

ASX RELEASE

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Kleos Space secures A\$5.5 million to drive satellite roll-out

- **€3.41 (A\$5.5) million secured Loan Agreement with Dubai-based Family Office; Winance**
- **Funds earmarked to;**
 - **Progress development and launch of second cluster of satellites**
 - **Increase Kleos' global presence**
 - **Clear existing convertible notes**
- **Well-funded to execute next steps of the business plan**
- **Kleos will generate revenues following launch and commissioning of its Scouting Mission satellites**

Kleos Space S.A. (ASX:KSS, Frankfurt:KS1,) (Kleos or **Company**), a space-powered Radio Frequency Reconnaissance data-as-a-service (DaaS) company, has entered into a €3.41 million (approximately A\$5.5 million) secured loan agreement (**Loan Agreement**) with Dubai-based family office Winance to progress its commercialisation plans and to redeem existing convertible notes.

The Loan Agreement ensures Kleos is well-funded to execute its commercialisation plans while awaiting revenues from early adopter contracts.

The Loan Agreement is for 12 months, or later if agreed by both parties. Interest is 1.5% per month, payable monthly. Alternatively, Kleos may elect to issue CDIs in payment of the interest, in which case the interest rate will be 2.0% per month (the CDIs will be issued at the average VWAP of CDIs over the 3 trading days (inclusive) on which trades are recorded prior to the issue date). Drawdown on the Loan Agreement is conditional upon, among other things, Kleos and Winance entering into a warrant deed under which Kleos will issue to Winance warrants over CDIs (see Schedule A for further information).

Kleos will use the funds to progress the development and launch of its second cluster of satellites, increase its international business development presence within the defence and security sector and repay existing convertible notes issued on 12 September 2019 and 20 December 2019.

Milestones to Revenue

The following roadmap illustrates a number of steps to commence and manage expected revenue post launch of the Kleos' Scouting Mission satellites:

- ✓ **Investor and media engagement**
- ✓ **International broker engagement**
- ✓ **Growth in management team**
- ✓ **Ground stations contract in place**
- ✓ **Early adopter contracts**
- ✓ **Transport satellites to launch site**
 - Kleos' Scouting Mission satellites launch
 - Satellites complete early orbit phase
 - Revenues commence

Kleos will generate revenues after the launch of its Scouting Mission satellites from Chennai, India (see ASX release 12 February 2020). This initial satellite cluster is the foundation of a larger constellation which will geolocate radio frequency transmissions to provide global activity-based intelligence irrespective of the presence of positioning systems, unclear imagery and targets are out of patrol range.

CEO of Kleos Space, Andy Bowyer said, “This funding provides Kleos with working capital to progress the development of our second cluster of satellites while we await revenues from our Scouting Mission satellites.

“Luxembourg has a successful economic partnership with the UAE, developed over the past 20 years. This collaboration provides Luxembourg-based organisations operating in the space sector, such as Kleos Space, with access to investment and financing opportunities.”

Director & CFO of Winance, Waqas Ibrahim said, “We are pleased to collaborate with Kleos Management by providing a funding commitment that will enable them to expedite their operations especially as the company prepares to launch its first of many satellites.

“This new partnership is in line with Winance’s vision of investing in proficient and progressive thinking management teams. We are convinced that this collaboration can serve as a springboard for both our companies in the GCC, Australian and Luxembourg markets. Kleos technology has never been more relevant than today in addressing a real world need and has attracted interest from governments and private organisations.”

Marc Serres, CEO of the Luxembourg Space Agency, said: “Luxembourg and the UAE share the same commitment to support the economic development of the commercial space industry. The agreement between a Luxembourg-based company and a Dubai family office shows that our bilateral cooperation with the UAE is successful when it comes to developing high technology space products and services through financing instruments tailored to meet the needs of private companies.”

Key terms of the Loan Agreement are set out in the attached Schedule A.

Schedule A

Material Loan Agreement terms

- Principal - Euro 3.41 million (A\$5.5 million).
- Term – 12 months, or such later date agreed by Kleos and Winance. Kleos may:
 - repay the outstanding amount in cash; or
 - elect to issue convertible notes to Winance, subject to Kleos having obtained any necessary authorisations for the issuance of the convertible notes (including shareholder approval), and Winance accepting Kleos' election to issue the convertible notes.

The convertible notes will a) be interest free; b) be convertible at the election of the Company or the holder of the Convertible Note; c) have a 6 month term; and d) will be convertible at the higher of i) the price which is an 8% discount to the lowest daily VWAP (rounded down to two decimal places) of the CDIs during the 10 trading days preceding the date of conversion and ending on the trading day preceding the date of conversion; and ii) the floor price (being the lower of a) the price which is 75% of the daily VWAP (rounded down to two decimal places) of the CDIs during the 10 trading days preceding the date of the convertible note deed poll and ending on the date of the convertible note deed poll, and b) the price which is the lowest daily VWAP (rounded down to two decimal places) of the CDIs during the 6 months preceding the date of the convertible note deed poll and ending on the date of the note deed poll).

- Interest rate – 1.5% per month if paid in cash. Alternatively, 2.0% per month if Kleos elects to pay the interest by the issue of CDIs. Any issue of CDIs is subject to Kleos having obtained any necessary authorisations for the issuance of the CDIs, and Winance accepting Kleos' election to issue the CDIs. Any CDIs will be issued at the average VWAP of CDIs over the 3 trading days (inclusive) on which trades are recorded prior to the issue date. Interest is payable monthly.
- Security – the Loan will be secured by:
 - a pledge over Kleos' bank accounts and receivables;
 - an Australian law general security deed over Kleos' present and after-acquired property;
 - an escrow agreement pursuant to which copies of documents relating to the Kleos Scouting Mission and the Geolocation development (ie (1) reports on design, analysis and test and (2) specification sheets) will be kept by an escrow agent and released only upon the occurrence of an event of default.
- Upfront fee – an establishment fee of Euro 310,000 and an upfront fee of 3% of the principal is payable by Kleos to Winance.
- Condition precedent – Drawdown of the loan is conditional upon Kleos and Winance entering into a warrant deed under which Kleos will issue Winance warrants over CDIs. Each warrant

may be exercised into one CDI. The exercise price of the warrants will be 120% of the lowest daily VWAP (such average being rounded to the nearest cent) of the CDIs during the period beginning 10 trading days prior to the date of execution of the warrant deed, and ending on (and including) the date of execution of the warrant deed, unless otherwise agreed (Exercise Price). The number of warrants to be granted will be equal to €1,705,000 / Exercise Price. In the event that the number of warrants exceeds 6,319,125 (Kleos' available placement capacity under Listing Rule 7.1), Kleos will issue 6,319,125 warrants and seek shareholder approval to grant the balance.

- Condition subsequent – Kleos is required to enter into a convertible note deed poll no later than 40 days following the first utilisation of the loan. The deed poll is the framework under which Kleos may, if it elects, issue convertible notes to Winance to repay the loan (as described above). If the convertible note deed poll is not entered into by the due date, Kleos will be in default of the Loan Agreement.
- The Loan Agreement includes warranties, indemnities, representations and warranties, undertakings and events of default and default fees which Kleos considers usual for a transaction of this size.

This announcement has been authorised by Andy Bowyer, CEO of Kleos Space S.A.

- ENDS -

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About Kleos Space S.A.

Kleos Space S.A. (ASX: KSS) 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 – www.kleos.space.