |       |
| 4.1       | Cash and cash equivalents at beginning of quarter/year to date               | 1702 | 4260  |
| 4.2       | Net cash from / (used in) operating activities (item 1.9 above)              | -656 | -2258 |
| 4.3       | Net cash from / (used in) investing activities (item 2.6 above)              | -672 | -1628 |
| 4.4       | Net cash from / (used in) financing activities (item 3.10 above)             | 1243 | 1243  |

| Consolidated statement of cash flows |  | Current quarter<br>EURO'000 | Year to date<br>(9 months)<br>EURO'000 |
|--------------------------------------|--|-----------------------------|--|
| 4.5                                  | Effect of movement in exchange rates on cash held  |                             |  |
| 4.6                                  | <b>Cash and cash equivalents at end of quarter</b> | <b>1617</b>                 | <b>1617</b>                            |

| 5.  | Reconciliation of cash and cash equivalents<br>at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts | Current quarter<br>EURO'000 | Previous quarter<br>EURO'000 |
|-----|--|-----------------------------|------------------------------|
| 5.1 | Bank balances  | 1617                        | 1687                         |
| 5.2 | Call deposits  |                             | 15                           |
| 5.3 | Bank overdrafts  |                             |                              |
| 5.4 | Other (provide details)  |                             |                              |
| 5.5 | <b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>   | <b>1617</b>                 | <b>1702</b>                  |

**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**

15

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**

153

Financing of staff costs paid through Kleos Space Ltd.



| 8. <b>Financing facilities available</b><br><i>Add notes as necessary for an understanding of the position</i>   | Total facility amount<br>at quarter end<br>EURO'000 | Amount drawn at<br>quarter end<br>EURO'000 |
|--|---|--|
| 8.1 Loan facilities  |   |  |
| 8.2 Credit standby arrangements  |   |  |
| 8.3 Other (please specify)   | 2051  | 1243                                       |
| 8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well. |   |  |


The company entered into a AUD3.3m unsecured convertible note issued by Evolution Equities Pty Ltd with interest of 10% per 6 months with a maturity of 6 months.

| 9. <b>Estimated cash outflows for next quarter</b> | EURO'000     |
|--|--------------|
| 9.1 Research and development                       | 15           |
| 9.2 Product manufacturing and operating costs      | 30           |
| 9.3 Advertising and marketing                      | 20           |
| 9.4 Leased assets                                  | 0            |
| 9.5 Staff costs                                    | 360          |
| 9.6 Administration and corporate costs             | 150          |
| 9.7 Property plant and equipment (satellites)      | 1,120        |
| <b>9.8 Total estimated cash outflows</b>           | <b>1,695</b> |

| 10. <b>Acquisitions and disposals of business entities<br/>(items 2.1(b) and 2.2(b) above)</b> | 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: **31/10/2019** .....

(Director/Company secretary)

Print name: **Andrew Bowyer** .....

### Notes

During the quarter an invoice was issued by the Company for Research and Development performed totalling 200,000 Euros which was paid after the quarter end.

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.