

**ELECTRO OPTIC SYSTEMS HOLDINGS LIMITED**

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31 October 2024

ASX RELEASE

**QUARTERLY ACTIVITY REPORT & APPENDIX 4C
FOR THE QUARTER ENDED 30 SEPTEMBER 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 September 2024.

1. KEY ACTIVITIES DURING Q3 2024**Manufacturing & Delivery**

- Manufacture of Remote Weapon Systems ('RWS') batches for a key longstanding customer in the Middle East and continued reduction in the gross Contract Asset working capital balance to \$79.1m.
- Manufacture of RWS for domestic Australian customer (longstanding PMVLU contract).
- Delivery of EOS Slinger Counter Drone systems to key customer in Germany.

Customer Order Activity

- A new strategic RWS customer in the Middle East purchased RWS for testing on vehicles (<\$5m) and to assist in evaluation of potential further orders.
- EOS Space Technologies secured strategically important work with a domestic customer in Australia worth \$9m and continues to pursue further opportunities.
- EM Solutions secured \$15m of new orders during the quarter, continuing its program of market expansion in Europe.

Order Book Development activity

- Advanced negotiations continued on the Land 400 Phase 3 RWS opportunity in Australia, valued at up to A\$100m and expected to be delivered in 2026 and 2027.
- Negotiations continued with regards to a potential new R800 RWS customer in North America, valued at up to A\$30m and expected to be delivered in 2025.
- Continued work on Ukrainian opportunities including planning further additional demonstration tests for conditional orders, and work to generate additional sales to donor nations.

Market development activity

- EOS highlighted the Slinger Counter Drone RWS at the AUSA Trade Show in Washington DC.
- Leonardo DRS, a key potential customer, demonstrated the EOS Slinger system on a specialised counter-drone Stryker vehicle for key North American customers.



- Negotiations continued with two potential customers for EOS High Energy Laser Weapon sales.



- EOS Laser Innovation Centre in Singapore met key prospective customers.
- Further discussions continued with potential new customers regarding Space Control opportunities.
- EOS will continue work to develop the above opportunities. There is no guarantee that these opportunities will be realised in the form of binding sales contracts.

2. FINANCIAL SUMMARY

EOS' cash balance at 30 September 2024 was \$55.0m, a \$2.8m increase from 30 June 2024. In addition to the cash balance of \$55.0m, at 30 September 2024 the Group had \$64.2m of cash deposits held with banks to support bank guarantees.

Operating Cash Flows

The Net Cash from Operating Activities in the quarter was \$10.5m, an increase of \$18.5m from Q2 2024 (decrease of \$37.4m from Q3 2023).

Receipts from Customers totalled \$76.5m during the quarter, up \$8.2m compared to Q2 2024 and down \$20.3m in Q3 2023. Other cashflows from operating activities (excluding cash receipts from customers) during the quarter amounted to net payments of \$66.0m, a decrease of \$10.3m compared to Q2 2024. These other cashflows from operating activities included payments for manufacturing and operating costs (\$36.0m) and other cashflow payments of \$30.0m, including staff costs, administration costs, interest payments and other items.

Other Cash Flows

The Net Cash used in Investing Activities for the quarter was \$7.6m, which was \$12.0m less than the Q3 2023 (which included \$18.9m payments required for security deposits).

The Net Cash used in Financing Activities for the quarter was \$1.9m, which was \$22.0m lower cash outflow than Q3 2023 due to repayment of the working capital facility of \$22.8m last year.

Contract Asset Balance

At 30 September 2024, EOS had a gross contract asset totalling approximately \$79.1m, 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 September 2024 represents a decrease of \$10.6m on the gross contract asset balance of \$89.7m at 30 June 2024, as a result of invoicing exceeding revenue recognised during the period. The Group expects the contract asset balance to decrease during the remainder of 2024 and 2025 as this balance is progressively realised in cash receipts.

As at 30 September 2024, EOS had received payments in advance from customers totalling \$36.1m. This is a decrease of \$1.9m from 30 June 2024 and reflects similar advance cash receipts on cash-positive projects.

The net contract asset was \$43.0m at 30 September 2024, \$8.7m lower than at 30 June 2024.

3. BORROWING SUMMARY AND CASH BALANCES

Following repayments in previous periods, EOS' position under the borrowing facilities with its primary lender Washington H. Soul Pattinson ("WHSP"), is now as follows:

Facility	Principal	Term	Maturity	Total Rate	Repayment	Status
Working Capital	\$20.0m	12m	6 Sep 23	19%	\$26.9m	Repaid
Working Capital	\$15.0m	18m	11 Apr 24	19%	\$20.5m	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 September 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 \$11.8m 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 September 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.

4. 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").

The background to this obligation has been provided in announcements to the ASX, including the Appendix 4C, dated 26 July 2024. The obligation commitment is secured by an offset bond of US\$16.9m (A\$24.5m) which is guaranteed by Export Finance Australia. In respect of the bond, a cash security amount of US\$13.7m (A\$19.8m) has been placed on deposit. These are included in the cash security deposits identified in section 2 above.

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. During Q3 2024, the Group continued 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.

As a result of the above, EOS considers that it is currently in compliance with 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.

5. RELATED PARTY TRANSACTIONS

Payments to related parties of the entity and their associates totalled \$345,750 for the quarter.

These amounts include:

- payments of \$190,232 paid to CEO Dr Schwer representing salary paid during the quarter; and
- \$155,518 paid in directors' fees and superannuation to non-executive directors and entities associated with non-executive directors during the quarter.

6. SUBSEQUENT EVENTS

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

7. 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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EOS Investor Hub

Questions relating to this announcement can be posted on our Investor Hub at the link below:

<https://investorhub.eos-aus.com/link/GyVkZe>



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 September 2024

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	76,521	196,837
1.2 Payments for		
research and development	(2,163)	(8,345)
product manufacturing and operating costs	(36,049)	(125,344)
advertising and marketing	(874)	(3,164)
leased assets	-	-
staff costs	(14,217)	(38,386)
administration and corporate costs	(8,124)	(23,187)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	424	1,257
1.5 Interest and other costs of finance paid	(4,455)	(19,189)
1.6 Income taxes paid	(549)	(549)
1.7 Government grants and tax incentives	5	17
1.8 Other (provide details if material)	-	-
Income tax refund received	-	-
1.9 Net cash from / (used in) operating activities	10,519	(20,053)

2.	Cash flows from investing activities		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	(3,224)	(4,665)
	(d) investments	-	-
	(e) intellectual property	(1,890)	(1,890)
	(f) other non-current assets	(2,486)	(2,486)
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	-	2,119
2.6	Net cash from / (used in) investing activities	(7,600)	(6,922)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	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	(426)	(1,974)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	(20,505)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Repayment of lease liabilities	(1,447)	(3,926)
3.10	Net cash from / (used in) financing activities	(1,873)	10,513

Appendix 4C

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

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	52,221	70,997
4.2	Net cash from / (used in) operating activities (item 1.9 above)	10,519	(20,053)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(7,600)	(6,922)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(1,873)	10,513
4.5	Effect of movement in exchange rates on cash held	1,721	453
4.6	Cash and cash equivalents at end of period	54,988	54,988

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 \$A'000	Previous quarter \$A'000
5.1	Bank balances	54,988	52,221
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)	54,988	52,221
Note	Not included in the cash figure above are current and non-current cash security deposits securing performance bonds, premises and guarantees	64,249	66,253

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	346
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 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.	Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1	Loan facilities – WHSP	47,110	47,110
7.2	Credit standby arrangements	-	-
7.3	Other – Export Finance Australia	83,844	83,513
	Other – Westpac	17,311	17,311
7.4	Total financing facilities	148,265	147,934
7.5	Unused financing facilities available at quarter end		331
7.6	<p>WHSP Term Loan Facility:</p> <p>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.</p> <p>The outstanding facility includes an early repayment option and a 'make whole' clause. The key terms the facility 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.</p> <p>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 September 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.</p> <p>Export Finance Australia facility:</p> <ul style="list-style-type: none"> • The Group maintains a performance bond in respect of a contract in Defence Systems of US\$33.2m (A\$48.0m). 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\$22.9m) 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. • 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\$24.5m). 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\$19.8m) 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. • 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 September 2024, the bank guarantee is secured by cash deposit of A\$2.8m, following the release of \$8.3m security during Q2 2024. The costs of the facility arrangements are included in Item 1.5 as other costs of finance paid. 		

7.6	<p>Westpac facility:</p> <ul style="list-style-type: none"> 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. 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.
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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)	10,519
8.2	Cash and cash equivalents at quarter end (item 4.6)	54,988
8.3	Unused finance facilities available at quarter end (item 7.5)	331
8.4	Total available funding (item 8.2 + item 8.3)	55,319
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	n/a
8.6	<p>If item 8.5 is less than 2 quarters, please provide answers to the following questions:</p> <p>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?</p> <p>Answer: N/A – The Group had a positive Net Cash From Operations during Q3 2024</p> <p>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?</p> <p>Answer: N/A - The Group had a positive Net Cash From Operations during Q3 2024</p> <p>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?</p> <p>Answer: N/A - The Group had a positive Net Cash From Operations during Q3 2024</p>	

Compliance statement

- This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- This statement gives a true and fair view of the matters disclosed.

Date: 31 October 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.