



ELECTRO OPTIC SYSTEMS HOLDINGS LIMITED

ABN 095 708 364

18 Wormald Street

Symonston, ACT 2609, Australia

+61 2 6222 7900

www.eos-aus.com

SPACELINK ACCELERATES SATELLITE ROLLOUT

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Electro Optic Systems Holdings (EOS:ASX) has announced today that its wholly owned subsidiary SpaceLink has achieved a new, smaller, communication satellite design that allows accelerated profitability at significantly reduced cost.

In breakthrough developments SpaceLink has:

- a. improved the satellite design by integrating higher bandwidth communication terminals on both small and large satellites, further improving the profitability of the SpaceLink business model;
- b. reduced the cost of initial capability deployment from US\$750M to US\$240M; and
- c. advanced the date for initial operational capability (IOC) from mid-2024 to early-2024, allowing it to meet customers' requirements for earlier services and to secure SpaceLink's extensive communication spectrum licenses by meeting the stipulated Federal Communication Commission (FCC) regulatory milestone date in mid-2024.

These developments materially amend the terms of the SpaceLink performance and funding detailed in the presentation lodged with the ASX on 27 October 2021: [SpaceLink Investor Presentation and Update](#). Given these substantive project changes, the initial funding tranche outlined in the above presentation has been scaled back and replaced by alternative financing arrangements.

COMMUNICATION SPECTRUM

A key consideration related to project schedule is SpaceLink's allocated communication spectrum, comprising approximately 21 GHz of radio frequency (RF) spectrum. SpaceLink is required under its FCC licence to initiate use of the spectrum for space communications before mid-2024. Achieving this milestone secures SpaceLink's rights to the spectrum.

Given increasing congestion and demand for advanced satellite services, it is imperative to satisfy the FCC milestone date and preserve the access to the wide bandwidth conferred by the spectrum rights.

SPACELINK DEVELOPMENTS

In September 2021 SpaceLink announced it had selected OHB System AG of Germany as the preferred manufacturer of SpaceLink's Block-1 constellation of MEO satellites. SpaceLink then entered into an ATP (authority to proceed) agreement with OHB to undertake a co-engineering phase intended to deliver an optimised satellite design that was suited to OHB production capabilities, and met all SpaceLink performance requirements.

The design process commenced at the same time as new optical communication terminals, which are key payload elements for SpaceLink satellites, were formally qualified for service in space for US government customers. The SpaceLink-OHB joint design effort applied this new technology and other innovations to produce major improvements to the Block-1 satellites, in terms of satellite capacity (50%) and lifetime (25%).

These major improvements in design also resulted in an extension of the expected project schedule by six months, from early-2024 operations to mid-2024, and a cost increase from US\$700M to US\$750M. At the same time, customer demand for earlier service delivery was increasing and access to capital was tightening globally.

Despite a compelling business model underpinned by customer demand, SpaceLink required a faster, more cost-effective way to establish technical feasibility, validate market demand, establish market pricing benchmarks, and achieve positive cash flow.

ACCELERATING SPACELINK

SpaceLink has developed a new, high-capacity communication satellite design, known as Block-0, that allows for accelerated schedule and reduced cost.

Key features of the new design include:

- **Cost.** The US\$240M project cost is less than 33% of the original project cost. This reduced cost includes satellites, launch, ground-based infrastructure and Opex to achieve profitable operations. The new budget also includes funds required to implement risk mitigation activity with OHB for future improved satellites.
- **Profitability.** Near-term customer revenue is estimated by SpaceLink at US\$240M over the initial 30 months of service delivery. Replacement satellites can be inserted into the constellation at a substantially lower cost per unit of capacity, to meet expanding service delivery obligations. These satellites will have enhanced profitability from using then-existing ground-based infrastructure.
- **Spectrum.** An initial operational capability in space will be achieved before mid-2024, meeting all requirements of the SpaceLink spectrum allocation.
- **Capacity.** The new design will have sufficient capacity to meet early market demand and achieve profitable operation.

The lifetime on orbit for Block-0 satellites is around 2.5 years, noting that follow-on satellites can be added quickly, subject to regulatory approval. Block-0 will constitute a fully functional and profitable SpaceLink constellation, scalable to meet market demand and funding availability.

ENGINEERING CONTINUATION

SpaceLink expects that its planned 2024 capability will meet an increasingly urgent need for secure and resilient space communication services and will establish the need for increased capacity and lifetime in SpaceLink communication satellites.

EOS has today extended its commercial relationship with OHB to further improve the capability of SpaceLink satellites. The focus of this contracted activity is ensuring interoperability of SpaceLink constellation satellites of varying build and launch dates, vendor qualification, satellite lifetime extension, and technical risk mitigation.

NEXT STEPS

EOS has received proposals for the new, lower cost satellites and has shortlisted two vendors with compliant solutions. Final selection and contract award is expected in April 2022 with initial operational capability scheduled for Q2 2024.

SPACELINK VALUE AND FUNDING

The reduced scale of SpaceLink costs under Block-0, from US\$750M to US\$240M allows EOS to re-position its SpaceLink funding program.

The reduced scale and reduced risk of the project will allow EOS the option to maintain for its shareholders a larger equity share in SpaceLink than was previously expected.

Financing negotiations for SpaceLink are now being reset to the new parameters outlined here. Engagement with funding sources has commenced.

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

Further information:

Dr Ben Greene
Group CEO EOS

Mr Glen Tindall
CEO EOS Space Systems

John Hobson
Investor Relations
jhobson@eos-aus.com
+61 488 002 460

enquiry@eos-aus.com

ABOUT ELECTRO OPTIC SYSTEMS (ASX: EOS)

EOS operates in two divisions: Defence Systems and Space Systems

- Defence Systems specialises in technology for weapon systems optimisation and integration, as well as ISR (Intelligence, Surveillance and Reconnaissance) and C4 systems for land warfare. Its key products are next-generation remote weapon systems, vehicle turrets, counter-UAS and C4 systems.
- Space Systems includes all EOS space and communications businesses, and operates as three entities – SpaceLink, EM Solutions and Space Technologies. SpaceLink is developing a constellation of Medium Earth Orbit satellites to create the communications superhighway for the space economy. EM Solutions provides global satellite communications services and systems. Space Technologies specialises in applying EOS-developed optical sensors to detect, track, classify and characterise objects in space and remains integral to research and development across the group.

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