

ASX RELEASE

31 October 2022

Kleos Q3 2022 Activities Update and Outlook

Highlights:

- **US market success with initial contract from US National Reconnaissance Office to progress transformational change in the Company**
- **CEO position to be transitioned to US citizen**
 - **Current CFO, Alan Khalili to transition to CEO to deliver further global market access**
 - **Additional scaling up of US Government expertise personnel including Project Manager & Security Officer complete**
- **Cash receipts from customers for Q3 of AUD\$0.53M^{iv}**
 - **Revenues booked at end of contract**
 - **Cash receipts and revenues forecast to accelerate by end Q4 in line with operational status**
- **AUD\$10m facility in place to accelerate growth**
- **Data collection constellation building**
 - ***Vigilance* mission flying to formation, due November 2022**
 - ***Patrol* mission expected to be operational in early Q1 2023**
 - ***Observer* satellites complete pre-launch milestone, launching by end 2022 on SpaceX Transporter-6**

Kleos Space S.A (ASX: KSS, Frankfurt: KS1) (Kleos or Company), a space-powered Radio Frequency Reconnaissance data-as-a-service (**DaaS**) and Mission-as-a-Service (**MaaS**) company, provides the following update for the quarter ending 30 September 2022 (**Q3 2022**), along with its Appendix 4C cash flow report.

Commenting on the Company's third quarter progress, Kleos CEO Andy Bowyer said:

"Our initial contract with the US National Reconnaissance Office (**NRO**) is a significant achievement for Kleos. Recognised as one of the five key US intelligence agencies, the NRO provides satellite, signals, and imagery intelligence to organisations such as the National Security Agency (NSA) and Defense Intelligence Agency (DIA) and is continuously looking for differentiated solutions to address critical defence and security challenges.

"The NRO is assessing the capability of Kleos' technology to support the US Government's current and future commercial radio frequency (**RF**) reconnaissance needs.

"The contract success is indicative of our technological innovation and the value RF geolocation data can provide in improving operational decision making in time-critical, high-risk situations which is driving exceptional demand for our data.

"New technology development delays are frustrating in every emerging technology company, and in our case often exasperated by the speed and challenges of working in Space, where even minor changes take a phenomenal engineering effort and commensurate timeline. I am



proud to say that we have a world class team working on world class solutions to deliver against customer requirements, building shareholder value for the long term.”

CEO TRANSITION

Kleos advises the role of Chief Executive Officer will transition from co-founder Andy Bowyer, who has been CEO since the Company’s inception in 2017 and is also an Executive Director, to current Chief Financial Officer Alan Khalili by the end of 2022.

The change in CEO to a US citizen will enable Kleos to capitalise on the US opportunity whilst also being able to manage the Company’s European technology development and satellite operations.

Alan Khalili joined Kleos as CFO in July 2022. A US citizen, Alan brings over 20 years’ senior management experience with direct industry expertise in Data-as-a-Service (DaaS), aerospace, satellites, wireless voice, and IoT telecommunications. He previously served as CFO of SpaceLink, and was co-founder and CFO of Aireon LLC, a space-based DaaS business responsible for directing all financial and administrative activities. Alan has also held corporate development, investment banking and public accounting roles at Reuters, Credit Suisse, and Ernst & Young, respectively.

Commenting on the transition, Kleos’ current CEO, Andy Bowyer, said, “We are currently experiencing strong, growing traction from defence and intelligence customers. This executive change will allow Kleos to take full advantage of the exceptional market opportunity the US provides, as well as accelerate our ability to capture high-value government contracts in different markets.

“Recent engagement with the US Government has demonstrated the operational and decision-making usefulness of commercial RF GEOINT data. It has also highlighted another key strength of our technology – the ability to leverage our unique data set and fuse it with other intel resources. I’m excited for this next phase of Kleos’ development and look forward to supporting Alan throughout the official transition and beyond.”

Alan Khalili said, “Andy has been the driving force behind Kleos’ success to date, laying the foundations for our business. On behalf of the entire team, we thank him for his significant contribution to the Company over the past five years. Importantly, Andy remains with Kleos, ensuring continuity for our customers, partners, and global team. I’m excited to lead Kleos through its next phase of growth, as we commercialise our data and launch additional satellites to meet growing industry demand.”

Kleos Chair, Peter Round said, “On behalf of the Board, I offer Andy our heartfelt thanks for his contribution to Kleos and I am delighted to continue working with him and Alan through this growth phase.”

Andy Bowyer will continue in a strategic Director role post-transition and the succession and recruitment plan for CFO role responsibilities is being managed through the transition period to ensure a smooth handover. A further announcement will be made to confirm Mr Khalili’s commencement date and advise of the material terms of his engagement.

COMMERCIAL PROGRESS ^{i, ii, iii, iv}

During the quarter, cash receipts from customers were AUD\$0.53M (€0.34M) and Kleos received €0.3M of non-refundable cash receipts, which were booked as deferred revenues. Kleos currently has a global pipeline of more than 260 government and commercial qualified deals, spanning defence departments, national security agencies, coast guards, sanctions agencies and data aggregators. Kleos’

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current contract structures mean revenue is generally recognisable once the entire contract is complete, whereas cash is received as certain contract milestones are met. Investors should therefore expect a lag between cash receipts and revenue recognition, with cash receipts a good proxy for future revenue to be recognised. The catalyst for the next phase of revenue generation is the Vigilance (KSF1) cluster reaching formation with at least three satellites, scheduled for November 2022.

First stage contract from the US National Reconnaissance Office (NRO)

During the quarter, Kleos was awarded a first stage contract from the US National Reconnaissance Office as part of the Strategic Commercial Enhancements Broad Agency Announcement (**SCE BAA**) Framework.

After a multiple-phase proposal process, Kleos was awarded the first stage contract under the NRO's SCE BAA Framework, focused on the analysis, modelling, and simulation of Kleos' capabilities to support the U.S. Government's current and future commercial radio frequency reconnaissance needs. The NRO's SCE framework continuously evaluates new and emerging capabilities and providers.

Under the contract, Kleos will provide insights into their capabilities, how Kleos may optimise evolving commercial RF geolocation capability to enhance and augment existing capabilities in a persistent, resilient, cost-effective manner that is also easily shareable across the U.S. Government, and with international partners and allies.

TECHNOLOGY & INTELLECTUAL PROPERTY

Kleos' raw satellite data is used to create fully processed radio frequency geolocation data (LOCATE), which is highly sought after by defence departments, national security agencies, coast guards and commercial entities. The Company's industry-leading digital signal processing capability is driving demand for Kleos' LOCATE product, which can be used as a standalone dataset or to tip and cue other commercial data.

Vigilance Mission – Cluster 2

In-orbit commissioning of the Vigilance Mission (KSF1) satellites is nearing completion with three satellites to be in formation in November 2022. The fourth satellite is delayed joining the formation due to a bus communication software anomaly that is being reviewed as part of the ongoing commissioning process. Any delay related to the fourth satellite should have no impact on the three-satellite formation's ability to generate accurate RF geolocation data, ensuring the Vigilance Mission will enable Kleos to commence fulfilling its existing DaaS and MaaS contracts, with recurring revenues to commence shortly after data delivery.

Patrol Mission – Cluster 3

The Patrol Mission (KSF2) satellites have completed initial bus commissioning. A recent software update to the satellites will enable payload and thruster commissioning before the satellites are moved into their operational formation. The advantageous orbits that these satellites were placed in by D-Orbit's orbital transfer vehicle, ION, will reduce the time it takes to enter their operational formation compared to KSF1. Launched into a 500km Sun Synchronous orbit, the Patrol Mission cluster increase Kleos' global data collection capability by an additional 119 million km² per day and is expected to become operational in Q1 2023.

Observer Mission – Cluster 4

In October, Kleos' Observer Mission (KSF3) satellites completed all environmental test phases and are awaiting shipment to the Cape Canaveral Space Force Station in Florida, ahead of a planned Q4 2022 launch on the Transporter-6 SpaceX mission. Once at the launch site, the KSF3 satellites will be integrated with the launch deployers. Kleos' Observer Mission satellites are the Company's most sophisticated, having incorporated learnings from the first three clusters. The satellites are equipped with VHF and X-Band collection capabilities and incorporating updated software. The Observer Mission expands Kleos' data collection capability and improves revisit rates over commercial areas of interest. The KSF3 satellites will be deployed into a Sun Synchronous orbit by ISILAUNCH under contract from Spaceflight Inc. These satellites are expected to be operational in H1 2023.

CORPORATE DEVELOPMENT

Events & Conferences

Industry events and conference speaking opportunities are key activities for Kleos, showcasing the team's expertise. These events bring visibility to Kleos' technology, raise the brand awareness and are an opportunity to meet, and continue to engage with, potential customers and partners.

The Company participated in several key conferences during the quarter:

- In August Kleos exhibited at Eurosatory 2022 in Paris, as part of the Luxembourg national pavilion
- In September, Kleos took part in the World Satellite Business Week and participated in the Earth Observation panel, discussing GEOINT and RF transmission data
- In October Kleos' CEO, Andy Bowyer gave a keynote presentation at the RAeS President's Conference tackling the subject "Old vs New Space"
- Kleos exhibited on October 25-27 at the 59th Annual AOC International Symposium & Convention, October 25-27, 2022, in Washington, DC.

Videos & podcasts

In July, Kleos released a new episode of its *Kleos Insights* interview series on [YouTube](#) and [Spotify](#). The latest interview features co-founder and Chief Innovation Officer Miles Ashcroft and Chair Peter Round discussing Kleos' innovations over the next five years and is a continuation of previously released episode four.

FINANCIAL ACTIVITY

Secured A\$10 million debt facility

In August, Kleos closed a four-year \$10 million debt facility with PURE Asset Management. The first tranche of A\$6 million was completed on 12 August.

Summary^{i,iv}

Q3 2022 cash receipts were AUD\$0.53M (€0.34M). Of those cash receipts, €0.3M are deferred revenues that have been contractually earned and are not refundable. The Appendix 4C quarterly cash flow report for Q3 2022 is attached. Cash and cash equivalents were €3.9M (AUD\$6.0 M) as of 30 September 2022. Total cash outflow in the quarter was €1.5 million (AUD\$2.3 million), after a net operating cash outflow of €1.5M (-AUD\$2.33M), investment activities of €0.84M (-AUD\$1.3M) and

financing inflows of €3.83M (AUD\$6.0M). The following is a summary of receipts and expenditures for business activities in the September 2022 quarter (refer also accompanying ASX Appendix 4C):

(EUR'000)	September Qtr	Year to date (9 months)
Receipts from customers	342	1,289
Product manufacturing and operating costs	-73	-354
Research and development	-6	-12
SG&A (Corporate Overhead)	-1,761	-4,614
Investing Activities	-839	-2,232
Financing payments / receipts	3,826	3,833
Other (F.X. movement on cash balance)	25	225

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.

OUTLOOK

Kleos remains focused on moving its Vigilance and Patrol satellites into their final operational formation, enabling data delivery to fulfil existing contracts and commence generating recurring revenues. The Company is on track to launch its Observer Mission satellites in the coming quarter, which will increase Kleos' global coverage and data value.



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

- 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 U.S. and U.K. 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 (R.F. 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 launched in April 2022. Kleos' fourth cluster, the Observer Mission, is targeted for a December 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 FX rates applied:

- Q2 - Average rates: AUD\$1 = EUR 0.6710 and USD 1 = EUR 0.9470; End of the period rates: AUD\$1 = EUR 0.6620 and USD 1 = EUR 0.9630
- Q3 - Average rates: AUD\$1 = EUR 0.65 and USD 1 = EUR 0.99; End of the period rates: AUD\$1 = EUR 0.65 and USD 1 = EUR 0.99

v EBITDA is defined as earnings before interest income and expense, income tax expense or benefit, and depreciation and amortization. Adjusted EBITDA has been calculated using EBITDA adjusted for (gain)/loss from discontinued operations, satellite impairment loss, unrealized loss/(gain) on



derivatives, stock-based compensation expense, realized gain on conversion of notes, loss on issuance of the Notes, debt issuance cost expensed and transaction cost expensed.

This release does not in any jurisdiction, constitute or form part of, and should not be construed as, any offer for sale of, or solicitation of any offer to buy, or any investment advice in connection with any securities of Kleos, nor should it or any part of it form the basis of, or be relied on in connection with, any contract or commitment whatsoever

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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 September 2022

Consolidated statement of cash flows	Current quarter EURO'000	Year to date (9 months) EURO'000
1. Cash flows from operating activities		
1.1 Receipts from customers	342	1,289
1.2 Payments for		
(a) research and development	-6	-12
(b) product manufacturing and operating costs	-73	-354
(c) advertising and marketing	-53	-137
(d) leased assets	-27	-61
(e) staff costs	-952	-2,562
(f) administration and corporate costs	-534	-1,631
1.3 Dividends received (see note 3)		
1.4 Interest received		
1.5 Interest and other costs of finance paid	-59	-60
1.6 Income taxes paid	-24	-199
1.7 Government grants and tax incentives		
1.8 Other (VAT reimbursement)	-112	36
1.9 Net cash from / (used in) operating activities	(1,498)	(3,691)

2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities		
(b) businesses		
(c) property, plant and equipment	-839	-2,232
(d) investments		

Consolidated statement of cash flows		Current quarter EURO'000	Year to date (9 months) EURO'000
	(e) intellectual property		
	(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	(839)	(2,232)

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	3	28
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-241	-241
3.5	Proceeds from borrowings	4,073	4,073
3.6	Repayment of borrowings	-9	-28
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	3,826	3,833

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Consolidated statement of cash flows		Current quarter EURO'000	Year to date (9 months) EURO'000
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	2,406	5,785
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,498)	(3,691)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(839)	(2,232)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	3,826	3,833
4.5	Effect of movement in exchange rates on cash held	25	225
4.6	Cash and cash equivalents at end of period	3,920	3,920

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	3,920	2,406
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)	3,920	2,406

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	-22
6.2	Aggregate amount of payments to related parties and their associates included in item 2	

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.

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7.	Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity. 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	4,099	4,099
7.2	Credit standby arrangements		
7.3	Other (please specify)		
7.4	Total financing facilities	4,099	4,099
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.		
	<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 Pty. 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)	(1,498)
8.2	Cash and cash equivalents at quarter end (item 4.6)	3,920
8.3	Unused finance facilities available at quarter end (item 7.5)	
8.4	Total available funding (item 8.2 + item 8.3)	3,920
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	2.62
	<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:

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 October 2022.....

Authorised by: The 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.