Electro Optic Systems Holdings Limited
A.C.N. 092 708 364
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http://www.eos-aus.com

8 August 2014

The Manager
Company Announcements Office
Australian Stock Exchange Limited
Exchange Centre
20 Bridge Street
Sydney NSW 2000

Att Andy Weaver – by fax 02 9241 7620

Dear Sirs,

Appendix 4C Clarification

I refer to your letter of 5 August 2014 regarding the quarterly report for the quarter ended 30 June 2014 (Appendix 4C) and respond to your 5 questions as follows:

1. The Company is not expected to have negative operating cash flows for the next two quarters of the same magnitude as the negative operating cash flows for the quarter ended 30 June 2014. Product deliveries for a significant overseas order of remote weapon systems continue and regular monthly cash flows are expected to be maintained for at least the next two quarters which should result in the cash balances increasing.

2. The Company does not expect negative operating cash flows for the next two quarters of similar amounts for the quarter ended 30 June 2014 based on current deliveries of existing remote weapon systems contracts and depot maintenance contracts.

3. The Company has production commitments for military production for the next two quarters and continues to seek additional military and space contracts to improve the business outlook and objectives of the Company. We refer to the EOS Space Sector update released to the market on 5 August 2014 setting out recent developments in the Space Sector and the likelihood of significant space data contracts in the future.

4. Yes

5. The Company earned small profit of $1,562,746 or the year ended 31 December 2013 and is expecting loss for the six months ended 30 June 2014 of approximately $3.2m (subject to audit review). Based on the current forecasts the company expects to incur an operating loss for the full year ended 31 December 2014 based on current orders and contracts in hand. The Company is actively seeking new contracts in both sectors of its business which if received and delivered would improve the result for the year ended 31 December 2014. The Directors believe that the financial condition of the company warrants the continued quotation of it securities on the ASX in accordance with Listing Rule 12.2.

Yours faithfully,

Ian Dennis

Director

ASX Compliance Pty Limited
ABN 26 087 780 489
20 Bridge Street
Sydney NSW 2000
PO Box H224
Australia Square
NSW 1215

www.asx.com.au

5 August 2014

Mr Ian Dennis
Company Secretary
Electro Optic Systems Holdings Limited
Suite 2, Level 12, 75 Elizabeth Street
Sydney NSW 2000

By Email

Dear Ian,

Electro Optic Systems Holdings Limited (the "Company")

I refer to the Company's Quarterly Report in the form of Appendix 4C for the period ended 30 June 2014, released to ASX Limited ("ASX") on 31 July 2014 (the "Appendix 4C").

ASX notes that the Company has reported the following.

1. Receipts from customers of $4,906,000.

2. Negative net operating cash flows for the quarter of $1,086,000.

3. Cash at end of quarter of $1,541,000.

In light of the information contained in the Appendix 4C please respond to each of the following questions.

1. It is possible to conclude on the basis of the information provided that if the Company were to continue to expend cash at the rate for the quarter indicated by the Appendix 4C, taking into account future administration costs, the Company may not have sufficient cash to fund its activities. Is this the case, or are there other factors that should be taken into account in assessing the Company's position?

2. Does the Company expect that in the future it will have negative operating cash flows similar to that reported in the Appendix 4C for the quarter and, if so, what steps has it taken to ensure that it has sufficient funds in order to continue its operations at that rate?

3. What steps has the Company taken, or what steps does it propose to take, to enable it to continue to meet its business objectives?

4. Can the Company confirm that it is in compliance with the Listing Rules, and in particular, Listing Rule 3.1?

5. Please comment on the Company's compliance with Listing Rule 12.2, with reference to the matters discussed in the note to the rule.

Listing Rule 3.1

Listing Rule 3.1 requires an entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities. The exceptions to this requirement are set out in the rule.

In responding to this letter you should consult Listing Rule 3.1 and the Guidance Note titled "Continuous Disclosure: Listing Rules 3.1 – 3.1B".

If the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 your obligation is to disclose the information immediately.

Your responsibility under Listing Rule 3.1 is not confined to, or necessarily satisfied by, answering the questions set out in this letter.

This letter and your response may be released to the market. If you have any concerns about your response being released, please contact me immediately. Your response should be sent to me by email. It should not be sent to ASX Market Announcements.

Unless the information is required immediately under Listing Rule 3.1, a response is requested as soon as possible and, in any event, not later than 5.00pm AEST on Friday, 8 August 2014.

If you are unable to respond by the time requested you should consider a request for a trading halt in the Company's securities.

If you have any queries, please do not hesitate to contact me.

Yours sincerely,

Andy Weaver
Senior Adviser, Listings Compliance (Sydney)