



**Electro Optic Systems Holdings Limited**

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## **ACTIVITY STATEMENT FOR THE QUARTER ENDING 31 MARCH 2021**

Canberra, 30 April 2021

During the March quarter EOS made considerable progress in consolidating and progressing key results from 2020 and laying the groundwork for 2021 and beyond.

The EOS Board and management team saw new personnel added, as the company continues to position itself as a sovereign Australian prime contractor. The major overseas contract saw key documentation completed, all delivery processes restored, and successful on site testing. Communications Systems saw good progress for both EM Solutions and SpaceLink. Space Systems continued to make ground-breaking technological advancements that will benefit the entire company.

### **Board and Executive Management Team**

David Black joined the EOS Board as an independent non-executive director in January. Mr Black spent 25 years with Deloitte and has extensive aerospace and defence business experience.

Michael Lock was appointed Chief Financial Officer (CFO) in March. Mr Lock has more than 30 years' experience in finance, banking and defence, most recently with CEA Technologies.

### **Defence Systems**

Defence Systems made strong progress during the quarter both in Australia and internationally.

EOS is engaged in several programs with the Commonwealth of Australia (CoA):

- Under a contract awarded to EOS in September 2020, CoA requires 251 Remote Weapon Systems (RWS) systems, and CoA has already accepted 90 systems. EOS expects to deliver the balance of this contract by Q3 2021 to bring the number of EOS RWS in service with CoA to 530 units.
- Hanwha Defence Australia (HDA) has contracted EOS to provide T2000 turrets for three HDA Redback vehicles undergoing customer evaluation through 2021 for the Land 400 Phase 3 program. Redback is one of only two remaining competitors for contract award, expected in 2022. EOS is the turret

provider for Redback, and the preferred supplier for the RWS component of both competitors.

- The C4Edge program has achieved all contract milestones on time and on budget, demonstrating the capability of Australian sovereign defence industry to meet complex technical requirements for Australian Defence Force (ADF) users. This success has led to further expansion of the C4Edge team, with another three Australian Industry partners added.

Overseas activity saw significant progress in the Middle East, Europe and the US.

In the Middle East a major delivery contract which had been severely disrupted by COVID-19 was resumed. EOS has now cleared all delivery obstacles, restored disrupted administrative processes, and has pre-positioned over \$120 million of completed product ready for customer testing and acceptance which is now proceeding normally.

In March, during development activities for the R400 with lightweight 30mm cannon, EOS achieved long-range on-the-move engagement performance that surpassed all previous records for range and precision, further extending EOS' technological lead in the RWS market.

Following a successful demonstration in March, EOS expects an order in mid-2021 from a NATO member for RWS for Remotely Operated Combat Vehicles (ROCV). Larger follow-on orders are likely from 2022. EOS technology has permitted the first operational deployment of ROCV capability by a NATO defence force.

The Mopoke Counter-UAS (CUAS) system continues to lead the world market. EOS has deployed the full Mopoke system to a field test site in Australia for a full test of all functional elements including radar, electronic warfare, kinetic systems and directed energy. Mopoke will undergo several customer evaluations within 90 days in this mode, with contract awards anticipated from H2 2021. EOS also completed another successful CUAS demonstration for the US Government in April, highlighting reduced collateral risk when engaging armed drones.

## **Space Systems**

The Space Systems team continued their dual focus on R&D activities for the group and managing EOS' two operational space tracking sites at Mount Stromlo (ACT) and Learmonth (WA).

EOS space tracking sites continue to provide an operational and automated space domain awareness (SDA) capability. Customer funding continues to support these operations and further sensor development.

In April<sup>1</sup> Space Systems announced a major breakthrough in laser technology which significantly advances the global effort to mitigate space debris. The innovation involves the use of a Guide Star Laser to allow high speed adaptive optics to form laser beams that can track and move space debris at lower altitudes and faster speeds than ever previously possible. This intellectual property was developed by EOS in collaboration with the Cooperative Research Centre for Space Environment Management (“SERC”), and will now be commercialised and owned by EOS, with applications including space debris mitigation and high bandwidth satellite communications.

## **Communications Systems**

EOS is a leader in satellite communications terminals through its subsidiary EM Solutions (EMS). EMS made a strong start to 2021:

- Four 1m Cobra SATCOM antenna systems including the new Antenna Diversity Systems (ADS) were shipped to complete deliveries for the M-Frigate Cobra systems ordered by the three European NATO Navies.
- The eighth and final Cobra terminal for the Royal Australian Navy’s Anzac Frigate quality-of-life upgrade was delivered.
- EMS received orders for four more 2m Fleet terminals, and is in negotiations to secure orders for a further eight Cobra terminals.
- EMS’ current year revenue and EBIT are at record levels, with continued strength anticipated for the rest of the year.

EOS’ US subsidiary SpaceLink is on track to meet a June 2024 regulatory deadline to “Bring Into Use” its extensive spectrum allocation for space communications.

- Recruitment of the SpaceLink executive team is now complete following the recent appointment of Alan Khalili as CFO.
- The SpaceLink conceptual design phase has been finalised resulting in the establishment of a baseline architecture suitable for satellite vendor quotation.
- SpaceLink conducted a Request for Information (RFI) to assess satellite vendor interest in bidding for its satellites, resulting in multiple compliant bids received, confirming the technical viability of the SpaceLink architecture.
- Completion of the RFI phase now allows a Request for Proposal (RFP) to be released in early May to qualified bidders, with a contract award by SpaceLink for its initial constellation of satellites expected by July.

<sup>1</sup> [See ASX announcement 9 April 2021 “EOS Develops New Laser Technology for Space Debris Mitigation”](#)

Customer engagement for SpaceLink is progressing well, with customer MOUs being signed in Australia and the US. The total risk weighted revenue pipeline is forecast to exceed \$100 million per year in 2025.

Funding discussions are progressing with relevant financial parties. SpaceLink expects to complete the necessary transaction by July.

This announcement has been authorised for release to ASX by Ben Greene, Director.

Further information:

Ben Greene

Group CEO

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## Appendix 4C

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

**Name of entity**

ELECTRO OPTIC SYSTEMS HOLDINGS LIMITED

**ABN**

95 092 708 364

**Quarter ended ("current quarter")**

31 MARCH 2021

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (3 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	51,437	51,437
1.2 Payments for		
(a) research and development	(3,509)	(3,509)
(b) product manufacturing and operating costs	(35,782)	(35,782)
(c) advertising and marketing	(555)	(555)
(d) leased assets	-	-
(e) staff costs	(11,557)	(11,557)
(f) administration and corporate costs	(6,997)	(6,997)
1.3 Dividends received	-	-
1.4 Interest received	61	61
1.5 Interest and other costs of finance paid	(1,070)	(1,070)
1.6 Income taxes paid	(4,664)	(4,664)
1.7 Government grants and tax incentives	23	23
1.8 Other (provide details if material)	51	51
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(12,561)</b>	<b>(12,561)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(2,815)	(2,815)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
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	Security deposits	(8,285)	(8,285)
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(11,101)</b>	<b>(11,101)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	99	99
3.2	Proceeds from issue of convertible debt securities	-	
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Repayment of lease liabilities	(811)	(811)
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>(712)</b>	<b>(712)</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	65,933	65,933
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(12,561)	(12,561)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(11,101)	(11,101)

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

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (3 months) \$A'000</b>
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(712)	(712)
4.5	Effect of movement in exchange rates on cash held	(70)	(70)
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>41,490</b>	<b>41,490</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	13,225	7,754
5.2	Call deposits	28,265	58,179
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>41,490</b>	<b>65,933</b>
<b>Note</b>	<b>Not included in the cash figure above are non-current cash security deposits securing performance bonds, premises and guarantees</b>	<b>25,350</b>	<b>16,671</b>

<b>6.</b>	<b>Payments to related parties of the entity and their associates</b>	<b>Current quarter \$A'000</b>
6.1	Aggregate amount of payments to related parties and their associates included in item 1	377
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

The amounts included in Item 6.1 includes \$200,846 in salary and other benefits to the CEO. Consulting fees paid to non-executive directors of \$54,000 and \$122,500 paid in directors' fees and superannuation to directors and entities associated with non-executive directors during the quarter.

<b>7. Financing facilities</b>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
<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>		
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	-	-
7.3 Other – Export Finance Australia	62,798	62,798
<b>7.4 Total financing facilities</b>	<b>62,798</b>	<b>62,798</b>
<b>7.5 Unused financing facilities available at quarter end</b>		-
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>1. The consolidated entity provided a performance bond in respect of a contract in the Defence sector for US\$31,635,147 (A\$41,587,873) in relation to an overseas defence sector contract. The performance bond was provided by Export Finance Australia under a Bond Facility Agreement and is secured by a cash security deposit of A\$16,635,145 and a fixed and floating charge over the assets of the consolidated entity. The costs of this facility are included in Item 1.5 as other costs of finance paid.</p> <p>2. Under the terms of a contract in the Defence sector, the consolidated entity has signed an offset agreement with the relevant overseas Government Authority on 12 February 2021 for an amount of US\$16,133,925 (A\$21,209,816). The offset bond was provided by Export Finance Australia under a Bond Facility Agreement and is secured by a cash security deposit of A\$4,241,963 and a fixed and floating charge over the assets of the consolidated entity. The costs of this facility are included in Item 1.5 as other costs of finance paid.</p>		

<b>8. Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1 Net cash from / (used in) operating activities (item 1.9)	(12,561)
8.2 Cash and cash equivalents at quarter end (item 4.6)	41,490
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	41,490
<b>8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	<b>3</b>
<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: N/A	

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: N/A

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: N/A

*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: 30 April 21

## 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.