

ASX RELEASE

31 January 2022

Kleos Space Q4 2021 Activities Update and Outlook

Highlights:

- **Converting pipeline to contract backlog for data license subscriptions, as the basis for future recurring revenue, including:**
 - **7 Data Evaluation and follow-on contracts signed with Government Intelligence Agencies of the NATO Allies**
- **2022 Targetsⁱ:**
 - **Monthly EBITDA positive status during mid-2022**
 - **End 2022 ARR of US\$21Mⁱⁱ**
- **Global pipeline increased to over 263 qualified dealsⁱⁱⁱ, including:**
 - **73 Guardian LOCATE^{iv} data evaluation contracts, representing min ARR of US\$6 million, subject to the delivery of data**
 - **7 contracts in negotiation, representing min US\$4 million**
- **Guardian LOCATE API ready for distribution of data**
- **Finalising commissioning of Vigilance Mission (KSF1) satellites**
- **Third satellite cluster, Patrol Mission (KSF2), ready to launch in April 2022**
- **Fourth satellite cluster, Observer Mission (KSF3) satellite build underway, targeting mid-2022 launch**
- **We continue to build a world class team with a global footprint to execute our strategy**
- **In-orbit improvements to Vigilance Mission flight software will be applied to the Patrol and Observer Missions, reducing commissioning times for their launches**

Kleos Space (ASX: **KSS**, Frankfurt: **KS1**), a space-powered Radio Frequency Reconnaissance data-as-a-service company (**DaaS**), provides the following update for the quarter ending 31 December 2021 (Q4 2021), along with its Appendix 4C cash flow report.

Commenting on the company's December quarter progress, Kleos Space CEO Andy Bowyer said:

"Kleos has made significant progress towards increasing the capacity, frequency and quality of its data delivery as well as converting pipeline to contracts to support the generation of recurring revenues from subscription licenses. Despite delays in launch & satellite commissioning, we remain focussed to reach monthly EBITDA positive status during the middle of 2022."

"Processed data from our Scouting Mission provides us with our first data product, and lowest tier subscription license. During the quarter the team completed optimisation activities to



further enhance the quality and frequency of its data delivery to support future revenue generation. By the end of 2022, we will have data from four satellite clusters, enabling tiered subscription licenses and increasing revenue generation from the large existing customer base.”

In 2022 we are focussed on delivering exceptional fundamentals-based value for our shareholders. We will achieve this by executing:

- Exceptional mission capability and data products, whilst pacing business operations growth to hit EBITDA positive and cashflow positive targets.
- Long-term value creation through innovation, IP and growth opportunities; communication of value drivers; the model drivers, contracts, execution and technological differentiators.

COMMERCIAL PROGRESSⁱ

Kleos’ precision geolocation data is sold globally as-a-service (DaaS) to qualified government and commercial entities. Data is sold on a volume basis (million km²/month collected) with each new satellite cluster increasing Kleos’ data collection capability and improving revisit rates over key areas of interest. Subscribers access Kleos’ GUARDIAN Locate data from its satellites through an API.

In Q4, Kleos converted further pipeline to contractual backlog, positioned to commence generating repeat subscription revenues supporting the target to achieve monthly EBITDA positive status mid-2022.

Its potential subscriber base now comprises:

- 73 Guardian LOCATE data contracts, representing an anticipated US\$6 million minimum ARR, subject to the delivery of data
- 23 negotiations and agreements with resellers, integrators, and channel partners

Kleos’ added subscriber backlog in Q4, including:

- New qualified deals (now totalling 263):
 - 16 new defence and security entities
 - 16 new resellers
 - 8 new integrators
- 5 new Guardian LOCATE evaluation contracts were signed in quarter 4 2021, representing US\$450,000 ARR post two-month trial period at lowest subscription level
- 15 new customers currently reviewing data
- 2 new contracts in negotiation representing ARR of up to \$2M.

Kleos’ DaaS business model has a low operational cost base and is highly scalable. Subscribers pay license fees to access the data, generating recurring revenues. Importantly, subscribers do not own the data. Each new satellite cluster creates higher-value data sets and tiered subscription licenses.

Kleos is targeting to have 4 satellite clusters generating revenues within the next 12 months.

TECHNICAL DEVELOPMENTⁱ

Constellation Development

Kleos is targeting a total constellation of up to 20 clusters of four satellites for optimal global coverage and near-real-time revisit rates over key areas of interest. Kleos currently has eight satellites in low earth orbit (Scouting Mission and Vigilance Mission), one cluster awaiting launch (Patrol Mission) and its fourth in development (Observer Mission). The Patrol and Observer Missions will each provide an additional 119 million square kilometres of coverage per day, significantly increasing the volume of data available to subscribers while also improving the value of the data. More frequent revisit rates over key areas of interest provide subscribers with more accurate, and timely, intelligence. As subscribers pay on a volume basis, greater data collection capabilities increase revenue opportunities.

Contracted Mission Schedule

Mission Name	Launch Dateⁱ (Actual/Scheduled)	Data Collect Capacity in million km²/day* <i>Data sold to customers on a per million km² basis</i>	15-degree latitude 'Area of Interest' average daily revisits* <i>Data value increases in line with revisit rates</i>
Scouting Mission (KSM1)	7 November 2020	15	2.1
Vigilance Mission (KSF1)	29 June 2021	134	3.4
Patrol Mission (KSF2)	April 2022	253	4.7
Observer Mission (KSF3)	Mid 2022	372	6.0

**Constellation cumulative basis*

Data API

In Q4 2021, the team completed work on the first release of the data API for Guardian LOCATE data sets. Guardian LOCATE data is processed using Kleos' proprietary multilateration algorithms to deliver frequency, time, latitude, longitude and Earth-Centered Earth Fixed (ECEF) co-ordinates of radio frequency transmissions to within 300m. End-user subscribers can use Kleos' precision geolocation data to establish a baseline pattern of behavior, send alerts, or tip and cue other commercial data sets to improve their intelligence, surveillance, and reconnaissance (ISR) capabilities. These customers include government defence departments, national security entities, coast guards, search and rescue, and insurance providers. Tool and analytics providers are integrating Kleos' data with other sources to provide their customers with improved situational awareness.

Scouting Mission (KSM1):

Data delivery from the Scouting Mission was delayed to allow time to upload the latest version of satellite payload software that provides improvements to geolocation processing and accuracy. Software improvements are a continuous programme, with the Q4 update requiring a spacecraft



payload FPGA (Field Programmable Gate Array) reprogramming exercise. The size of the upload drove an uncertain timeline for completion and interrupted normal spacecraft operations. The FPGA reprogramming has been tested successfully.

Vigilance Mission (KSF1):

Software updates to the KSF1 satellites are now complete. The satellites are now being moved into their final cluster formation, and bus and payload commissioning is ongoing. Operational control will then be transferred to Missions Operations for end-to-end payload verification testing ahead of KSF1 data being available to customers. In-orbit improvements to KSF1's flight software will be applied to the Patrol and Observer Missions, reducing commissioning times for future launches.

Patrol Mission (KSF2):

Kleos' Patrol Mission satellites are now scheduled to launch in April 2022 onboard the SpaceX Transporter-4 Mission. Originally scheduled for the SpaceX Transporter-3 Mission in January 2022, the Patrol Mission launch was postponed after launch services provider Spaceflight Inc discovered a leak from the propulsion system of its Sherpa launch vehicle while integrating Kleos' satellites. Due to the seriousness of the leak, Spaceflight Inc was unable to launch any of the satellites manifested on the Sherpa for the SpaceX Transporter-3 Mission. Kleos' Patrol Mission satellites are undamaged and remain ready for integration and launch.

Observer Mission (KSF3):

Netherlands-based satellite builder Innovative Solutions In Space (ISISPACE) has commenced development of Kleos' fourth satellite cluster, the Observer Mission. The KSF3 satellites are on track to launch in mid-2022 under a rideshare contract with Spaceflight Inc.

CORPORATE DEVELOPMENT

Board Changes

In November 2021, international space finance executive Padraig McCarthy joined as a Non-Executive Director and Chair of the Audit and Risk Management Committee. Padraig has more than 25 years' space industry experience and was previously Chief Financial Officer and Executive Committee member at global satellite leader SES. He is currently a partner at private equity firm NewSpace Capital and an independent Non-Executive Director at listed self-storage company Shurgard. Padraig's appointment supports the company's transition to a majority independent Board, replacing Kleos' co-founder Miles Ashcroft who stepped down from the Board to focus on his new role as Chief Innovation Officer.

Events & Conferences

Kleos continues to engage with potential partners and data subscribers, participating at several key industry conferences during the quarter. Exhibiting and speaking at industry conferences increases awareness of Kleos' independent geolocation data and assists in building and converting the company's subscriber base.

Key highlights:

- Kleos exhibited at the [58th Annual AOC](#) International Symposium & Convention in Washington DC, which attracts more than 2,000 military, industry, and government delegates from 30 countries.
- In December, the inauguration of Kleos' new Luxembourg headquarters was attended by key government and industry officials, including Luxembourg Minister of the Economy, Franz Fayot.

Other events:

- Australian Space Industry Technology Infrastructure and Investment: [watch the recording here](#)

Upcoming conferences include:

- 3 February 2022: Speaking at The NewSpace Roundtable in the frame of the "Connected World Series", organised by [c21-virtual](#)
- 7-9 February 2022: Speaking at [DGI Geospatial Intelligence](#) for National Security, London
- 8-10 February 2022: Speaking at [Small Sat Symposium](#), Silicon Valley
- 24 April 2022: Exhibiting at GEOINT 2022, Denver.

Videos and podcasts

The promotion of Kleos' activities is carried out through a number of additional platforms:

- Episode 4 of the Kleos Insights on customer needs, with co-founder and Chief Innovation Officer, Miles Ashcroft, and Company Chair and Director for Military & Government Affairs, Peter Round, was released on YouTube and Spotify.
- [Podcast](#) with Kleos' CEO, Andy Bowyer carried out by Luxembourg's Business Club.

Website

Kleos' website was revamped in November 2021, featuring updated content and a new-look design. The improved website assists in raising awareness, improving branding and positioning, as well as enhancing user experience. <https://kleos.space>

FINANCIALS

The Appendix 4C quarterly unaudited cashflow report for Q4 2021 is attached. Cash and cash equivalents were EUR 5.8 million (A\$9.1 million) as of 31 December 2021.

Other income in Q4 2021 was EUR 39,000.

Total cash flow in the quarter was an outflow of EUR 3.8 million (A\$5.9 million) before FX movement, after a net operating cash outflow of EUR 1.2 million (A\$1.9 million).

The following is a summary of receipts and expenditures for business activities in the December 2021 quarter (refer also accompanying ASX Appendix 4C):

(EUR'000)	Dec Qtr	Year to date (12 months)
Receipts from customers	Nil	15
Product manufacturing and operating costs	-59	-263
Research and development	-4	-99
SG&A (Corporate Overhead)	-1,155	-4,277
Investing Activities	-2,280	-5,082
Financing payments / receipts	-282	4,543
Other	150	169

Capitalised development costs

The Company accounts for Research and Development costs in accordance with IAS 38 whereby research costs are expensed and development costs, which meet the criteria defined in IAS 38, are capitalised. This has resulted in EUR 157,000 of Q3 staff costs being reclassified as investment in intellectual property within Investing Activities in the Year-to-Date results.

A further EUR 44,000 of staff costs have been reclassified as investment in property plant and equipment within Investing Activities in the Year-to-Date results.

Payments to related parties

The aggregate amount of payments to related parties and their associates included in item 6.2 in the Appendix 4C is for financing of staff and administrative costs paid through 100% owned subsidiaries Kleos Space Ltd. and Kleos Space Inc in Q1 2021. Subsequent to Q1, all costs of subsidiaries are consolidated into the results of Kleos Space S.A., therefore there is no activity in Q4.



Outlookⁱ

Kleos remains focused on continuing to enhance the quality and frequency of data delivery and converting introductory subscriber contracts to repeat recurring revenue, targeting monthly EBITDA positive status mid-2022. In addition, Kleos will continue to build its constellation to increase the value and volume of its radio frequency geolocation data, growing subscriber numbers and increasing revenue contribution from existing subscribers.

Kleos' FY22 priorities are:

- Onboard new data subscribers, increasing revenue as higher-value data sets become available
- Data delivery from the Vigilance Mission (KSF1) satellites
- Launch the Patrol Mission (KSF2) satellites in April 2022
- Build and launch the Observer Mission (KSF3) satellites in mid-2022
- Enable subscribers to access additional data sets from the Patrol and Observer Missions.

Annual General Meeting

Notice is hereby given that the Company's Annual General Meeting of shareholders will be held on Friday 27 May 2022 at 10 a.m. (CET) / 6 p.m. (AEDT). The closing date for the receipt of nominations from persons wishing to be considered for election as a director is 5 April 2022.



This announcement has been approved for release by the Board of Kleos Space.

- ENDS -

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About Kleos Space S.A.

Kleos is a space-enabled radio frequency Reconnaissance data-as-a-service company with operations in Luxembourg, the US and UK. Kleos locates radio transmissions in key areas of interest around the globe, efficiently uncovering data points to expose human activity on land and sea. Using clusters of four satellites, proprietary radio frequency data (RF Data) is collected, transmitted to the ground, processed, and delivered to customers worldwide. Customers, including analytics and intelligence entities, will license data on a subscription basis (Data-as-a-Service aka DaaS), for government and commercial use cases – aiding better and faster decision making. Kleos' first satellite cluster, the Scouting Mission (KSM), successfully launched in November 2020 and is performing as a test and technology demonstration whilst collecting data. The company's second satellite cluster, the Vigilance Mission, successfully launched in June 2021 and its Patrol Mission is scheduled to launch in April 2022. Kleos' fourth cluster, the Observer Mission, is targeted for a mid-2022 launch. These satellite clusters form the foundation of a global high-capacity constellation of up to 20 satellite clusters, which will deliver high value global observation. For more information visit: www.kleos.space

ⁱ The forward-looking statements relating to targets involve known and unknown risks, uncertainties and other factors that may cause the Company's actual results, performance, and achievements to differ materially from any future results, performance or achievements, expressed or implied by these forward looking statements. Relevant factors may include, but are not limited to, technical and launch delays, satellite health status, foreign exchange fluctuations and general economic conditions, increased costs, the risk and uncertainties associated with space technology, Geopolitical and social risks, Supplier delivery issues, changes to the regulatory framework within which the Company operates or may in the future operate, environmental conditions including extreme weather conditions, recruitment and retention of personnel, industrial relations issues, covid 19 or other pandemic impacts, and litigation. For further information as to the risks which may impact the Company's results and performance, please see the risk factors included in the Prospectus lodged with ASX in August 2018.

ⁱⁱ this target is formed with reference to the current customer base and the satellite capacity that is anticipated to be online by the end of the year, and is subject to the risk factors set out in footnote i.

ⁱⁱⁱ A qualified deal is defined as such through detailed communication in some form with the customer, i.e. ensuring that the KSS products can fulfil the customer need and there is a procurement budget available. The negotiations on these deals have advanced beyond the unqualified lead stage, but contracts have not yet been signed, or contracts have been signed but are subject to the delivery of data.

^{iv} Guardian LOCATE is the product name for the Kleos data set processed to deliver geolocated RF activity. This data product is ready for further analytics by the customer within the GEOINT and data fusion platforms, providing frequency, time, Latitude & Longitude, and ECEF Coordinates of observed signals.

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

Kleos Space S.A.

ABN

625 668 733

Quarter ended ("current quarter")

31 December 2021

Consolidated statement of cash flows	Current quarter EURO'000	Year to date (12 months) EURO'000
1. Cash flows from operating activities		
1.1 Receipts from customers		15
1.2 Payments for		
(a) research and development	-4	-99
(b) product manufacturing and operating costs	-59	-263
(c) advertising and marketing	-48	-215
(d) leased assets		
(e) staff costs	-600	-2,038
(f) administration and corporate costs	-507	-1,884
1.3 Dividends received (see note 3)		
1.4 Interest received		-119
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		-23
1.7 Government grants and tax incentives		
1.8 Other (provide details if material)		2
1.9 Net cash from / (used in) operating activities	-1,218	-4,624
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities		
(b) businesses		
(c) property, plant and equipment	-2,138	-4,597
(d) investments		
(e) intellectual property	-141	-299
(f) other non-current assets		

Consolidated statement of cash flows		Current quarter EURO'000	Year to date (12 months) EURO'000
2.2	Proceeds from disposal of:		
	(a) entities		
	(b) businesses		
	(c) property, plant and equipment		167
	(d) investments		
	(e) intellectual property		
	(f) other non-current assets		
2.3	Cash flows from loans to other entities	-1	-353
2.4	Dividends received (see note 3)		
2.5	Other (provide details if material)		
2.6	Net cash from / (used in) investing activities	-2,280	-5,082

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)		7,851
3.2	Proceeds from issue of convertible debt securities		
3.3	Proceeds from exercise of options	4	538
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-286	-436
3.5	Proceeds from borrowings		
3.6	Repayment of borrowings		-3,410
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	-282	4,543

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	9,415	10,779
4.2	Net cash from / (used in) operating activities (item 1.9 above)	-1,218	-4,624
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-2,280	-5,082

Consolidated statement of cash flows		Current quarter EURO'000	Year to date (12 months) EURO'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-282	4,543
4.5	Effect of movement in exchange rates on cash held	150	169
4.6	Cash and cash equivalents at end of period	5,785	5,785

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	5,785	9,415
5.2	Call deposits		
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)	5,785	9,415

6.	Payments to related parties of the entity and their associates	Current quarter EURO'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	
6.2	Aggregate amount of payments to related parties and their associates included in item 2	
<i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i>		

7.	Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i> <i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end EURO'000	Amount drawn at quarter end EURO'000
7.1	Loan facilities	146	146
7.2	Credit standby arrangements		
7.3	Other (please specify)		
7.4	Total financing facilities		
7.5	Unused financing facilities available at quarter end		0
7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		
	The company has received a loan of €146,456.98 from the Luxembourg government. The loan bears interest at 0.5% with repayment over the 4 years 2022 to 2025.		

8.	Estimated cash available for future operating activities	EURO'000
8.1	Net cash from / (used in) operating activities (item 1.9)	1,218
8.2	Cash and cash equivalents at quarter end (item 4.6)	5,785
8.3	Unused finance facilities available at quarter end (item 7.5)	
8.4	Total available funding (item 8.2 + item 8.3)	5,785
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	4.75
	<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6	If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
	8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
	Answer:	
	8.6.2 Has the entity 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?	
	Answer:	
	8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
	Answer:	
	<i>Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.</i>	

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.

Date: 31 January 2022

Authorised by: The Board.
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow 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 cash flow 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.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.