

Mr. Ivan Tatkovich
Advisor, Listings Compliance (Sydney)
ASX, 20 Bridge Street
Sydney
NSW 2000

By e-mail: ListingsComplianceSydney@asx.com.au

19 June 2020

Dear Ivan,

Re: Kleos Space S.A. ('KSS'): Appendix 4C Query

Kleos Space S.A. (**KSS** or the **Company**) refers to your letter dated 16 June 2020 with respect to the Company's Appendix 4C quarterly report for the period ended 31 March 2020 (**Q1 2020**) (the **Q1 2020 Appendix 4C**).

The Company's responses to the queries in your letter are as follows:

1. Does KSS expect that it will continue to have negative operating cash flows for the time being and, if not, why not?

The Company expects to continue to have negative operating cash flows for the time being, and has provided disclosure and commentary in this regard in the Q1 2020 Appendix 4C.

As has been previously disclosed to the ASX, KSS is awaiting the launch of its Kleos Scouting Mission satellites aboard the Indian Space Research Organisation's PSLV C49. Upon launch of the Kleos Scouting Mission satellites into orbit, the Company will be able to commence supply of its data service to subscribers. In advance of this launch, the Company has already secured a number of early pre-orders, contracts and agreements. These contracts, and others in negotiation, will deliver revenues following the launch of the Kleos Scouting Mission satellites, with each customer contract having the potential to deliver from A\$128,000 to A\$971,000 per data licence per annum.

Accordingly, whilst the Company at present has negative operating cash flows, the Company is of the view that this outflow should reduce materially following launch and commencement of data subscription revenue generation.

With specific reference to Q1 2020, the Company notes that there were approximately €1 million in one-off cash outflows in this quarter (the majority of which was non-recurring interest and

other costs of finance). Additionally, the Company has reduced near term operating expenditure through a number of initiatives. The Company's normalised net operating cash flows following this change on a quarterly basis is expected to be an outflow in the order of €0.45 million, resulting in a longer cash 'runway' than may have been expected if looking at the Q1 2020 Appendix 4C alone.

2. Has KSS taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Notwithstanding the commentary above in respect of the Company's reduced operating cash outflows and expected upcoming revenue generation following satellite launch, the Company is exploring opportunities for additional external funding should this be deemed required by the Board. This may include offering strategic partnerships with equity participation in the Company, offering private placements, or making offers to existing security holders. Should the Company look to raise capital, the Board are confident that the Company would have a number of viable opportunities available to execute upon.

At present, the Company and its Management remain focussed on supporting the launch of the Kleos Scouting Mission and commencement of revenue generation post launch. The Board are of the view that the appropriate time to explore a capital raising in further detail would be after reaching this milestone, where the value of the Company's assets and its future potential will be better understood by the market, to the benefit of the Company and existing security holders.

Separately, the Company notes that in May 2020 it received €146,457 in repayable aid from the Luxembourg Government under a Coronavirus support scheme for businesses.

3. Does KSS expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Having regard to the commentary above, the Company expects to be able to continue its operations and to meet its business objectives. The Company makes this statement on the basis of reduced operating cash outflows expected in Q2 and Q3 2020, increases in revenue expected following launch of the Kleos Scouting Mission satellites, and confidence in the Company's ability to access further external funding should circumstances require it.

4. Please confirm that KSS is complying with Listing Rule 3.1 and that there is no information that should be given to ASX about its financial condition under that rule that has not already been released to the market.

The Company confirms that KSS is complying with Listing Rule 3.1 and that there is no information that should be given to ASX about its financial condition under that rule that has not already been released to the market.

5. Please confirm that KSS's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of KSS with delegated authority from the board to respond to ASX on disclosure matters.

The Company confirms that this response has been authorised and approved by its Board.

Yours faithfully,



Andy Bowyer
CEO



16 June 2020

Ms Vanessa Chidrawi
Company Secretary
Kleos Space S.A.

By email:

Dear Ms Chidrawi

Kleos Space S.A. ('KSS'): Appendix 4C Query

ASX refers to KSS's Appendix 4C quarterly report for the period ended 31 March 2020 lodged with the ASX Market Announcements Platform and released on 29 April 2020 (the 'Appendix 4C').

ASX notes that KSS has reported:

- negative net operating cash flows for the quarter of €1,147,000;
- cash at the end of the quarter of €803,000; and
- estimated cash outflows for the next quarter of €1,147,000.

It is possible to conclude, based on the information in the Appendix 4C, that if KSS were to continue to expend cash at the rate indicated by the Appendix 4C, KSS may not have sufficient cash to continue funding its operations.

Request for Information

In view of that, ASX asks KSS to answer separately each of the following questions and provide the following confirmations in a format suitable for release to the market under Listing Rule 18.7A:

1. Does KSS expect that it will continue to have negative operating cash flows for the time being and, if not, why not?
2. Has KSS taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?
3. Does KSS expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?
4. Please confirm that KSS is complying with Listing Rule 3.1 and that there is no information that should be given to ASX about its financial condition under that rule that has not already been released to the market.
5. Please confirm that KSS's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of KSS with delegated authority from the board to respond to ASX on disclosure matters.

Please also provide any other information that KSS considers may be relevant to ASX forming an opinion on whether KSS is complying with Listing Rule 12.2 that a listed entity's financial condition must, in ASX's opinion, be adequate to warrant the continued quotation of its securities and its continued listing.

When and where to send your response

This request is made under Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by no later than **9:30 AM AEST Friday, 19 June 2020**.

If we do not have your response by then, ASX will have no choice but to consider suspending trading in KSS's securities under Listing Rule 17.3. You should note that if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, KSS's obligation is to disclose the information "immediately". This may require the information to be disclosed before the deadline set out in the previous paragraph.

ASX reserves the right to release a copy of this letter and your response on the ASX Market Announcements Platform under Listing Rule 18.7A. Accordingly, your response should be in a form suitable for release to the market. Your response should be sent to me by e-mail. It should not be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

Listing Rule 3.1 and 3.1A

Listing Rule 3.1 requires a listed entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities. Exceptions to this requirement are set out in Listing Rule 3.1A. In responding to this letter, you should have regard to KSS's obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*. It should be noted that KSS's obligation to disclose information under Listing Rule 3.1 is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

Trading halt

If you are unable to respond to this letter by the time specified above, you should discuss with us whether it is appropriate to request a trading halt in KSS's securities under Listing Rule 17.1. If you wish to request a trading halt, you must tell us:

- the reasons for the trading halt;
- how long you want the trading halt to last;
- the event you expect to happen that will end the trading halt;
- that you are not aware of any reason why the trading halt should not be granted; and
- any other information necessary to inform the market about the trading halt, or that we ask for.

We may require the request for a trading halt to be in writing. The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted.

You can find further information about trading halts in Guidance Note 16 *Trading Halts & Voluntary Suspensions*.

Enquiries

If you have any queries or concerns about any of the above, please contact me immediately.

Regards

Ivan Tatkovich

Adviser, Listings Compliance (Sydney)