



26 July 2024

ASX RELEASE

## **QUARTERLY ACTIVITY REPORT & APPENDIX 4C FOR THE QUARTER ENDED 30 JUNE 2024**

The consolidated entity consisting of Electro Optic Systems Holdings Limited and the entities it controls ("EOS" or the "Group") has filed its Appendix 4C and provides the following update on its activities for the quarter ended 30 June 2024.

### **1. OVERVIEW**

- Cash Receipts from Customers for the quarter were \$68.3m, up \$7.2m compared to Q2 2023, and up \$16.2m compared to Q1 2024.
- Other cashflows from operating activities (excluding cash receipts from customers) during the quarter amounted to net payments of \$76.3m. This is an increase of \$1.7m compared to Q1 2024 and an increase of \$16.5m compared to Q2 2023.
- Cash interest and finance costs decreased during the quarter compared to Q1 2024 due to repayment of one of the working capital facilities in the period.
- Net Cash used in Operating Activities during the quarter was an outflow of \$8.0m, a \$14.6m improvement compared to Q1 2024.
- Net Cash received from Investing Activities was \$7.0m during the quarter, including \$8.3m received from reduced collateralisation of security deposits.
- Net Cash used in Financing Activities was \$20.0m. This included the impact of a planned \$20.5m debt repayment in April 2024, and the receipt of \$1.7m of net proceeds from the issue of equity securities under the SPP in April 2024, and was partially offset by other items.

EOS' cash balance at 30 June 2024 was \$52.2m, representing a decrease of \$20.2m from the 31 March 2024 cash balance of \$72.4m.

On 16 July 2024 EOS also announced a 92% increase in H1 unaudited revenue to \$142.6m.

After the end of the quarter, in July 2024, EOS entered into an agreement with a cannon supplier to buy cannons and related supplies over a 3 year period, for a total commitment of approx. US\$70m (approx. A\$104m). More details are included in section 3 below.

## 2. CASH SUMMARY

### Receipts from Customers

Receipts from Customers totalling \$68.3m during the quarter, were up \$16.2m from \$52.1m in Q1 2024 and \$7.2m from \$61.1m in Q1 2023. This increase arose from EOS' work to accelerate and complete key milestones across projects during the quarter, particularly on a large, longstanding customer project in the Middle East.

During the quarter, the Group continued to manufacture and deliver Remote Weapon Systems ('RWS') and collected cash on existing customer contracts. In addition, EM Solutions continued work under its 2023 contract to supply the Royal Australian Navy with products and services over seven years (valued at up to \$202m).

Cash receipts included receipts from customers in Europe, the United States, the Middle East, South East Asia and Australia. The Group continues to focus on maximising receipts from customers, including seeking contract amendments where appropriate, as well as securing and delivering on new sales contracts that are cash-positive.

### Contract Asset Balance

At 30 June 2024, EOS had a gross contract asset totalling approximately \$89.7m, representing work completed for existing contracts but not yet invoiced to the customer.

This balance relates almost entirely to a large customer contract in the Middle East. The balance at 30 June 2024 represents a decrease of \$7.8m on the gross contract asset balance of \$97.5m at 31 March 2024, as a result of invoicing exceeding revenue recognised during the period. The Group expects the contract asset balance to decrease during 2024 and 2025 as this balance is progressively realised in cash receipts.

As at 30 June 2024, EOS had received payments in advance from customers totalling \$38.0m. This is a decrease of \$0.4m from 31 March 2024 and reflects similar advance cash receipts on cash-positive projects.

The net contract asset was \$51.7m at 30 June 2024, \$7.4m lower than at 31 March 2024.

### Operational Cash Payments

Other cashflows from operating activities (excluding cash receipts from customers) during the quarter amounted to net payments of \$76.3m, an increase of \$1.7m on Q1 2024.

This included:

- Payments for manufacturing and operating costs were \$47.6m during the quarter, an increase of \$5.6m on Q1 2024 and an increase of \$7.8m on Q2 2023. The increase included the impact of 1) manufacturing products (particularly for a large, longstanding customer in the Middle East), where EOS expects to get paid by the customer during H2 2024, and 2) investment in long lead inventory items that will allow EOS to accelerate production schedules for customers in future periods; and
- Other cashflows amounted to net payments of \$28.7m during the quarter, a decrease of \$3.9m on Q1 2024. The decrease in the quarter included \$5.2m lower cash interest and finance payments which arose following a planned debt repayment in April 2024 (see section 7 below).

## Other Cash Flows

The Net Cash used in Operating Activities for the quarter was an outflow of \$8.0m, an improvement of \$14.6m from \$22.6m outflow in Q1 2024. The improvement was driven by the \$16.2m impact of higher customer receipts (noted above), offset by the \$1.7m increase in net other cashflows from operating activities (noted above).

The Net Cash received from Investing Activities for the quarter was an inflow of \$7.0m, which included \$8.3m of cash security deposit that was released by a funding provider. More information is included in section 5 below.

The Net Cash used in Financing Activities for the quarter was an outflow of \$20.0m, which included the planned repayment of the additional working capital facility of \$20.5m (refer section 7 below), and the funds received from an equity raise (share purchase plan) during April 2024 less the transaction costs (yielding net \$1.7m proceeds) and scheduled lease repayments (\$1.2m).

## 3. MARKET, CUSTOMER AND BUSINESS UPDATE

The global market for EOS' products remained positive during the quarter. This was largely due to the ongoing conflicts in Ukraine and the Middle East and rising tensions in other locations. This thematic continues to positively impact on customer demand. In particular, the counter-drone market is fast growing and represents a high-profile market opportunity for EOS.

EOS operates in an industry where it can typically take up to, and beyond, twelve months for new market opportunities to be converted into signed sales contracts. EOS continues to pursue a number of material opportunities in different markets, including Europe, the Middle East, North America, South East Asia and Australia.

### Defence Systems

During the quarter, the Defence Systems business continued to deliver products to key customers including in the Middle East and Australia. In addition the Defence Systems business incurred costs and cash outflows in product manufacturing costs, operating costs and staff costs.

EOS is experiencing increased counter-drone demand. During the quarter, EOS commenced systems delivery under the contract announced in January 2024 to supply Euro 9m (approx. A\$15m) of Slinger counter-drone systems to Diehl Defence in Germany. Production of remaining systems is currently underway, and deliveries are expected to be completed in 2024.

During the quarter, EOS received an order from a large customer in the United States, to supply two Slinger counter-drone systems for evaluation. EOS expects to supply these systems during H2 2024 and this may lead to significant sales opportunities in 2024 and beyond.

In the prior quarter, EOS completed all system deliveries under a contract (announced on 27 December 2023) to supply RWS units to a Western European Government. During the quarter, EOS completed all spare parts deliveries and the integration milestone required in this contract.

EOS continued contract negotiations in relation to the supply of RWS to Hanwha for the Land 400 Phase 3 project in Australia. The project will see Hanwha delivering 129 vehicles to the ADF in 2027 and 2028. EOS expects these contract negotiations to continue during H2 2024.

EOS started work on an \$5.4m order from Thales during the quarter, for the supply of 10 new and 9 refurbished Mk2 R400 RWS under its sustainment agreement with the customer.

During the quarter EOS provided two demonstration R400 RWS to a potential new customer in the Middle East. These systems are currently being evaluated and this may lead to significant new sales opportunities in 2024 and future years.

EOS worked on a range of material sales opportunities during the quarter, including:

- Follow-on sales opportunities with a longstanding customer in the Middle East;
- Further opportunities with an existing Western European Government customer in relation to potential further donations to Ukraine; and
- A new Western European customer in relation to potential donations to Ukraine.

EOS continued discussions with potential customers during the quarter for the R150 RWS (launched during 2023), the R800 RWS (launched during 2023) and the Slinger counter-drone system (launched during 2023).

Typically, it can take an extended period of time for opportunities to be converted into signed sales contracts.

## **Ukraine**

In 2023, EOS signed two conditional contracts to supply RWS to Ukraine, valued at approximately \$181m. Following demonstrations during 2023, EOS products were approved during 2023 by the Ukrainian authorities for purchase.

EOS is continuing to work with the Ukrainian end-users and customers in order to convert the conditional contracts into committed orders. As part of this activity, further demonstration testing is being arranged in Ukraine during 2024.

The process to finalise these contracts is taking longer than was initially expected when these contracts were announced in April 2023. This is not unusual, particularly given the dynamic situation in Ukraine. EOS will continue to work on developing these opportunities.

The conditional contracts are subject to early termination rights in favour of the customer and there is no certainty that committed orders will be received by EOS under these conditional contracts.

## **Investment in Long Lead Supplies**

The key use of funds highlighted during the March 2024 equity capital raising related to securing the supply of critical long-lead items, particularly cannons whose lead-times have increased significantly due to strong global demand.

After the end of the quarter, in July 2024, EOS placed a blanket order with a longstanding cannon supplier and partner to buy cannons and related supplies.

Under the agreement, EOS has committed to ordering cannons over a 3 year period at a total cost of US\$70 million (approx. A\$104 million). The supplier has agreed to deliver cannons to EOS within 12 months of ordering and EOS expects delivery to commence during 2025. EOS expects to sell these cannons to customers as part of future targeted RWS supply agreements.

EOS is pleased to secure cannon supply under this agreement as it will enable EOS to move quickly on prospective sales opportunities, a key point of differentiation in the market.

## **Space Technologies**

During the quarter, EOS Space Technologies continued to deliver products and services to customers under existing contracts, and to pursue and win opportunities to deliver Space Domain Awareness services.

As previously announced, EOS Space Technologies secured a \$5m contract during the quarter. The contract is with the Australian Defence Force to further develop space capabilities and is expected to be delivered in 2024. This project is a significant strategic opportunity for EOS and is consistent with EOS' stated strategy of securing third party funding for new capability development work in Space Technologies.

EOS Space Technologies continued during the quarter to work on additional opportunities with the Australian Defence Force to further develop its space capabilities. The business is actively pursuing debris laser ranging contract opportunities as global market interest rises. EOS is well positioned to capitalise on these opportunities as they mature.

EOS Optical Technologies continues to deliver against several contracted programs for a broad range of international customers.

## **EM Solutions**

During the quarter, the EM Solutions business continued to deliver against a previously announced (approx. \$202m) long-term contract to supply satellite communication terminals to the Royal Australian Navy. Deliveries to other customers in Australia and Europe continued during the quarter.

As previously announced, during the quarter EM Solutions secured \$19m of additional new contracted orders, made up of:

- Follow on orders from a European NATO Navy for an additional 6 Cobra satellite communication terminals, worth \$10m;
- Additional orders for ground radar modules for a mining sector customer worth \$5m; and
- An initial order for 4 Cobra terminals for a new East Asian Navy customer, worth \$4m.

In July 2024 EM Solutions received a further \$4m order from a European NATO Navy for its King Cobra terminals.

EM Solutions also continued work on market development and contract negotiations on other potential sales opportunities in Europe, Asia and Australia in order to leverage increasing defence budgets in these markets.

During the quarter, a new trading entity was established in the Netherlands to support EM Solutions growth in Europe in future years.

## **4. PRODUCT DEVELOPMENT**

EOS continued to develop its intellectual property and further commercialise its product range. Typically, new product launches in the defence industry can take one to three years to achieve sales and develop commercial maturity. During the quarter:

### **Counter Drone**

Following the 2023 launch of the flagship Slinger counter-drone system, EOS continued work to meet strong demand for counter-drone solutions. As well as ongoing efforts to demonstrate the Slinger counter-drone system capabilities to customers, in July 2024, EOS also successfully demonstrated its Laser Dazzler at the CUAS Sandbox event in Canada. The Laser Dazzler can be integrated into EOS' existing RWS, giving operators the flexibility to use either lethal kinetic or non-lethal kinetic electronic warfare measures against aerial threats.

### **Directed Energy**

EOS has recently established a Laser Innovation Centre in Singapore, to carry out new product development work on our High Energy Laser Weapon system.

EOS continued commercial discussions with a number of potential customers for its High Energy Laser Weapon system. In particular, discussions with two potential international customers are at a more advanced stage. These discussions are ongoing and could result in new customer agreements being signed during 2024 or later.

### **Autonomous and Uncrewed Systems**

During the quarter, EOS and the Australian Defence Force (ADF) Robotic and Autonomous Systems Implementation & Coordination Office (RICO) demonstrated the advanced long-range firing capabilities and precision of EOS' R400 RWS, remotely controlling an RWS from approximately 550km away to destroy ground targets.

EOS demonstrated the capabilities of an R600 RWS on a US Army Small Multipurpose Equipment Transport (S-MET) robotic infantry support vehicle. Using this platform, EOS successfully shot down pairs of Class 1 UAVs at ranges of more than 300m and engaged multiple ground targets with 30mm cannon from this robotic platform.

EOS received a request from a large customer in the United States to develop an autonomous capability for the Slinger counter-drone system, and EOS intends to work on this in 2024 and 2025.

### **EM Solutions**

EM Solutions worked on a concept development for a new mid-size naval satellite communication terminal as well as various upgrades to its existing core Cobra and King Cobra products.

## 5. GUARANTEE AND BOND FACILITIES

As part of normal industry practice, the Group is regularly required to provide guarantees and performance and other bonds as security to customers and other counterparties. These bonds are secured either wholly or partly by cash and a fixed and floating charge over the assets of the Group. During the quarter, \$8.3m of cash security was released by a funding provider.

As at 30 June 2024, the Group had issued a total of \$104.2m of performance and offset bonds. These are issued by Export Finance Australia and Westpac under Bond Facility Agreements. The performance and offset bonds provided on behalf of the Group are shown as Contingent Liabilities in the Group financial statement notes. Cash security deposits totalling \$64.7m secured these bonds.

The bonds, guarantees and cash deposits are expected to be returned to EOS in future years as various obligations are fulfilled. In recent periods, EOS has been able to secure some contracts which do not require guarantees of this nature but it is likely that guarantees will still be required to be issued to support a range of contracts in future and accordingly as the current arrangements roll off, they may be replaced in whole or in part. EOS intends to continue to reduce guarantee collateralisation levels (cash security deposits) where possible.

## 6. OFFSET CREDIT OBLIGATION

The Group is obligated as part of its contract to supply a customer in the Middle East, to contribute to economic development in the country as an offset against purchases of its products and services ("Offset Program").

This commitment is secured by an offset bond of US\$16.9m (A\$26.0m) which is guaranteed by Export Finance Australia. In respect of the bond, a cash security amount of US\$13.7m (A\$21.0m) has been placed on deposit. These are included in the cash security deposits identified in section 5 above.

Under the Offset Program, Offset Credits can be earned by:

- (i) investing in the country;
- (ii) engaging in contracts that support local industry; or
- (iii) making other contributions.

This is a common requirement for suppliers like EOS. Under the Offset Program guidelines, participants typically have several years in which to earn Offset Credits. As an alternative to generating Offset Credits through the Offset Program, in certain circumstances Offset Credits can be generated through participation in the Credit Purchase Program, which involves settling obligations by making cash payments.

As part of the Offset Program, EOS is required to develop, agree and submit an approved business plan to the Offset Credit authority. EOS submitted a business plan during September 2023, which was within a time limit specified by the Offset Credit authority. The business plan remains under review by the Offset Credit authority and the Group continued during the quarter to have advanced discussions with the Offset Credit authority towards finalising this approval. EOS believes the extended timeframe for approval is not unusual in this jurisdiction and is not unexpected.

During Q1 2024, EOS entered into a non-binding memorandum of understanding ("MOU") with Shielders Advanced Industries, a specialist manufacturer in the Middle East. The MOU envisages a JV with EOS that focusses on local manufacturing and assembly of RWS and assists EOS in meeting its Offset Obligations in the Middle East.

As a result of the above, EOS considers that it is currently not in default of its obligations. In the event that EOS does not comply with its obligations in future, the Offset Credit authority is entitled to demand payment under the guarantee outlined above. EOS intends to continue to work to ensure it complies with its obligations.

As at the date of this report, EOS considers that it is in compliance with its obligations and expects to reach agreement on an approved business plan, and to ultimately generate offset credits by executing that business plan. EOS does not expect to settle the offset obligation in cash, either through the Credit Purchase Program or the bank guarantee.

## 7. BORROWING SUMMARY AND CASH BALANCES

On 10 April 2024, EOS announced the \$20.5m full repayment of the Additional Working Capital Facility. This follows the repayment of \$26.9m in September 2023 of the Initial Working Capital Facility.

EOS has now repaid, on schedule, 50% of the total principal amounts originally due and 100% of the Working Capital Facility amounts.

Following that repayment, the EOS position under the borrowing facilities with EOS' primary lender Washington H. Soul Pattinson ("WHSP"), is now as follows:

Facility	Principal	Term	Maturity	Total Rate	Repayment	Status
<del>Working Capital</del>	<del>\$20.0m</del>	<del>12m</del>	<del>6 Sep 23</del>	<del>19%</del>	<del>\$26.9m</del>	Repaid
<del>Working Capital</del>	<del>\$15.0m</del>	<del>18m</del>	<del>11 Apr 24</del>	<del>19%</del>	<del>\$20.5m</del>	Repaid
Term Loan	\$35.0m	36m	11 Oct 25	26%	\$52.1m	

The key terms of each of the facilities were included in an announcement dated 13 October 2022 and these terms were subsequently amended, as announced on 22 December 2023 and 27 February 2024 (see below).

As at 30 June 2024 and at the date of this report, the Term Loan facility was fully drawn.

The \$52.1m repayment due for the Term Loan Facility includes principal, establishment fees and interest accrued to date. In addition to the above repayment due in October 2025, EOS is required to pay interest each month, totalling approximately \$14.7m over the remaining term of the debt. The borrowing facility agreements include a 100% 'make whole' clause which applies in the case of any early repayment.

During the quarter, the Group was required to comply with borrowing covenants related to quarterly testing of asset coverage and interest coverage ratios. During the quarter ended 30 June 2024, and in the period up to the date of this announcement, the Group complied with its covenants and other obligations under the facility agreements.

The Group continues to closely monitor its cashflow outlook and compliance with its borrowing covenants. The ability of the Group to maintain liquidity and meet its borrowing covenants is dependent on the Group continuing to invoice customers and collect cash in a timely manner. Should it appear that borrowing covenants may not be complied with, or the Group may not be in a position to meet debt repayments, or the Group may not have adequate liquidity for its operations, the Directors will assess available options to restructure debt commitments or access additional equity or debt funding as required.



Under the borrowing facility agreements, EOS commenced the payment of monthly interest and line fees to WHSP during Q4 2023. Interest and line fees had previously been capitalised into the outstanding loan facility balance, up to an agreed limit.

During Q2 2024, EOS received net proceeds of \$1.7m from the Share Purchase Plan ('SPP').

EOS's cash balance at 30 June 2024 was \$52.2m. The Group's next scheduled loan repayment is \$52.1m due on 11 October 2025.

## **8. BOARD AND MANAGEMENT CHANGES**

On 4 April 2024, EOS announced the following leadership changes:

- The appointment of Mr Christian Tobergte as Executive Vice President Defence Systems International to lead international growth in the Defence Systems business outside of Australia. This role will be based in Europe.
- Mr Ian Cook was appointed as Executive Vice President Defence Systems Australia in November 2023 to lead growth in our Australian business and to focus on global engineering, supply chain and manufacturing activities.
- Mr Clive Cuthell has been appointed Chief Operating Officer in addition to his existing role as Chief Financial Officer, to focus on execution of key group initiatives to support growth.

These changes are expected to further enable EOS to grow the business in international markets, including the high-growth counter-drone market.

In May 2024 EOS decided to bring its company secretary function fully in house. Ms Leanne Ralph resigned as Joint Company Secretary on 31 May 2024, leaving EOS employee Ms Melanie Andrews (appointed 26 March 2024) as the sole Company Secretary. Ms Andrews has considerable experience in this role.

## **9. RELATED PARTY TRANSACTIONS**

Payments to related parties of the entity and their associates totalled \$856,316 for the quarter.

These amounts include:

- payments of \$720,371 paid to CEO Dr Schwer, representing \$200,660 of salary and \$519,711 of FY23 bonus paid during the quarter; and
- \$135,945 paid in directors' fees and superannuation to non-executive directors and entities associated with non-executive directors during the quarter.

## **10. SUBSEQUENT EVENTS**

Other than the items discussed above, there are no material subsequent events.

## 11. AUDITED RESULTS

All information included in this announcement is unaudited.

This announcement has been authorised for release to the ASX by the Board of Directors. All amounts are in Australian dollars unless stated.

Further information:

Dr Andreas Schwer  
Managing Director and Chief Executive Officer  
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## **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 include next-generation remote weapon systems, vehicle turrets, high-energy laser weapons (directed energy), as well as fully integrated and modular counter-UAS and C4 systems.

**Space Systems** includes all EOS space and communications businesses, and operates as two entities – Space Technologies and EM Solutions. Space Technologies specialises in applying EOS-developed optical sensors and effectors to detect, track and characterise objects in space. It includes capabilities in the domain of space control and space warfare. EM Solutions delivers world-leading RF and optical space communications technology. Its core product range centres around the development and production of high-end, broadband radio transceivers for satellite communications as well as satellite communications-on-the-move terminals for defence and government customers.

## **FORWARD LOOKING STATEMENTS**

This announcement may contain certain "forward-looking statements" including statements regarding EOS' intent, belief or current expectations with respect to EOS' business and operations, market conditions, results of operations, financial condition, and risk management practices. The words "likely", "expect", "aim", "should", "could", "may", "anticipate", "predict", "believe", "plan" and other similar expressions are intended to identify forward-looking statements. Indications of, and guidance on, future earnings, financial position and performance, establishment costs and capital requirements are also forward-looking statements.

Forward-looking statements including projections, guidance on future earnings and estimates are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance.

This announcement may contain such statements that are subject to risk factors associated with an investment in EOS. Forward-looking statements involve known and unknown risks, uncertainties and assumptions and other important factors that could cause the actual results, performances or achievements of EOS to be materially different from future results, performances or achievements expressed or implied by such statements.

Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this announcement.

## 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")**

30 June 2024

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	68,254	120,316
1.2 Payments for		
research and development	(2,868)	(6,182)
product manufacturing and operating costs	(47,626)	(89,295)
advertising and marketing	(1,379)	(2,290)
leased assets	-	-
staff costs	(12,794)	(24,169)
administration and corporate costs	(7,323)	(15,063)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	499	833
1.5 Interest and other costs of finance paid	(4,778)	(14,734)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	12
1.8 Other (provide details if material)	-	-
Income tax refund received	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(8,015)</b>	<b>(30,572)</b>

<b>2.</b>	<b>Cash flows from investing activities</b>		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	(1,189)	(1,441)
	(d) investments	-	-
	(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	Security Deposits	8,164	2,119
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>6,975</b>	<b>678</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	1,918	36,918
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	(175)	(1,548)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	(20,505)	(20,505)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Repayment of lease liabilities	(1,254)	(2,479)
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>(20,016)</b>	<b>12,386</b>

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

<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	72,442	70,997
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(8,015)	(30,572)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	6,975	678
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(20,016)	12,386
4.5	Effect of movement in exchange rates on cash held	835	(1,268)
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>52,221</b>	<b>52,221</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	52,221	72,442
5.2	Call deposits	-	-
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>52,221</b>	<b>72,442</b>
<b>Note</b>	<b>Not included in the cash figure above are current and non-current cash security deposits securing performance bonds, premises and guarantees</b>	<b>66,253</b>	<b>74,915</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	856
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
These amounts included in item 6.1 relate to salary and FY23 bonus payments to the executive director during the quarter and payments for directors' fees and superannuation to non-executive directors and entities associated with non-executive directors during the quarter.		

7.	<b>Financing facilities</b> <i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
7.1	Loan facilities – WHSP	46,350	46,350
7.2	Credit standby arrangements	-	-
7.3	Other – Export Finance Australia	87,227	86,880
	Other – Westpac	17,321	17,321
7.4	<b>Total financing facilities</b>	<b>150,898</b>	<b>150,551</b>
7.5	<b>Unused financing facilities available at quarter end</b>		347
7.6			

**WHSP Facilities:**

Working Capital facility

- On 6 September 2022, the Group entered into a \$20m 12-month working capital facility with Washington H. Soul Pattinson and Company Limited ('WHSP'). The facility carried interest of 15% per annum and line fees of 4%. This loan was secured by a general security deed which ranks in priority above both the Term loan facility and the Export Finance Australia facility below. This finance facility was repaid in full on 5 September 2023.

Additional Working Capital Facility

- On 12 October 2022, the Group entered into an Additional Working Capital Facility with WHSP. This facility was an 18-month facility for \$15m. The facility carried an interest rate of 15% per annum and line fees of 4%. This loan was secured by a general security deed which ranked in priority above both the Term loan facility and the Export Finance Australia facility below. This finance facility was repaid in full on 10 April 2024.

Term loan facility

- On 12 October 2022, the Group entered into a \$35m three-year term loan facility with WHSP to refinance an existing facility. The facility carries an interest rate of 22% per annum and line fees of 4% and is secured by a general security deed which ranks parri passu with the Export Finance Australia facility below.

The outstanding facility includes an early repayment option and a 'make whole' clause. The key terms of each of these facilities were included in the announcement dated 13 October 2022 "EOS enters into New Financing Facilities & continues development of Strategic Growth Options" ("EOS 13 October Announcement"). Under the borrowing facility agreements, during Q4 2023, EOS commenced the payment of monthly interest and line fees to WHSP. Interest and line fees had previously been capitalised into the outstanding loan facility balance, up to an agreed limit.

7.6	<p><b>Export Finance Australia facility:</b></p> <ul style="list-style-type: none"> <li>• The Group maintains a performance bond in respect of a contract in Defence Systems of US\$33.2m (A\$50.2m). The performance bond was provided by Export Finance Australia under a Bond Facility Agreement and is secured by a cash Security Deposit of US\$15.8m (A\$23.9m) and a fixed and floating charge over the assets of the Group. The costs of this facility are included in Item 1.5 as other costs of finance paid.</li> <li>• Under the terms of a contract in Defence Systems, the Group signed an offset agreement with the relevant overseas Government Authority on 12 February 2021 for an amount of US\$16.9m (A\$25.6m). The offset bond was provided by Export Finance Australia under the same Bond Facility Agreement and is secured by a cash Security Deposit of US\$13.7m (A\$20.7m) and a fixed and floating charge over the assets of the Group. The costs of this facility are included in Item 1.5 as other costs of finance paid.</li> <li>• The Group has an agreement with Export Finance Australia to provide a A\$11.1m bank guarantee to a domestic customer in Australia in relation to sourcing products for delivery to a Western European Government customer. At 30 June 2024, the bank guarantee is secured by cash deposit of A\$2.8m, following the release of \$8.3m security during the quarter. The costs of the facility arrangements are included in Item 1.5 as other costs of finance paid.</li> </ul> <p><b>Westpac facility:</b></p> <ul style="list-style-type: none"> <li>• The Group has executed an agreement with Westpac to provide a A\$11.1m bank guarantee to a domestic customer in Australia in relation to sourcing products for delivery to a Western European Government customer. This, in addition to the EFA \$11.1m guarantee provides the total \$22.2m security required under the contract. The bank guarantee with Westpac is secured by a cash deposit of \$11.1m and the costs of the facility arrangements are included in Item 1.5 as other costs of finance paid.</li> <li>• The Group has secured a bank guarantee facility for \$6m with Westpac to support an EM Solutions contract to deliver and install communications systems to the Royal Australian Navy. To secure these bank guarantees the Group has provided a cash security deposit of \$6m.</li> </ul>
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8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(8,015)
8.2	Cash and cash equivalents at quarter end (item 4.6)	52,221
8.3	Unused finance facilities available at quarter end (item 7.5)	346
8.4	Total available funding (item 8.2 + item 8.3)	52,567
8.5	<b>Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	6.5
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?
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	Answer: N/A
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## 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: 26 July 2024

Authorised by the Board of Directors.

## 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.