

ASX RELEASE**30 July 2021****Kleos Space Q2 2021 Activities Update and Outlook****Highlights:**

- **Satellite technology now de-risked with data collection performance validated, satellite capability exceeding expectations.**
- **Partnership established with Japan Space Imaging Corporation.**
- **Second cluster, the Polar Vigilance Mission, successfully launched, in-orbit commissioning of the satellites commenced.**
- **Early adopter customers receiving, and utilising data collected by Scouting Mission (KSM1) satellites.**
- **Pipeline of over 160 accredited prospects including defence entities, naval forces, coast guard, border control agencies, and national security agencies in many countries.**
- **Significant scaling of revenue anticipated over coming quarters.**
- **Third satellite cluster, Polar Patrol Mission (KSF2), development on track for a late 2021 launch onboard a SpaceX Falcon 9.**
- **Co-founder Miles Ashcroft appointed Chief Innovation Officer, leading research and product innovation.**
- **Chair Peter Round to transition to solely operational role within 12 months.**
- **US-based business leader James A. Quella appointed to Advisory Board.**

Kleos Space S.A. (ASX: **KSS**, Frankfurt: **KS1**) (**Kleos** or **Company**), a space-powered Radio Frequency Reconnaissance data-as-a-service company, provides the following update for the quarter ending 30 June 2021 (**Q2 2021**), along with its Appendix 4C cash flow report.

Commenting on the Company's progress over Q2 2021, Kleos Space CEO Andy Bowyer said, "Kleos continues to execute on its path towards commercialisation, including technical validation and delivery of data from our Scouting Mission satellites & launch of our Vigilance Mission satellites. Repeat revenues are anticipated to commence and grow strongly in the coming two quarters, and we remain focused on converting trial and introductory subscribers to commercial pricing contracts."

"Our pipeline of more than 160 potential subscribers includes defence entities, naval forces, coast guard and border control agencies, as well as national security agencies in many countries. We are seeing increased demand for the collection and analysis of radio frequency data with multiple governments and commercial entities issuing RFI's and RFP's that include requirements for this type of intelligence."

“We continued to build our constellation in Q2, culminating in successfully launching our Polar Vigilance satellites. Commissioning of the satellites is progressing as planned, and we expect subscribers to be able to access additional datasets starting in Q4. The Polar Vigilance Mission complements the orbit of our Scouting Mission satellites, increasing revisit rates over key areas of interest and enhancing our geospatial data offering and revenue opportunities. Meanwhile, the development of our Polar Patrol satellites is on track for a late 2021 launch, further increasing the value and volume of datasets.”

“Kleos’ satellites detect and geolocate radio frequency transmissions to enhance the intelligence, surveillance and reconnaissance (ISR) capabilities of governments and commercial entities. Used in conjunction with other datasets, it improves the detection of illegal activity such as piracy, drug smuggling, border challenges and illegal fishing. Kleos’ technology does not rely on the presence of tracking systems, such as Automatic Identification Systems (AIS), which can be easily switched off, and is unaffected by poor weather or targets being out of patrol range. It provides a level of situational awareness that has previously been unavailable to most of the global defence and security sector.”

COMMERCIAL PROGRESS

In Q2, Kleos began distributing data to early adopter customers. Evaluation and initial contracts are in place with >40 customers from our **geographically diverse pipeline** of government and commercial entities. Early customers will access and evaluate Kleos’ data at an introductory price, before converting to standard commercial pricing. Growth in revenues at commercial rates are expected to commence in Q3 & Q4 alongside the higher-value datasets following commissioning of the Polar Vigilance satellites.



Figure 1: Pipeline Geographic Diversity

Sold-as-a-service, governments and commercial entities can access Kleos’ geolocation intelligence data via single user, team, or enterprise licenses. Kleos’ data-as-a-service business model facilitates scalable recurring revenue, providing future revenue surety for the Company. **Kleos is targeting 50 active data customers by the end of 2021, with annualised revenue of approximately US\$7m.**

As Kleos builds out the constellation, subscribers will be able to purchase additional data from specific areas of interest. Each satellite launch will generate higher-value datasets and increase the potential revenue contribution from existing subscribers. Customers pay for a licence to access the data not to own the data therefore all intellectual property and historical datasets remain with Kleos.

Partnership established with Japan Space Imaging Corporation

After quarter end, Kleos established a partnership with Japan Space Imaging Corporation (JSI) to support Kleos' geolocation data sales in Japan.

Under the agreement, Kleos' RF geolocation data will enhance Japanese customers in their operations, defense of the homeland, and identification of illicit activities in territorial and international waters.

Kleos' Group Chief Revenue Officer, Eric von Eckartsberg, said, "We are excited to be partnering with JSI, who bring more than two decades' experience serving the Japanese customers with space-based surveillance and data intelligence products. Japan's vast coastline stretches more than 18,480 miles, providing significant border protection challenges for Japanese authorities".

Acting as Kleos' promotional partner, JSI will provide direct tactical and promotional support.

TECHNICAL DEVELOPMENT

Constellation Expansion

Kleos is developing and deploying a constellation of satellite clusters, delivering revisit rates over key areas of interest with increasing operational value to the customer, with every new cluster added further data is collected, creating a higher value data set accessible by the customer.

Our Intelligence, Surveillance, and Reconnaissance (ISR) capability uses nano-satellite clusters operating in low earth orbit to collect data to geolocate radio frequency (RF) emissions. The capability seeks to geolocate emissions from State or Non-State actors intent on hiding their positions from tracking systems or other surveillance and monitoring technologies or systems.

Rapidly deployed nano satellite technology ensures data offerings that can meet customer and market demand. Kleos' roadmap includes deployment of additional clusters in short timeframes to support of a wide number of intelligence, defence, security, and commercial missions. The use of nano-satellites allows flexibility to specifically develop and integrate new technology quickly to: enhance situational awareness, establish land and sea border control, support regulatory framework monitoring, aid search and rescue, establish conditions for better resource management, fisheries monitoring, monitoring of illegal trafficking, smuggling & illegal transshipments, and support embargo and sanctions enforcement among other use cases.

- Rapidly deployed nano- satellite technology ensures data offering meets developing customer and market demand and evolving needs.
- Production of new clusters on a rapid timeline to increase data volume and increase revisit rates.

Scouting Mission – First Satellite Cluster

During the quarter, Kleos Scouting Mission (KSM1), the World's first four satellite cluster flown in a formation targeting a precision geolocation capability:

- ✓ Technology de-risked, data collection validated and exceeding expectations, with the satellites providing exceptional signal performance.
- ✓ Entered operational formation (note: the formation of the satellites is not static; they are in constant motion in relation to each other).
- ✓ Commenced delivering test data to early adopter customers.
- ✓ Facilitated Kleos continued development of its space and ground segments and processes that will be exploited across the planned constellation.

Vigilance Mission – Second Satellite Cluster

Towards the end of the quarter, Kleos successfully launched its Polar Vigilance Mission satellites (KSF1) from Cape Canaveral in Florida aboard the Spaceflight SXRS-5/SpaceX Transporter-2 Mission. Launched into a 525km Sun Synchronous orbit, Kleos' second satellite cluster establishes the Company's coverage to the North and South of its Scouting Mission.

Kleos' operations team has established contact with all four Polar Vigilance satellites and in-orbit commissioning has commenced, which includes software and payload verification, uplink and downlink activation, antenna deployment, and manoeuvring the four satellites into operational formation.

Kleos Space CEO Andy Bowyer said, "Less than eight months after the launch of our Scouting Mission satellites, we now have our second satellite cluster in orbit. The Polar Vigilance satellites increase our global coverage and increase revisit rates over key areas of interest, creating higher-value data products and tiered subscription licenses. Each new satellite cluster will enhance the quality and quantity of our radio frequency reconnaissance data and we are targeting near continuous global revisit rates."

Polar Patrol Mission – Third Satellite Cluster

Kleos has engaged nanosatellite specialist Innovative Solutions in Space B.V. (ISISPACE) to build and support its four Polar Patrol Mission satellites (KSF2) – the Company's third satellite cluster. ISISPACE will provide a full turn-key solution from design and development through to launch integration and early orbit phase support.

The Polar Patrol satellites are scheduled to launch at the end of 2021 onboard a SpaceX Falcon 9 under a rideshare contract with Spaceflight Inc. Launching into a 500-600km Sun Synchronous orbit, the Polar Patrol Mission satellites will double Kleos' coverage over both poles and increase revisit rates over commercial areas of interest.

"After successfully building and delivering our second satellite cluster within a very tight timeframe, we are once again leveraging ISISPACE's extensive small satellite expertise for our Polar Patrol Mission.

ISISPACE has proven to be an ideal development partner for us, delivering a best-in-class solution and complementing the expertise of our global technical team. Despite the ambitious development schedule, our technical team is working with ISISPACE to incorporate advanced sensor and intelligence gathering capabilities within our third satellite cluster. The capability utilises learnings from our Scouting Mission and Polar Vigilance satellites, and ensures we continue to improve the effectiveness of our space-based assets with each new launch.”

Data Processing & Delivery Systems

During the quarter, Kleos continued to refine its data processing and delivery infrastructure ahead of subscriber access and fulfilment. Delivery of data to early adopter customers and systems integrators enabled Kleos to test system functionality and implementation before product delivery to broader subscribers.

Back-end systems being improved and tested include retrieval of raw data from the satellites (Mission Data System), data processing (Signal Processing System), storage of both raw and processed data (Data Storage System), and authorisation of subscriber requests (User Management System).

Kleos continues to improve its subscriber-facing Application Programming Interface (API) which enables customers to digitally access data based on their authorisation and subscription. Customers can subscribe to Guardian Locate which is a geolocation intelligence (GEOINT) product that is fully processed, analytic ready, and designed for ease of use and seamless integration into existing geospatial datasets.

CORPORATE DEVELOPMENT

Chair Peter Round to oversee transition to Independent Chair

During the quarter, Chair Air Commodore Peter Round advised the Board of his intention to step down from his position after overseeing the transition to an Independent Chair – a process expected to take up to 12 months. Once a successor is appointed, Peter will remain with Kleos in an operational capacity as Senior Government Liaison and Military Advisor, ensuring continuity of his valuable work within the government sector.

With data delivery and revenue generation now underway, a new Non-Executive Director and Independent Chair will further enhance Kleos’ corporate governance framework, overseeing regulatory compliance in Australia and the USA. The transition to an Independent Chair aligns with Kleos’ broader strategy of continuous improvement of its regulatory regime and shift towards a majority independent Board.

Co-founder Miles Ashcroft Appointed Chief Innovation Officer

In July 2021, Kleos appointed co-founder Miles Ashcroft to the newly created role of Chief Innovation Officer (CINO) to lead the Company’s R&D and innovation roadmap. As CINO, Miles will be responsible for satellite and data product diversity, implementation of new software methods and algorithms,



increasing data intelligence provision capability, as well as Kleos' constellation use and satellite cluster integration.

Kleos CEO Andy Bowyer said, "With two satellite clusters in orbit and the third scheduled to launch later this year, ongoing innovation of Kleos' space-based assets, data collection and delivery infrastructure is crucial to ensure we can meet the future needs of our government and commercial subscribers. While we are currently collecting data from our initial Scouting Mission satellites, varying collection parameters and ground segment modifications will improve the precision, content and latency of our satellites – key factors for our end users and system integrators."

Kleos' US-based Technical Director Vincent Furia has been promoted to Chief Technology Officer.

Business Leader James A. Quella Joins Advisory Board

Kleos strengthened its Advisory Board expertise in May 2021 with the appointment of US-based veteran business leader James A. Quella. An experienced company Director, James is currently a senior advisor to Blackstone and CC Capital and an Independent Director at Dun & Bradstreet Holdings and CC Neuberger Principal Holdings II. He holds approximately 2.5% of Kleos' total issued capital.

Upcoming events in 2021

Speaking at 27th Annual Gabelli Aerospace and Defense Conference – New York, September

Speaking at Satellite2021 – Washington DC, September

Exhibiting at GEOINT - Saint Louis, 5-8 October

LONG TERM INCENTIVE PLAN

At the Company's Annual General Meeting, held on 27 May 2021, shareholders approved, for the purposes of Listing Rule 7.2, Exception 13, the Company's Employee Equity Incentive Plan (**Plan**) and the issue of securities under the Plan. The number of securities which may be issued under the Plan following approval is 5% of the Company's share capital as at 27 May 2021, being 8,010,171 securities.

FINANCIALS

Comment on Appendix 4C

The aggregate amount of payments to related parties and their associates included in item 6.2 in the Appendix 4C up to and including Q1 2021 was for financing of staff and administrative costs paid through 100% owned subsidiaries Kleos Space Ltd. & Kleos Space Inc. Due to the growth of Kleos Space Ltd. And Kleos Space Inc. their operations are now consolidated within the 4C cashflow report from Q2 2021.

Q2 2021 Cash Flows

The Appendix 4C quarterly cashflow report for Q2 2021 is attached. Cash and cash equivalents were EUR3.7 million (A\$5.9 million) as at 30 June 2021. Total cash flow in the quarter was EUR1.9 million (A\$3.0 million), after a net operating cash outflow of EUR1.3 million (A\$2.0 million). The following is a summary of receipts and expenditures for business activities in the June 2021 quarter (refer also accompanying ASX Appendix 4C):

(EUR'000)	Jun Qtr	Year to date (6 months)
Receipts from customers	15	15
Product manufacturing and operating costs	-47	-142
Research and development	-62	-72
SG&A (Corporate Overhead)	-1,174	-1,982
Investing Activities	-733	-1,685
Financing payments / receipts	100	-3,189
Other	-24	-21

OUTLOOK

Kleos remains focused on commencing subscriptions and building its revenues in the coming quarters, targeting 50 data subscribers by the end of the year and year-end annualised recurring revenue of US\$7 million. Data from the Scouting Mission satellites provides the Company with a viable data product and there are more than 160 government and commercial customers interested in Kleos' independent intelligence, surveillance, and reconnaissance (ISR) data. The newly launched Polar Vigilance Mission satellites will increase the frequency, accuracy and range of Kleos' data collecting capability, generating higher-value datasets from Q4.

Alongside commercial progress, Kleos continues to build its constellation with development of its third satellite cluster on track for a late 2021 launch.

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

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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 each, proprietary radio frequency data (RF Data) is collected, 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 Kleos Scouting Mission (KSM), successfully launched in November 2020 is performing as a test and technology demonstration whilst collecting data. The company's second satellite cluster, the Polar Vigilance Mission, successfully launched in June 2021 and its Polar Patrol Mission is scheduled to launch in late 2021. These satellite clusters form the foundation of a global high-capacity constellation of up to 20 satellite clusters, which will deliver near-real time global observation. For more information visit www.kleos.space

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")

30 June 2021

Consolidated statement of cash flows	Current quarter EURO'000	Year to date (6 months) EURO'000
1. Cash flows from operating activities		
1.1 Receipts from customers	15	15
1.2 Payments for		
(a) research and development	-62	-72
(b) product manufacturing and operating costs	-47	-142
(c) advertising and marketing	-46	-101
(d) leased assets		
(e) staff costs	-638	-860
(f) administration and corporate costs	-477	-882
1.3 Dividends received (see note 3)		
1.4 Interest received		
1.5 Interest and other costs of finance paid	-14	-119
1.6 Income taxes paid	-1	-22
1.7 Government grants and tax incentives		
1.8 Other (provide details if material)	2	2
1.9 Net cash from / (used in) operating activities	-1,268	-2,181
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities		
(b) businesses		
(c) property, plant and equipment	-1,038	-1,485
(d) investments		
(e) intellectual property		
(f) other non-current assets		

Consolidated statement of cash flows		Current quarter EURO'000	Year to date (6 months) EURO'000
2.2	Proceeds from disposal of:		
	(a) entities		
	(b) businesses		
	(c) property, plant and equipment	150	150
	(d) investments		
	(e) intellectual property		
	(f) other non-current assets		
2.3	Cash flows from loans to other entities	154	-350
2.4	Dividends received (see note 3)		
2.5	Other (provide details if material)		
2.6	Net cash from / (used in) investing activities	-733	-1,685

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)		
3.2	Proceeds from issue of convertible debt securities		
3.3	Proceeds from exercise of options	100	221
3.4	Transaction costs related to issues of equity securities or convertible debt securities		
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	100	-3,189

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	5,628	10,779
4.2	Net cash from / (used in) operating activities (item 1.9 above)	-1,268	-2,181
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-733	-1,685

Consolidated statement of cash flows		Current quarter EURO'000	Year to date (6 months) EURO'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	100	-3,189
4.5	Effect of movement in exchange rates on cash held	-24	-21
4.6	Cash and cash equivalents at end of period	3,703	3,703

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	3,703	5,628
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)	3,703	5,628

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. <div style="border: 1px solid black; padding: 5px;"> The company has received a loan of €146,456.98 from the Luxembourg government. The loan bears interest at 0.5% and the repayment terms are not yet agreed. </div>		

8. Estimated cash available for future operating activities	EURO'000
8.1 Net cash from / (used in) operating activities (item 1.9)	1,268
8.2 Cash and cash equivalents at quarter end (item 4.6)	3,703
8.3 Unused finance facilities available at quarter end (item 7.5)	0
8.4 Total available funding (item 8.2 + item 8.3)	3,703
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	2.92
<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? <div style="border: 1px solid black; padding: 5px; min-height: 30px;"> Answer: </div>	
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? <div style="border: 1px solid black; padding: 5px; min-height: 30px;"> Answer: </div>	
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? <div style="border: 1px solid black; padding: 5px; min-height: 30px;"> Answer: </div>	
<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: 29 July 2021

Authorised by: Board of Directors.....
(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.