

ASX RELEASE

31 January 2023

Kleos Q4 2022 Activities Update and Outlook

Highlights:

- First LOCATE geospatial intelligence product released to initial customers following RF data from Vigilance Mission (KSF1) being successfully processed through Kleos' proprietary signal processing platform;
- Significant advancements in Kleos' proprietary intelligence processing technology allowing Kleos to accelerate intelligence delivery;
- Two-way communication achieved with all four Observer Mission (KSF3) satellites launched in January 2023 aboard the Transporter-6 SpaceX mission;
- James A. Quella appointed as a strategic advisor to the Board, conducting corporate finance review and to assist in the identification and execution of a strategic corporate transaction;
- Recent management changes to further growth, particularly in the US – the world's largest intelligence market – assisting in the execution of the significant market opportunity the USA presents:
 - Alan Khalili, US-based senior executive with significant DaaS, aerospace, and satellite industry experience appointed CEO, transitioning from CFO;
 - Sara Fanous, US-based finance executive, appointed VP Finance and acting CFO;
 - Andy Bowyer, Kleos co-founder and Executive Director, remains on Kleos' board and takes on the Chief Strategy Officer role.
- Partnership with UP42, a leading geospatial developer platform and marketplace, commenced which offers Kleos' RF geolocation data to their platform users.

Kleos Space S.A. (ASX: KSS, Frankfurt: KS1, Kleos or the Company), a space-powered defence & intelligence technology company, provides the following update for the quarter ended 31 December 2022 (**Q4 2022**) along with its Appendix 4C.

Commenting on recent progress, Alan Khalili, CEO said:

"Delivering our intelligence RF product, to our initial customers at the end of 2022 is a key milestone for Kleos.

"Data volumes will continue to increase as we bring more of our satellite constellations online – including our recently launched Observer Mission in January 2023. Advancements in our proprietary signal processing technology offer the potential to increase the volume of intelligence commercially available to customers with a lower CAPEX investment.

“Having secured our first US Government Agency contract in September 2022, we continue to expand our activities with a focus on the US marketplace, which presents significant strategic opportunities for Kleos. Broadening our senior executive leadership’s presence in the US market is an important step in achieving our strategic intentions in that market.”

First LOCATE product releasedⁱ

Kleos is now processing RF data collected by the Vigilance Mission (KSF1) through its proprietary signal processing technology platform to create its geospatial intelligence product, LOCATE.

LOCATE provides a valuable intelligence, surveillance, and reconnaissance (ISR) capability to governments and commercial entities. It complements other intelligence sources to improve the detection of illegal and/or hidden activity such as piracy, drug and people smuggling, illegal fishing, pollution, and border challenges.

Technology Advancementsⁱ

Kleos’ proprietary intelligence processing technology has advanced significantly and now the Kleos LOCATE geospatial intelligence product can be produced from data collected from as few as two satellites in formation. This also presents the opportunity to ingest raw data from other sensors in addition to those owned by Kleos to produce the LOCATE product. Together, these advancements enhance our product offering, and we believe it will accelerate the volume of intelligence available to our customers with a lower capex investment. These advancements are not only a valuable asset, but they also significantly reduce execution risk in addition to potentially doubling the number of Kleos collecting clusters from 3 to 6. With more clusters of satellites, Kleos is able to potentially double the volume of raw data collected, with greater collect flexibility for further processing through the intelligence technology on the ground.

RF Data Collection Constellation Status Updateⁱ

As a result of the advancements previously mention in our ground-based intelligence processing platform Kleos has a significantly improved capability to deliver its proprietary geospatial LOCATE data products notably by using fewer satellites in a cluster. This means that the two Vigilance Mission (KSF1) satellites that are at the data generation stage can deliver against revenue generating opportunities. The other two satellites in the cluster once operational will add to this revenue generation either as part of a single cluster (our original model) or as a separate two-satellite cluster with its own revenue generation capability. All Low Earth Orbit satellites naturally degrade in altitude over time and currently we are concentrating on cash flow generation over altitude correction which would lead to a reduction in satellite life, on current calculations an approximate 1.5-year life remains, the impact of any associated impairment on the financial results is being assessed.

The Observer Mission (KSF2) is anticipated to be delivering data that can be processed by the intelligence processing platform by the end of Q1 2023. As previously reported, one of the four Observer Mission (KSF2) satellites had technical issues which have prevented it from continuing nominal commissioning to date. Whilst the manufacturer has scheduled activities designed to overcome the anomalies in due course and management expect the satellite to be able to collect and downlink data, it is unlikely that the satellite will be able to join the cluster, therefore making impairment of that satellite likely.

It is anticipated that the Kleos intelligence processing platform’s advancements will either allow Kleos to potentially split missions into two satellite clusters each, increasing raw data collection or preserve the

existing cluster configuration to reduce business execution risks whilst minimising the risk of cluster impairments in the event of a satellite failure.

The Patrol Mission's (KSF3) four satellites were successfully launched on SpaceX's Transporter 6 early January 2023. The satellites are healthy and have begun bus commissioning. We anticipate the satellites to be operational in 2H2023.

Revenue Timing Updateⁱ

It is anticipated, subject to the risks as set out below, that the catalyst for deferred revenue recognition, revenue growth and cash receipts will begin with the Vigilance Mission (KSF1) as its operational capacity is ramped up over 1H-2023. Subsequent clusters will follow a similar process once becoming commercially operational in 2023.

Spectrum Licence Renewal

The Company's spectrum licence expired at the end of December 2022, and the Luxembourg government has granted a provisional licence extension to 28 February 2023, as the Company works with it to address the administrative requirements of new licensing regulations. The Company does not anticipate any obstacle to the licence renewal.'

James Quella Appointment

At the end of January, Kleos announced that it has appointed New York-based James A. Quella as a strategic advisor to the Board, to conduct a corporate finance review and to assist in the identification and execution of a strategic corporate transaction.

Mr Quella is a highly experienced corporate director and strategic advisor with current appointments including director of Dun & Bradstreet Inc, since February 2019, and director of Getty Images (and CC Neuberger Principal Holdings II prior to their business combination) since August 2020. He is a former Senior Managing Director, Senior Operating Partner, and Head of Portfolio Operations Group at Blackstone's Private Equity Group, having served in those roles from 2003 to 2014.

Mr Quella is a Kleos security holder – holding approximately 2.5% of the issued capital – and has served as a member of Kleos' Advisory Board since May 2021.

As Strategic Advisor to the Board, Mr Quella has been tasked with conducting a review of the Company's corporate financing strategy with a view towards the completion of a future corporate action – whether that be a merger, acquisition, or other strategic corporate activity. In this role, Mr Quella will be bringing his substantial experience in managing businesses and in mergers and acquisitions; his familiarity with corporate finance and strategic business financing activities, and his extensive experience serving as a director for various public and private companies.

US Centric Management Changes

As the world's largest defence intelligence market, engagement in the US is critical to the long-term growth of Kleos. Further, increased engagement with the US intelligence community should also support the future acquisition of high-value government contracts in other markets and increases the profile of Kleos.



Recent management changes are targeted towards increasing Kleos' senior executive leadership presence in the US. These changes follow Kleos securing its first US Government Agency contract in September 2022.

The transition of Alan Khalili, a US-based senior executive with significant experience in the Data as a Service industry with particular expertise in the aerospace and satellite sectors, from Chief Financial Officer to Chief Executive Officer of Kleos is core to this strategy. Similarly, the appointment of Sara Fanous as Vice President of Finance and acting Chief Financial Officer will support the Company's activities in the US. Both Alan and Sara have a depth of experience in similar industries to Kleos. An executive search for a new US-based CFO is ongoing.

Co-founder and Executive Director Andy Bowyer remains on the Board and now takes on the Chief Strategy Officer role, ensuring management continuity.

UP42 Partnership

UP42 is a leading geospatial developer platform and marketplace. The UP42 marketplace features more than 180 geospatial data sources and algorithms, from leading geospatial organisations.

Kleos has partnered with UP42 earlier this month to make its geospatial data product LOCATE available on the UP42 marketplace. Kleos' RF data can be used to validate or tip and cue commercial datasets to establish a baseline pattern of behaviour, complementing the existing data available on UP42's marketplace.

Kleos' Chief Revenue Officer, Eric von Eckartsberg, said,

"UP42 offers its users a vast range of data sources, such as satellite imagery with algorithms, to identify objects, detect change, and find patterns. The addition of our precision radio frequency geolocation data, low earth orbit technology, and industry know-how will be beneficial for all of UP42's platform customers. We are looking forward to helping unlock new capabilities from the fusion of these datasets with existing imagery and algorithms. By making our data available via UP42, we provide access to an even greater number of potential customers, increasing our market penetration."

FINANCIAL ACTIVITY

Placement

On 30 January 2023, Kleos concluded a placement of 15 million CDIs, at a price of AUD \$0.20M per CDI. Proceeds will be used for working capital purposes.

Summary

Q4 2022 cash receipts were AUD 0.15M (€0.10M). The Appendix 4C quarterly cash flow report for Q4 2022 is attached. Cash and cash equivalents were €1.8M (AUD 2.8M) as of 31 December 2022. Total cash outflow in the quarter was €2.1M (AUD 3.3M), after a net operating cash outflow of €1.9M (AUD 2.9M). The following is a summary of receipts and expenditures for business activities in the 4th 2022 quarter (refer also accompanying ASX Appendix 4C):

| (EUR'000) | Dec Qtr | Year to date (12 months) |
|---|---------|-----------------------------|
| Receipts from customers | 97 | 1,386 |
| Product manufacturing and operating costs | -162 | -516 |
| Research and development | -1 | -13 |
| SG&A (Corporate Overhead) | -1,829 | -6,446 |
| Investing Activities | -174 | -2,406 |
| Financing payments / receipts | -54 | 3,779 |
| Other (F.X. movement on cash balance) | -36 | 190 |

Payments to related parties

The aggregate amount of payments to related parties and their associates included in item 6.1 in the Appendix 4C is for payment of Directors' fees of EUR18,000.



- ENDS -

This announcement has been authorised by the board of Kleos Space S.A.

For further information, please contact:

Kleos Space S.A.

Andy Bowyer

LUX P: +352 2088 2290

UK P: +44(0)330 0571886

US P: +1 202-866-8794

E: andy.bowyer@kleosglobal.com

Investor & Media:

Reign Advisory

AUS P: +61 2 9174 5388

E: kss@reignadvisory.com

About Kleos Space S.A.

Kleos is a Space-powered defence & intelligence technology Company with operations in Luxembourg, the U.S. and U.K. Kleos uses RF sensors in Space to collect radio transmissions (RF Data) in key areas of interest around the globe. Collected data is processed through Kleos' proprietary processing platform delivering an intelligence output, to efficiently uncover and expose activity on land and sea. Intelligence product customers, including analytics and intelligence entities, 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 performed 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 launched in April 2022. Kleos' fourth cluster, the Observer Mission, was launched in January 2023. For more information visit: www.kleos.space

¹: The statements relating to the constellation status, delivery of the LOCATE product and revenue timings involve known and unknown risks, uncertainties and other factors that may cause the Company's actual performance, and achievements to differ materially from any performance or achievements, expressed or implied by these statements including the ability of any individual satellite to generate useful collected data. Relevant factors may include, but are not limited to, technological resourcing, technical and launch delays, satellite health status, the ability for the satellite manufacturer to resolve any known or unknown issues in a timely manner, accounting treatment of assets to comply with IFRS rules, 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. The Company monitors these factors in order to make periodic assessments, which could result in the impairment of the intellectual property and satellite assets which are not able to contribute to free cash flow as intended. There is a high likelihood that the year-end impairment assessment will not be concluded before an anticipated equity offering has been completed. If a satellite/cluster is impaired, there will an expenditure to the Company, but this will have zero cash impact on the Company. Also, there is a risk that the long-term revenues associated with the cluster may be negatively impacted and/or that short-term revenues may be delayed until the next cluster becomes commercially operational. 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.

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")

December 31st 2022

| 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 | 97 | 1,386 |
| 1.2 Payments for | | |
| (a) research and development | -1 | -13 |
| (b) product manufacturing and operating costs | -162 | -516 |
| (c) advertising and marketing | -32 | -170 |
| (d) leased assets | -29 | -89 |
| (e) staff costs | -1,049 | -3,612 |
| (f) administration and corporate costs | -579 | -2,210 |
| 1.3 Dividends received (see note 3) | | |
| 1.4 Interest received | | |
| 1.5 Interest and other costs of finance paid | -114 | -175 |
| 1.6 Income taxes paid | -30 | -229 |
| 1.7 Government grants and tax incentives | | |
| 1.8 Other (VAT reimbursement) | 4 | 39 |
| 1.9 Net cash from / (used in) operating activities | (1,895) | (5,589) |
| 2. Cash flows from investing activities | | |
| 2.1 Payments to acquire or for: | | |
| (a) entities | | |
| (b) businesses | | |
| (c) property, plant and equipment | -174 | -2,406 |
| (d) investments | | |
| (e) intellectual property | | |

| Consolidated statement of cash flows | | Current quarter EURO'000 | Year to date (12 months) EURO'000 |
|--------------------------------------|---|-----------------------------|---|
| | (f) other non-current assets | | |
| 2.2 | Proceeds from disposal of: | | |
| | (a) entities | | |
| | (b) businesses | | |
| | (c) property, plant and equipment | | |
| | (d) investments | | |
| | (e) intellectual property | | |
| | (f) other non-current assets | | |
| 2.3 | Cash flows from loans to other entities | | |
| 2.4 | Dividends received (see note 3) | | |
| 2.5 | Other (provide details if material) | | |
| 2.6 | Net cash from / (used in) investing activities | (174) | (2,406) |

| | | | |
|-------------|---|-------------|--------------|
| 3. | Cash flows from financing activities | | |
| 3.1 | Proceeds from issues of equity securities (excluding convertible debt securities) | | 1 |
| 3.2 | Proceeds from issue of convertible debt securities | | |
| 3.3 | Proceeds from exercise of options | | 28 |
| 3.4 | Transaction costs related to issues of equity securities or convertible debt securities | -45 | -286 |
| 3.5 | Proceeds from borrowings | | 4,073 |
| 3.6 | Repayment of borrowings | -9 | -37 |
| 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 | (54) | 3,779 |

| | | | |
|-----------|--|--------|--------|
| 4. | Net increase / (decrease) in cash and cash equivalents for the period | | |
| 4.1 | Cash and cash equivalents at beginning of period | 3,920 | 5,785 |
| 4.2 | Net cash from / (used in) operating activities (item 1.9 above) | -1,896 | -5,588 |

| Consolidated statement of cash flows | | Current quarter EURO'000 | Year to date (12 months) EURO'000 |
|--------------------------------------|--|-----------------------------|--------------------------------------|
| 4.3 | Net cash from / (used in) investing activities (item 2.6 above) | (174) | (2,406) |
| 4.4 | Net cash from / (used in) financing activities (item 3.10 above) | -54 | 3,778 |
| 4.5 | Effect of movement in exchange rates on cash held | -36 | 190 |
| 4.6 | Cash and cash equivalents at end of period | 1,760 | 1,760 |

| 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 | 1,760 | 3,920 |
| 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) | 1,760 | 3,920 |

| 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 | -18 |
| 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 | 3,933 | 3,933 |
| 7.2 | Credit standby arrangements | | |
| 7.3 | Other (please specify) | | |
| 7.4 | Total financing facilities | 3,933 | 3,933 |
| 7.5 | Unused financing facilities available at quarter end | | 0 |
| 7.6 | <p>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.</p> <p>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.</p> <p>The company has received a second loan, split into two tranches of AUD 6m and AUD 4m, from Pure Asset Management. The loan currently bears interest at 12% and will decrease once revenue targets are met. The company does not currently meet the covenants to draw tranche two. The loan will be repaid in full by August 2026.</p> | | |

| | | |
|--|--|-----------------|
| 8. | Estimated cash available for future operating activities | EURO'000 |
| 8.1 | Net cash from / (used in) operating activities (item 1.9) | (1,896) |
| 8.2 | Cash and cash equivalents at quarter end (item 4.6) | 1,760 |
| 8.3 | Unused finance facilities available at quarter end (item 7.5) | |
| 8.4 | Total available funding (item 8.2 + item 8.3) | 1,760 |
| 8.5 | Estimated quarters of funding available (item 8.4 divided by item 8.1) | 0.93 |
| <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: The Company anticipates future levels of net operating cash flow to improve due to cash receipts from revenues increasing greater than operating costs. | |
| 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: Yes, estimated €1.95m cash to be raised at the end of January and received in early February 2023 via a placement. | |

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: Yes, as a going concern

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.

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 2023.....

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.