



**ELECTRO OPTIC SYSTEMS HOLDINGS LIMITED**

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**ASX RELEASE**

17 April 2026

**Annual Report**

Electro Optic Systems Holdings Limited (EOS or Company) (ASX: EOS) provides the attached Annual Report for the year ended 31 December 2025.

**Authorised for release by the Chief Executive Officer of Electro Optic Systems Holdings Limited.**

Further information:  
Investor Relations  
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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 offered 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** 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.



ELECTRO OPTIC SYSTEMS HOLDINGS LIMITED

# ANNUAL REPORT 2025

THE COUNTER  
DRONE COMPANY





Electro Optic Systems Holdings Limited

# ANNUAL REPORT 2025



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# Chairman's Report

For the year ended 31 December 2025

**The Board is pleased to report on a successful financial year for EOS**



Building on the foundations laid in the preceding two years, 2025 was the final phase of EOS' three-year turnaround plan.

It is satisfying to advise that the Company is now an entirely renewed business with a focused strategy, supportive tailwinds and a highly motivated workforce.

In 2025, the geopolitical environment continued to reinforce the strategic relevance of EOS' product portfolio. Demand for counter-drone, high energy laser defence and integrated remote weapon systems increased across multiple regions.

Early in the 2025 year, the Company completed the divestment of its non-core naval satellite communications business, EM Solutions, and fully repaid its remaining debt, leaving EOS debt-free and in a strong position to pursue ongoing strategic growth.

Over the course of 2025, EOS achieved a series of landmark contract wins. These included securing the world's first export order for a 100 kW high energy laser defence system, underscoring the Company's global leadership in directed energy weapons.

The Company also continued to grow its defence order book through remote weapon system sales, alongside ongoing growth of the space business.

Financial analysts and markets responded positively, and it is pleasing to see the progress made reflected in a share price that is much higher than a year ago.

Your Board believes large growth opportunities lie ahead for EOS. Delivering real growth means overcoming challenges, and as we start a new year, the Board will continue to lead the Company through challenges as they arise. We aim to finish 2026 in an even stronger position, continuing the momentum of the last three years.

With that goal in view, in January 2026 the Company announced that it had entered into an agreement to acquire the Europe-based command-and-control systems provider MARSS. This is intended to evolve EOS from a component supplier into an integrator of turnkey counter-drone solutions. It also has the potential to unlock the emerging homeland security and asset protection markets.

The Board recognises the hard work and professionalism of EOS' employees and leadership team, whose efforts have translated strategic vision into strong commercial success.

The Company enters 2026 with a robust global order pipeline, a strong financial position, and clarity of purpose as a provider of critical defence and space technologies.

I thank the Board for their support throughout the 2025 year and our shareholders for their continued trust.

A handwritten signature in black ink, appearing to read 'G Hounsell'.

**Mr Garry Hounsell**

Director and Chair of the Board of Directors

4 March 2026

# CEO's Report

For the year ended 31 December 2025

**EOS management is committed to executing our strategic objectives – delivering growth in the counter-drone and space control domains**



The 2025 period was characterised by expansion into new markets, significant strides in product deployment and integration, and substantial new orders.

The Company's strategy to build a diversified international customer base and deepen relationships with sovereign defence forces continued to yield results. Principal among these was the success of our high energy laser weapon systems, including through the world's first export contract of a 100 kW class laser counter-drone system to an international client (the Netherlands), establishing EOS as a pioneer in directed energy weapons.

Across our defence portfolio, EOS secured multiple orders for remote weapon systems, including several tied to international land combat platforms and expanded counter-drone frameworks. These included new contracts in Australia, North America, Europe, the Middle East and South-East Asia.

These successes reflect the versatility of EOS' product suite and our ability to tailor advanced capabilities to meet diverse operational requirements. As at 31 December 2025, our order book of secured contracts was \$459m – much higher than the previous year.

Our strategic collaborations also advanced in the year under review. EOS played an important role in the Australian Defence Force's Project LAND 156 counter-UAS initiative, reinforcing our capability to integrate our technologies into national defence frameworks. Elsewhere, in the United States, we worked closely with the US Army to develop new technology and secured a position as a partner for one of their key fighting platforms.

Disciplined commercial execution was accompanied by continuous investment in technological innovation and organisational capability. The planned acquisition of MARSS group, for example, represents a significant addition to our software and AI capability, while the opening of our Singapore laser facility has made EOS the only company with a dedicated large-scale production capacity for high energy laser systems.

Looking forward, the momentum achieved in 2025 positions EOS to convert our growing order book into meaningful deliveries and long-term customer partnerships.

I extend my gratitude to our employees, partners and stakeholders for their ongoing dedication and collaboration. We have begun 2026 with confidence, purpose and optimism for the opportunities ahead.

A handwritten signature in black ink that reads "Andreas Schwer". The signature is fluid and cursive, written in a professional style.

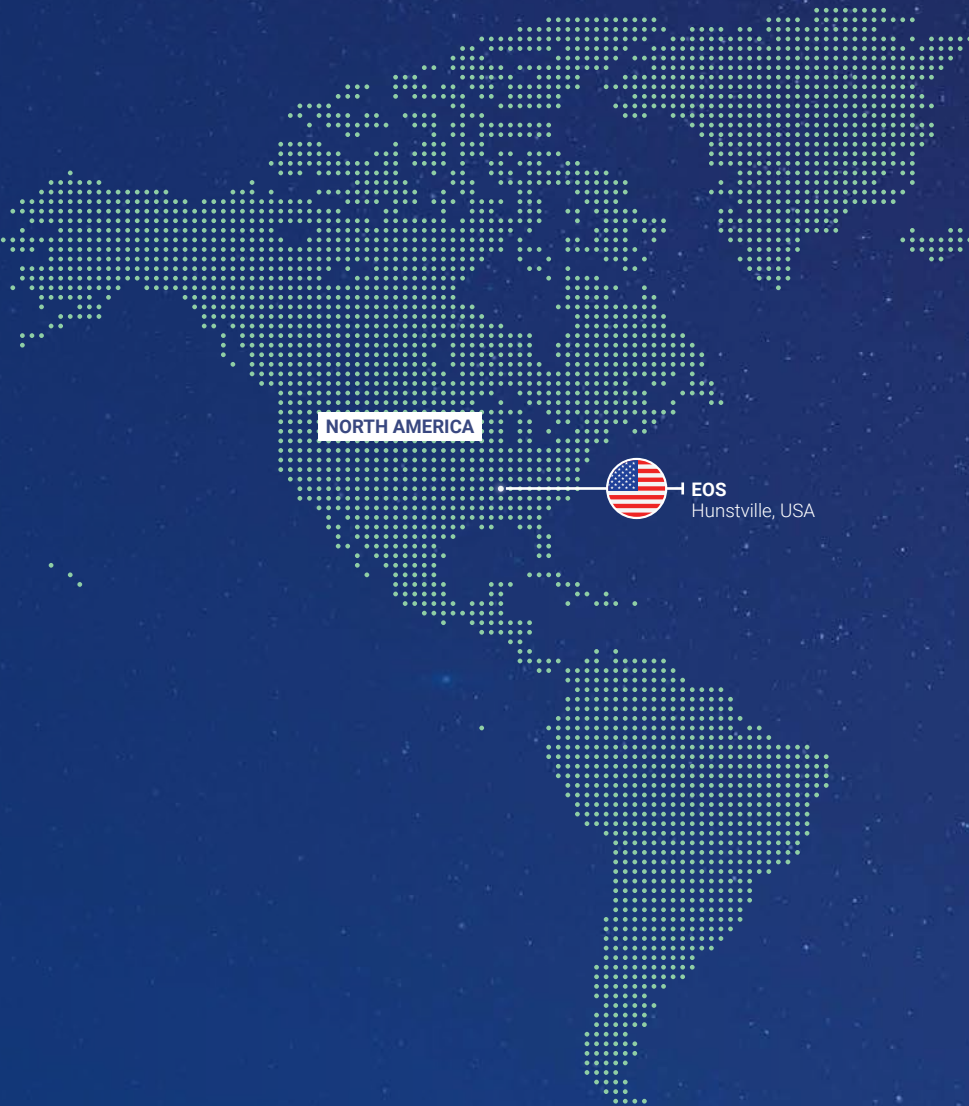
**Dr Andreas Schwer**

Chief Executive Officer and Managing Director

4 March 2026

# Growing Global Footprint





### United States

EOS has supported the US and the Americas region for more than 25 years. Since opening in 2018, the Huntsville facility has supported RWS manufacturing, adding production of the heavy-calibre R800 in 2025.

### UK

In 2025, EOS established its presence in the United Kingdom through the acquisition of the Interceptor capability, broadening its counter-drone effector portfolio.

### Germany

EOS has been active in Germany since 2006, growing its footprint in the region. In 2025, industrial partnerships strengthened, including closer collaboration with Diehl Defence.

### United Arab Emirates

The Abu Dhabi technology centre has served as a regional hub since 2019. In 2025, regional collaboration and partnerships strengthened across the Middle East.

### Singapore

Singapore operations were established in 2013 to support the sale and sustainment of the R600 RWS. In 2025, the Company expanded with a new high energy laser manufacturing facility.

# Company Overview

**Electro Optic Systems (EOS) designs, manufactures and delivers cutting-edge counter-drone, remote weapon system and space control capabilities for the global defence and space markets**



Australian Army Hawkei PMVs with EOS' Slinger remote weapon systems.

EOS has developed a growing portfolio of products distinguished by precision, reliability and superior performance in real-world conditions.

Our core components – including high energy lasers, thermal imagers, day cameras, gimbal units and laser rangefinders – embody expertise in optics, electronics, mechanics, laser physics, software and data.

The organisation's global footprint has expanded in recent years, and EOS now has on-the-ground operations in Australia, the United States, Europe, Singapore, the Middle East and New Zealand.

The Company remains headquartered in Canberra, Australia, where EOS was founded in 1983.

## EOS Defence Systems

A proven technical innovator, EOS has a decades-long pedigree in remote weapon systems and is a recognised international leader in counter-drone solutions.

Our remote weapon systems are characterised by exceptional accuracy and can be easily integrated to a wide range of military platforms.

*EOS is a world leader in precision, reliability and superior performance in real-world conditions*

Our counter-drone products offer a range of hard kill (kinetic) and high energy laser kill capabilities and can be deployed in a wide variety of threat scenarios – including against hostile drone swarms.

Used either individually or in combination, EOS defence products provide effective, efficient protection for on-the-move ground forces and military assets, as well as static infrastructure, at a comparatively low cost per shot.

## EOS Space Systems

EOS supplies trusted space domain awareness and space control services to customers in Australia and around the world.

Space has become a significant theatre of global security, and accurate intelligence is critical to ensuring the safety and autonomy of space operations.

EOS' next-generation space technologies include the recently launched Atlas family of ground-based high energy laser space control assets, which has been designed to address growing threats to satellites in orbit.

Our space capabilities incorporate the New Zealand-based precision optics manufacturer KiwiStar Optics, a business that has designed and created bespoke components for many of the world's leading space observatories.

PRECISION  
POWER  
PERFORMANCE  
PROTECTION



EOS Slinger counter-drone remote weapon system fitted to a pickup truck.

# The Drone Threat

## The rise of drone technology has led to a paradigm shift in warfare and homeland security

Drones are inexpensive, fast-moving and increasingly capable of operating autonomously – including in coordinated swarms. They are redrawing the rules of combat and exposing the vulnerability of high-value civilian assets around the world.

Military planners and homeland security services recognise that conventional defence frameworks are ill-equipped to address these risks. As the global drone development race continues to accelerate – in an increasingly AI-enabled world – the need for effective counter-drone solutions has become urgent.

### Real-world lessons

Drones have been a critical tactical tool in the ongoing Ukraine conflict – where the battlefield of the future has been taking shape in real-time.

Flying and hovering drones have dominated the airspace and controlled the frontline from above, tracking the movements of ground forces and making it difficult – and at times impossible – for heavy weapons to manoeuvre on the battlefield.

Attack drones are being deployed in swarms, targeting combat personnel, destroying armoured fighting vehicles and artillery, and overwhelming logistics.

### Increasing intelligence and autonomy

The Ukraine conflict has also seen human-piloted drones give way to semi-autonomous, AI-assisted systems that require only minimal operator input and oversight.

These drones do not rely on GPS and are often immune to electronic interference from jamming and spoofing devices.

Drones are getting smarter and smarter, every year. Military decision-makers are preparing for a near-term future in which there is even greater integration of AI into drone technology – including through autonomous coordination of large numbers of small but lethal drones using swarm intelligence.

### Beyond the frontline

The weaponisation of drones is removing the distinction between battlefronts and civic spaces.

In the Ukraine conflict, one-way attack drones have penetrated far beyond the frontline, executing successful attacks on high-value strategic assets such as government buildings, fuel depots and airbases.

These developments have underscored the vulnerability of civil sites globally. Airports, manufacturing facilities, offshore oil rigs, power stations, landmarks and harbours are all susceptible to drone attack.

Given the low cost and easy availability of advanced drone technology, the risk of attacks by terrorist groups and other non-state actors has also increased.

### Addressing the threat

Drones are a disruptive technology that can only be countered with innovative solutions.

Given the high speed and manoeuvrability of drones and drone swarms, the most important elements of any counter-drone framework are accuracy and speed of engagement.

In ongoing conflicts, drone defence must also be economically viable. Using expensive missiles or rockets to shoot down cheap drones is not a sustainable approach.

Military planners acknowledge that there is no simple solution to the drone threat. Instead, a flexible, layered architecture – one that employs different weapons that can cover short, medium and longer ranges – provides the most effective defence.

# EOS' Counter-Drone Capability

## EOS provides allied customers with world-leading counter-drone solutions

Our counter-drone products can operate either independently or as part of a layered defence framework.

With our deep expertise in the drone space, EOS is uniquely placed to advise customers on counter-drone defence architectures based on the specific and evolving threat scenarios they face.

### Agile targets, intelligent solutions

The window to defeat a hostile drone is often only a few seconds. Successful defence requires neutralisation of as many drones as possible, as quickly as possible. Accuracy is paramount.

EOS' counter-drone products are characterised by superior accuracy, range and tracking capabilities that have been specifically engineered to meet these mission needs.

### Tailored and fit-for-purpose

The drone threat is complicated by the wide range of contexts in which drones can operate and the variety of potential targets needing protection.

In response, EOS' counter-drone product suite is designed to give customers flexibility. Our flagship counter-drone products include:

- our battle-tested, high-precision remote weapon systems, including the lightweight Slinger
- the 100 kW high energy laser weapon Apollo
- the AI-enabled, all-environment Interceptor.

EOS can configure these products as fixed or mobile, to protect both moving and fixed targets – whether military assets or critical infrastructure.

The optimal counter-drone solution is defined by agility and adaptability. EOS is committed to helping customers apply the right effect, at the right time, in the right context – and remaining one step ahead of emerging drone capabilities and tactics.



A fiber-optic-controlled drone is designed for the Ukrainian Armed Forces in the Kyiv region, Ukraine, on January 29, 2025. (Photo by Maxym Marusenko/NurPhoto via Getty Images).

# The Space Threat

**Today, space is a domain that is congested, contested and strategically critical**

The number of active satellites operating above the Earth's atmosphere has grown exponentially in recent years, as commercial and government activities in orbit have accelerated. As the new space economy continues to grow, the satellite ecosystem – and the imperative to protect it – is growing along with it.

Space is also an environment of mounting strategic geopolitical competition, and governments recognise that it will play an outsized role in determining the global balance of power in future.

It is in that context that a range of credible threats to high-value space assets have emerged. The ability to counter them is becoming a critical capability, one underpinned by superior situational awareness and the deterrence of hostile actions.

## **A critical enabler**

The world is more dependent on satellite technology than ever before.

Satellites enable global connectivity, powering navigation, communication and many other critical services. They are also a cornerstone of modern militaries, including for intelligence, navigation, communications, warning systems and the conduct of warfare.

With humanity's reliance on satellite technology continuing to increase, the potential disruption of satellite systems represents a real and growing risk to global security.

## **Increasing risks**

Threats to space assets are increasing, and the potential for hostile actions in space, once the province of science fiction, has become material. The ability to interfere with enemy satellites could have devastating effects at the ground level.

The risk of catastrophic satellite collisions with debris, and cascading chain reactions in their wake, is also increasing as the orbital environment becomes more congested than ever before.

## **Space control: a strategic imperative**

If the space domain is to be stable and secure, it must be assessable and controllable.

As the new space era continues to take shape, it is already clear that participants with the strongest space control capabilities – including the ability to safeguard allied space assets – will gain a decisive strategic advantage.

# EOS' Space Capability

**EOS is uniquely positioned to capitalise on the growing global demand as governments and satellite operators seek to protect vital space assets.**

EOS has deep expertise in the real-time monitoring of the space environment and the precise tracking of the speed, movement and behaviour of objects in orbit.

## Operational awareness in orbit

Our technologies can be used to identify and deter potential attempts to disrupt space systems and services as well as prevent collisions with small debris fragments. These present material risks to the continuity of operations in a progressively more crowded space environment.

These capabilities can give our customers a strong intelligence advantage, supporting confident decision-making and helping to ensure freedom of operation.

## Atlas: next-generation space control capability

The Atlas family of ground-based high energy laser space control systems leverages EOS' expertise to detect, track and characterise on-orbit objects in real-time. With world-leading telescope and dome designs tailored for this mission, our systems deliver space domain awareness, day and night for dim and hard-to-find objects, helping to safeguard space assets through proactive decision-making and rapid threat identification.

Offered in fixed, mobile and relocatable configurations, the system has been developed to meet the needs of a variety of missions, from observation, to deterrence, to active engagement of threats.

**Atlas mobile configuration:**  
In late 2025, EOS announced the space control capability at the International Astronautical Congress in Sydney, Australia.





# Innovation: from Concept to Capability

Technical innovation, which has been at the core of our business for over 40 years, remains imperative at EOS

The Company’s commercial success, however, depends on how efficiently we can convert our unique intellectual property into products that can be manufactured at scale and delivered to customers around the world.

The commercialisation of our IP is made possible by a growing global framework of manufacturing facilities, supply chain partners, and sales and distribution channels.

In 2025, EOS continued to make progress in speeding the path from concept to market-ready capability.

## Targeted, commercially focused R&D

Our customers require sovereign defence and space solutions that are fieldable, economically viable and supportable over their lifespan.

Highly targeted, disciplined investment in EOS’ core capabilities is the critical foundation that will allow sustainable, ongoing growth of the business in future.

We aim to achieve technical progress that will lead to operational capabilities, commercial contracts and long-term business partnerships with customers.

The Company will continue to add to its capabilities through in-house R&D; funded development work for customers; and, where appropriate, acquisitions of advanced complementary technologies, such as the MARSS business.

**CASE STUDY**

## Apollo


EOS has been working with advanced lasers for many years, and 2025 saw that R&D begin to yield commercial results.

In August, the Company secured the world’s first ever export contract for the manufacture and sale of a 100 kW high energy laser weapon. Soon after, EOS brought to market Apollo, our family of scalable, 50–150 kW high energy laser weapons.

These developments were the culmination of years of R&D. We use a rigorous, accelerated development process that includes close collaboration with customers and extensive demonstrations.

The Apollo system was created in response to an urgent market need for cost-effective defence against drone swarm attacks. It is deployable, deliverable, repeatable and adaptable to a range of operational contexts.

Ongoing commercialisation of our laser capabilities is a big strategic priority for the Company.



**APOLLO**  
AIR DEFENCE AT LIGHT SPEED

# EOS People

EOS is a global organisation whose innovative technologies are enabled by our people

**Kate Stewart**  
Director HR



EOS' employees remain the Company's most critical strategic asset, furnishing the talent, technical expertise and dedication needed to bring complex, world-leading technologies to market. This commitment to excellence across our teams ensures that as EOS grows, we continue to meet the highest standards of performance and reliability for our global and domestic customers.

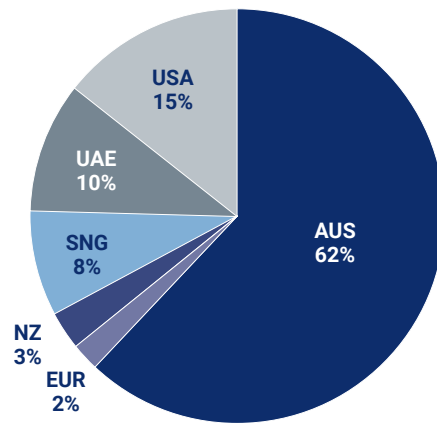
The Company now employs over 400 people in eight countries around the world. We expect our growth trajectory to continue in 2026.

## Growth, diversity and our global footprint

Our business growth has created multiple opportunities for internal progression and career development for our people. In 2025, the Company hired new laser experts to join our Singapore team and enhance our high energy laser capabilities. Many employees worked across a variety of programs and contracts in Singapore, Europe and the Middle East.

Staff turnover decreased during 2025, as we invested in improving employee experience through a range of culture, training and retention initiatives, (see '2025 people highlights').

We continue to advance our commitment to diversity and inclusion. The gender makeup of our workforce is currently 78 per cent male and 22 per cent female. Female representation within our senior executive team has increased to 25 per cent. While more remains to be done, this progress reflects our continuing efforts to foster a balanced and inclusive team.



Headcount by Country/Region

## EOS Global Workforce Breakdown

EOS Employees 2025 *	Number
Australia	272
New Zealand	13
Singapore	36
United States	63
United Arab Emirates	45
Germany	2
Netherlands	1
United Kingdom	4
<b>Totals</b>	<b>436</b>

\* As at 31 December 2025

## Our facilities

In 2025, we made significant investment into EOS facilities in Singapore and Australia.

In Singapore, our recently opened high energy laser weapons facility will support laser manufacturing as well as sales and service functions for our remote weapon system products. This new regional hub also includes a modern office for our leadership team.

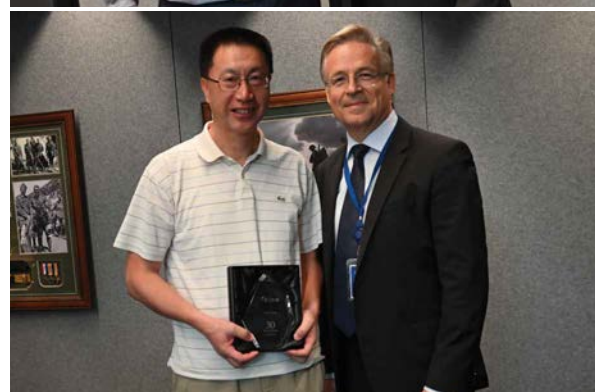
Meanwhile, in Canberra, we opened new facilities for our growing space business as well as a modern head office.



Apollo HELW on display at the new Singapore production facility.

## 2025 people highlights

- Global role and remuneration benchmarking:** We conducted a comprehensive evaluation of all roles to establish a consistent, scalable and market-aligned salary framework across all regions.
- Global engagement survey:** We conducted a global employee engagement survey to capture critical insights into our organisational health and the effectiveness of our current people initiatives.
- Recognising and celebrating days of significance:** Recognising that the diversity of our global workforce is among our greatest strengths, we acknowledged and celebrated days of significance to our employees around the world.
- Recognition of length of service:** We standardised our length-of-service recognition program, in acknowledgement of the importance of celebrating our long-serving peers and their commitment to EOS.
- Leadership:** We undertook a comprehensive formal succession planning process in response to increasing organisational scale and evolving workforce demographics. The process focused on executive leaders and specialist technical roles.
- Leadership programs:** The EOS Elevate Senior Leadership Program was launched to strengthen senior leadership capability across the organisation, while a Leadership Essentials program was conducted to increase knowledge of people-related systems and processes.
- Technical:** Skill upgrades and product training in new systems – from laser safety, field testing and maintenance capabilities to equipment handling programs and workplace health and safety – were carried out, in alignment with operational needs.



Staff in Canberra enjoying R U OK? Day, Ian Ritchie (middle) and Yanjie Wang (bottom) receiving awards in recognition of 30 years of dedicated service to EOS from CEO Dr Andreas Schwer.

# EOS Directors



## Mr Garry Hounsell

B.Bus (Acc), FCA, FAICD

**Independent Non-executive Chair**

**Appointed:** 24 November 2022

**Board Committees:**

Nomination Committee (Chair)

Audit and Risk Committee  
(from 1 January 2026)

Joint Venture / M&A Committee

Garry is currently Chair of Helloworld Travel Limited (since 2016) and a Non-executive Director at Treasury Wine Estates Limited (since 2012).

Garry was previously the Chair of the Commonwealth Superannuation Corporation, Chair of Myer Holdings Limited (2017-2020; Executive Chair Feb-Jun 2018), Chair and a Non-executive Director of Spotless Group Holdings Limited (2014-2017), and Chair of Emitch Limited (2006-2008) and PanAust Limited (2008-2015). He was also previously an Advisory Board Member of PanAust Limited (2015-2017), Rothschild Australia Limited (2012-2017), and Investec Global Aircraft Fund (2007-2019). He was a Director at Orica Limited (2004-2013), Nufarm Limited (2004-2012), Qantas Airways Limited (2005-2015), Mitchell Communication Group Limited (2008-2010), Integral Diagnostics Limited (2015-2017), Dulux Group Limited (2010-2017) and Investec Aircraft Syndicate Limited (2012-2018). Garry was a member of Commencer Capital's (formally Investec Emerging Companies) Investment Committee (2019-2024).

Garry was a Senior Partner at Ernst & Young (2002-2004), CEO and Managing Partner of Arthur Andersen (2001-2002) and a Partner at Arthur Andersen (1989-2002).

Garry has a Bachelor of Business (Accounting) from the Swinburne Institute of Technology (1975) and is a Fellow of Chartered Accountants Australia and New Zealand and a Fellow of the Australian Institute of Company Directors.

### Directorships of other listed entities in the last three years:

Treasury Wine Estates Limited (2012 to present) and Helloworld Travel Limited (2016 to present).



## Dr Andreas Schwer

PhD, MSc, MSE

**Managing Director and  
Chief Executive Officer**

**Appointed:** 11 December 2023

Dr Schwer was appointed as Chief Executive Officer in August 2022 and appointed as Managing Director on 11 December 2023.

An executive leader with deep international experience – including in Asia, the Middle East, Europe, and North America – Dr Schwer has had a varied career in the defence and space domains. His previous experience includes senior positions in the global defence industry, including fourteen years at Airbus Group and five years at the German defence company Rheinmetall AG. Dr Schwer has a thorough understanding of the Company's global operations, having acted, most recently, as President of EOS EMEA (Europe, Middle East, and Africa) for two years, during which time he oversaw the expansion of the company's operations in NATO and Middle Eastern markets. Among his qualifications, he holds a PhD in the field of system modelling and satellite engineering.

### Directorships of other listed entities in the last three years:

Titomic Ltd.



## The Hon Kate Lundy

HonLittD, GAICD

**Independent Non-executive Director**

Appointed: 23 March 2018

### Board Committees:

Data Security and Data Governance Committee (Chair)

People and Culture Committee

Nomination Committee

Audit and Risk Committee

Joint Venture / M&A Committee (until 31 December 2025)

Kate served as a Senator representing the Australian Capital Territory from 1996 to 2015. During this time, she held various front bench positions in both Government and Opposition, including the Minister for Sport, Multicultural Affairs and Assisting on Industry and Innovation and the Digital Economy.

Kate continues to be passionate about technology and innovation. Her focus is the positive impact of technology on society, culture and the economy. In 2017, the Australian National University awarded her a Doctor of Letters (honorary doctorate) for her "exceptional contributions to advocacy and policy for information communications and technology, for the ACT and nationally."

Kate is the Chair of the Canberra Institute of Technology and a Non-executive Director of the National Roads and Motoring Association, the National Youth Science Forum and Frontier SI.

### Directorships of other listed entities in the last three years:

Nil



## Air Marshal Geoffrey Brown AO

BEng (Mech), M.A. (Strategic Studies), GAICD

**Independent Non-executive Director**

Appointed: 21 April 2016

### Board Committees:

Joint Venture / M&A Committee (Chair)

People and Culture Committee (Chair until 5 September 2025)

Data Security and Data Governance Committee (from 1 January 2026)

Nomination Committee

Geoff retired from the Royal Australian Air Force in July 2015 as Air Marshal in the position of Chief of Air Force. Among his qualifications he holds a BEng (Mech), a Master of Arts (Strategic Studies), Fellow of the Institution of Engineers Australia and is a Fellow of the Royal Aeronautical Society. He is Chair of the Advisory Board of CAE Asia Pacific and Deputy Chair of the Sir Richard Williams Foundation. Geoff is a member of the Strategic Advisory Board of Lockheed Martin (Australia) Pty Ltd and a member of the Governing Council of the Temora Air Museum.

### Directorships of other listed entities in the last three years:

Nil



### Mr David Black

BA(Hons) (Economics), FCA, MBA, GAICD

**Independent Non-executive Director**

Appointed: 1 January 2021

**Board Committees:**

Audit and Risk Committee (Chair)

Data Security and Data Governance Committee

Nomination Committee

Joint Venture / M&A Committee

People and Culture Committee (until 31 December 2025)

Before retiring from the Deloitte Touche Tohmatsu Australia partnership, David spent 25 years with Deloitte in the UK and Australia. During that time David provided services to a range of clients including in the Defence, Manufacturing and Government sectors. David's experience includes working with growing start-up businesses, multinational corporations and the boards of ASX-listed entities on complex accounting, internal and external auditing, risk management, corporate governance and due diligence engagements. During his time at Deloitte David previously served as the audit partner for the Company.

Since his retirement from Deloitte, David has established a growing family business, The Coastal Brewing Company, and serves on a number of Government sector audit committees as an independent member, chairing one of those committees.

**Directorships of other listed entities in the last three years:**

Nil



### Mr Robert Nicholson

BSc, LLB, LL.M, MBA, GAICD

**Independent Non-executive Director**

Appointed: 24 May 2023

**Board Committees:**

People and Culture Committee (Chair since 5 September 2025)

Audit and Risk Committee

Nomination Committee

Joint Venture / M&A Committee

Data Security and Data Governance Committee (until 31 December 2025)

Robert was a Partner at Herbert Smith Freehills Kramer (and predecessor firms) for 28 years. He served on the Freehills Board of Partners for 10 years and was the Chairman for 3 years in the lead-up to the firm's merger with Herbert Smith to create a global firm with 500 partners and 28 offices.

Robert is the Chair of Alinta Energy and a Director of PLS Group, Port of Melbourne, Baker Heart and Diabetes Institute and the European Australian Business Council. He is a Senior Advisor to Herbert Smith Freehills Kramer.

**Directorships of other listed entities in the last three years:**

PLS Group



### Ms Melanie Andrews

BComm, MBA, FCPA, GAICD

**Company Secretary**

Appointed: 26 March 2024

# EOS Executive Team

## Dr Andreas Schwer

Managing Director and  
Chief Executive Officer

*“Together with EOS leadership and our people, we have completed a three-year turnaround and established a strong foundation for future growth.*

*EOS now has everything it needs to realise its full potential. Our focus remains unchanged: executing against our strategic pillars to deliver world-leading counter-drone defence and space control.”*



### Clive Cuthell

Chief Financial Officer,  
Chief Operating Officer

**Appointed:**  
September 2022



### Christian Tobergte

Executive Vice President,  
EOS Defence Systems  
International

**Appointed:**  
April 2024



### Lee Kormany

Executive Vice President,  
EOS Defence Systems  
Australia

**Appointed:**  
August 2025



### Dr James Bennett

Executive Vice President,  
EOS Space Systems

**Appointed:**  
August 2022

# Review of Operations

As at 23 February 2026

## 1. Results for full year ended 31 December 2025

For Electro Optic Systems Holdings Limited and its subsidiaries (collectively, the Group or EOS), revenue from continuing operations activities was \$128.5m, representing a \$48.1m or 27% decrease compared to the prior year (2024: \$176.6m).

The Group reported an operating loss before tax from continuing operations of \$79.0m (2024: loss of \$38.5m) and an operating loss after tax from continuing operations of \$73.5m (2024: loss of \$35.1m).

Underlying earnings before interest, taxes, depreciation, and amortisation (EBITDA<sup>1</sup>) from continuing operations (prior to foreign exchange gains) for the year was a loss of \$24.4m (2024: loss of \$11.6m). Further detail is disclosed on page 21 of this report.

Results from continuing operations do not include the financial results of EM Solutions Pty Limited and its subsidiary (EMS) for either the current or the comparative period. On 21 November 2024, the Group announced the sale of its subsidiary, EMS. The activities of EMS are disclosed as a discontinued operation in the current and the comparative periods, and is detailed in Note 5 to the financial statements.

On 31 January 2025, the Group completed the transaction to divest 100% of the equity in EMS as well as full repayment of the outstanding debt facilities owed to Washington H. Soul Pattinson (WHSP). Further details are set out in the sections below.

The Group reported net cash outflows from operations (including EMS) for the year totalling \$24.2m (2024: \$30.4 net cash outflows). In addition, the Group reported \$131.3m of net cash inflows from investing activities (2024: \$3.7m of net cash inflows). The net cash inflows from investing activities include net proceeds of \$153.3m from the disposal of discontinued operations, partly offset by cash payments of \$6.3m for the acquisition of the Interceptor business, as announced on 19 November 2025.

The net cash outflows from financing activities for the year was \$53.0m (2024: \$9.2m of net cash inflows), due to the full repayment of the outstanding debt facilities owed to WHSP of \$48.2m.

At 31 December 2025, the Group held cash totalling \$106.9m, representing a \$54.6m increase from the prior year (2024: \$52.3m consisting of \$41.1m from continuing operations, and \$11.2m from discontinued).

In addition, the Group had \$41.6m of restricted cash security deposits (2024: \$56.1m consisting of \$49.5m from continuing operations, and \$6.6m from discontinued operations).

Key elements of financial performance are summarised below:

### 1.1 Revenue

For the year ended 31 December 2025, the Group recorded revenue from continuing operations of \$128.5m (2024: \$176.6m), representing a decrease of \$48.1m or 27%.

The decrease in revenue was driven by the lower Defence Systems segment revenue, down from \$165.7m in 2024 to \$115.8m in 2025, a decrease of \$49.9m. The decrease in Defence revenue was predominantly driven by lower activity levels and the expected timing of new order awards, following the completion of work related to a large longstanding contract with a customer in the Middle East.

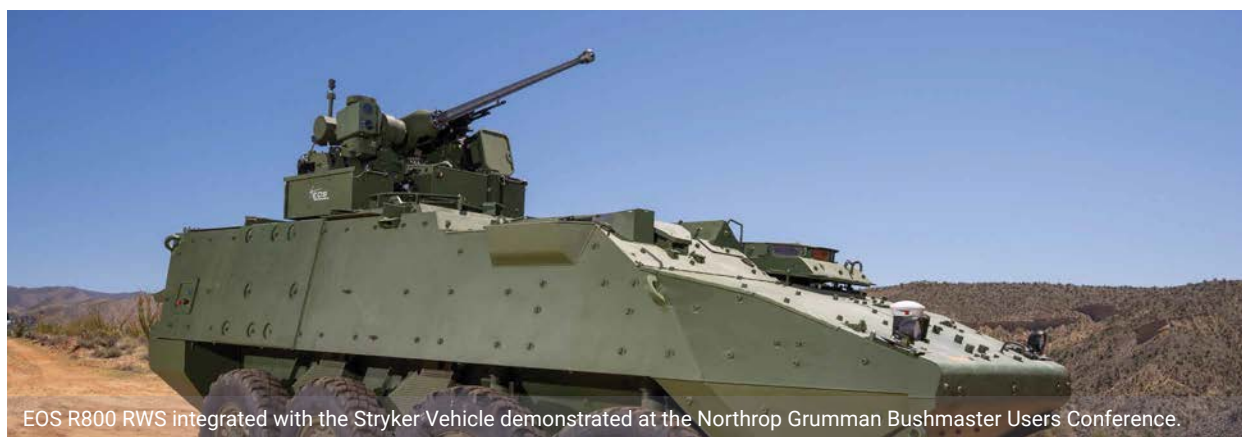
Revenue in the Space Systems segment (excluding EMS) increased on prior year to \$12.7m (2024: \$10.8m).

More detailed information is provided in Section 4.

At 31 December 2025, the Group (excluding EMS) had an order book backlog of unconditional contracted future work of approximately \$459.1m (2024: \$135.6m). This represents work under customer contracts, mainly in Defence Systems. Based on existing customer requirements and current production schedules, EOS currently expects most of the contract backlog to be converted into revenue during 2026 and 2027.

In addition to the above contract backlog of secured orders, EOS has an extensive pipeline of sales opportunities. EOS continues to work to convert these pipeline opportunities to secured orders.

<sup>1</sup> Underlying EBITDA represents earnings before finance costs, depreciation, amortisation and taxation expense, discontinued operations, and one-off items. This is a non-IFRS and unaudited measure which provides useful financial information.



EOS R800 RWS integrated with the Stryker Vehicle demonstrated at the Northrop Grumman Bushmaster Users Conference.

## 1.2 Expenses

Expenses from continuing operations decreased from \$228.6m in the prior year to \$205.3m in the current year. The decrease of \$23.3m was primarily driven by lower raw materials and consumable used of \$44.9m from lower contract activity levels. This was partly offset by increase in employee costs of \$8.7m and administration expenses of \$5.6m, reflecting the higher activity levels in pursuing new contract awards.

Depreciation and amortisation expenses increased by \$6.8m from the prior year primarily due to the deployment of a specialised asset for a Space project during the year, and the revision to the expected useful life of a development product. In addition, other expenses increased by \$5.7m, reflecting the ASIC penalty and related obligations, as announced on the ASX on 26 November 2025. Refer to Note 20 to the financial statements.

The Group's gross margin % from continuing operations was 63% in 2025 (2024: 48%). This increase was driven by higher margin sales being achieved in 2025 in the Defence Systems business, and a one-off increase due to the reversal of late delivery penalties of \$12.0m, which had been previously recognised as constrained revenue in prior periods. The Group's gross margin includes Revenue and Raw material and consumables used.

## 1.3 Underlying EBITDA

Underlying EBITDA for continuing operations (prior to foreign exchange gains and other one-off adjustments) was a loss of \$24.4m, compared to a loss of \$11.6m in the prior year.

## Underlying EBITDA

Continuing operations year ended 31 December \$m	2025	2024
<b>(Loss) for the year</b>	<b>(73.5)</b>	<b>(35.1)</b>
Income tax (benefit)	(5.5)	(3.3)
<b>(Loss) before tax</b>	<b>(79.0)</b>	<b>(38.4)</b>
Finance costs	18.7	24.6
Foreign exchange loss / (gain)	7.3	(11.6)
<b>Underlying EBIT (loss) (before foreign exchange gains/loss not included)</b>	<b>(53.0)</b>	<b>(25.4)</b>
Depreciation & amortisation	19.3	12.5
Other one-off expense adjustment *	9.3	1.3
<b>Underlying EBITDA (loss) (before foreign exchange gains)</b>	<b>(24.4)</b>	<b>(11.6)</b>

\* The other one-off adjustments in the current year relate to the ASIC penalty (announced by the Group on 26 November 2025), the legal fees related to the ASIC case and acquisition costs of the Group. The other one-off adjustment in the prior year relates to the legal fees related to the ASIC case. Refer to Note 8 and Note 20 for further details.

## 1. Results for full year ended 31 December 2025 (continued)

### 1.4 Foreign Exchange

The results from continuing operations include a foreign exchange loss in the year of \$7.3m (2024: gain of \$11.6m), which predominantly arose on the translation of US Dollar assets into Australian Dollars.

### 1.5 Contract Assets

The Group recognises a contract asset, being revenue recognised on projects that has not yet been invoiced to customers. Revenue is recognised under Australian Accounting Standards. Amounts are invoiced to customers in accordance with legal arrangements specified in customer contracts.

At 31 December 2025, the Group had contract assets totalling \$9.8m (2024: \$57.4m), being revenue earned but not invoiced. The decrease of \$47.6m in contract asset is primarily due to invoicing and subsequent cash receipt during the period from a longstanding customer in the Middle East upon finalisation of the contract. The contract asset will continue to be monitored closely in the future to optimise working capital levels.

### 1.6 Contract Liabilities

The Group recognises contract liabilities for amounts that have been received from customers as advance payments on projects. During the year, the amount of contract liabilities increased from \$24.1m at 31 December 2024 to \$42.4m at 31 December 2025. This contract liability will be recognised as revenue as contract work is completed. The increase is in line with the Group's objectives of obtaining cash flow positive contracts.

### 1.7 Cash Balances

The cash balance increased from \$52.3m (including \$11.2m from discontinued) at 31 December 2024 to \$106.9m at 31 December 2025.

The Group continues to closely monitor its cash flow outlook, to ensure that adequate funding is in place and will, if necessary, seek to amend the Group's capital structure. The Group continues to focus on maximising cash inflows, including seeking contract amendments on existing contracts where appropriate, and securing and delivering on new sales contracts that are cash positive.

### Cash Flows from Operating Activities

During the year, the Group had a net cash outflow from operating activities of \$24.2m.

Net cash from operating activities was impacted by a decrease in Receipts from Customers from \$261.1m in the prior year to \$194.6m in 2025. The decrease in receipts was primarily driven by the finalisation of contracts with a long-standing customer in the Middle East, and the lower activity levels. Payments to Suppliers and employees of \$198.0m, a decrease from \$268.4m in the prior year, was due to the decreased supplier payments as the result of decreased activity, and the inclusion of supplier payments relating to EMS that were reflected in prior year cash flow. Cashflows from other operating activities of \$20.8m (outflow) were largely driven by interest paid during the year, including the WHSP 'make whole' payment of \$12.9m.

### Cash Flows from Investing Activities

The Group had a net cash inflow of \$131.3m from investing activities during the year.

This included net cash inflows from the divestment of EMS of \$156.6m, which is offset by transaction cost outflows of \$3.3m. Refer to Note 5 to the financial statements for further information.

The net cash increase was offset by cash outflows of \$6.3m for the acquisition of the Interceptor business assets, and cash outflows of \$20.1m from acquisitions of property, plant and equipment, and intangibles.

### Cash Flows from Financing Activities

A net cash outflow of \$53.0m from financing activities occurred during the year, compared to a net inflow of \$9.2m in the prior period. The 2025 outflow predominantly arose from the full repayment of the outstanding debt facilities owed to WHSP of \$48.2m, and lease payments of \$5.1m.

## 2. Changes in Directors and Management

During the year, there were no changes to Board membership.

The following changes to the management team occurred:

On 11 August 2025, **Lee Kormany** joined EOS as Executive Vice President of Defence Systems (Australia). Lee succeeds Ian Cook, who left EOS in October 2025 to return to Adelaide. Lee has over thirty years leadership and engineering experience, including in the defence industry in Europe and Australia.



EOS high energy laser beam director, integrated onto a shipping container out in the field for a demonstration.

### 3. Strategic Update

During 2022 EOS initiated a multi-year turnaround program which was completed in 2025. As part of this turnaround EOS has achieved the following:

- engaged new senior leadership from the CEO down;
- refocused its strategy in the counter-drone and space domains, both of which are supported by compelling and enduring market fundamentals;
- commercialised longstanding intellectual property, including its high energy laser weapon and space control capabilities;
- significantly enhanced the sales capability and increased its presence in key growth markets such as Europe;
- sold a strong but non-core business, EMS;
- recapitalised and strengthened the balance sheet;
- acquired a new Interceptor capability for a total investment of €5.5m. The acquisition of this development program further enhances EOS' portfolio of kinetic effectors for counter-drone defence; and
- subsequent to year end, the Group announced the agreement to acquire the business of MARSS, an AI-enabled C2 software developer, which if completed, will allow EOS to become an integrated provider of counter-drone systems.

### 4. Detailed Segment Update

#### 4.1 EOS Defence Systems

For the year to 31 December 2025, revenue in the EOS Defence Systems segment decreased to \$115.8m from the prior year (2024: \$165.7m). This \$49.9m decrease was predominantly driven by lower activity levels, following the completion of work related to a large longstanding contract with a customer in the Middle East.

The main activity during the year was the manufacture and delivery of RWS for several different customers.

#### Market Overview and Sales Activity

Throughout 2025, ongoing conflicts in Ukraine and the Middle East, as well as rising tensions and increased defence spending in other regions, supported customer demand and customer enquiry.

EOS continues to pursue a number of material opportunities in different international markets, including Europe, the Middle East, North America and other international markets. Typically, EOS operates in an industry where it can take an extended period of time (including up to, and beyond, twelve months) for new market opportunities to be converted into signed sales contracts.

#### Remote Weapon Systems (RWS)

During the year, EOS announced the following RWS contracts:

- **ADF Project LAND 400-3 Contract:** Secured the contract (A\$108m) to deliver an enhanced R400 RWS to Hanwha Australia.
- **ADF Project LAND 156:** Initial contract (A\$2m) for an EOS Slinger system as part of the Leidos Australia team. While the initial contract size is modest, EOS aims to grow this into larger contract wins as this Australian Counter UAS program develops.
- **Largest Slinger Order to Date (€31m / ~A\$53m):** From a Western European government for the "Slinger" Counter-Drone RWS, for urgent operational requirements. This was also the largest ever EOS order for naval RWS.
- **US Army Entry (US\$22m / ~A\$33m):** EOS achieved a long-held strategic goal by securing a binding contract with General Dynamics Land Systems to supply RWS for a major U.S. Army ground combat platform.
- **North American Export Order (US\$21m / ~A\$32m):** EOS announced a new order for R400 RWS units to be used on Light Armoured Vehicles (LAV) for a South American end-user.
- **NATO "Slinger" Order (€11.4m, ~A\$20m):** a Western European NATO country placed an urgent order for the "Slinger" counter-drone system to address immediate operational needs in Europe.

## High Energy Laser Weapon (HELW)

2025 was a breakout year for EOS' High Energy Laser Weapon technology.

During the year, EOS announced a world-first export contract of a 100 kW HELW to a Western European NATO customer (**valued at €71.4m / ~A\$125m**). This contract is a validation of the years of work EOS has committed to developing this system. The EOS development program included three years of field testing and numerous firing trials of the laser in close collaboration with customers.

The 100 kW HELW has now been branded "Apollo" and a global marketing campaign has been initiated.

The contract funded the establishment of a new low-rate initial production facility in Singapore from which EOS will be able to manufacture systems for new and existing clients.

In December 2025, EOS announced a conditional HELW contract with a customer in the Republic of Korea (**valued at US\$80m/ ~A\$120m**). If the conditions are satisfied, the contract will involve:

- the manufacture and sale of a 100 kW HELW;
- the establishment of a joint venture between EOS and the customer to develop and supply the Korean market; and
- the licencing of intellectual property relating to 100 kW HELW to the joint venture.

As announced on 15 December 2025, the conditions of that contract include the payment by the customer of the initial deposit (US\$18m), the customer procuring the issuance of a letter of credit for the remaining amount of the contract, and the customer inspecting and being satisfied with EOS' Singapore facility.

A customer inspection of EOS' Singapore facility has occurred in December 2025. The initial deposit and letter of credit have not yet been received. Based on discussions with the customer, EOS believes this could be concluded in March 2026. There is no guarantee that this will occur.

EOS believes that the market for HELW is now at an inflection point and will grow rapidly in the coming years. Given its strong IP position and technical capabilities, EOS believes it is well placed to capture a material portion of this expected future demand.

## Product Development

Product development work continues on a range of opportunities. Where development costs are significant, the Group is focused on obtaining third party funding to speed delivery to the market and manage costs and returns on capital.

Defence Systems continued to develop its intellectual property and commercialise its product range during the year:

- EOS participated in an operational live fire test demonstrating the effectiveness of the EOS Slinger product on a Stryker vehicle developed by Leonardo for counter-drone engagement. In addition, EOS recently completed a Slinger counter-drone demonstration on a vehicle in the UK; and
- EOS successfully performed the initial integration of the Slinger in support of a US Army counter-drone project. This included performing preliminary testing of the system prior to the integration onto the relevant vehicle platform.

Typically, new product launches in the defence industry can take one to three years to achieve significant sales and develop commercial maturity.

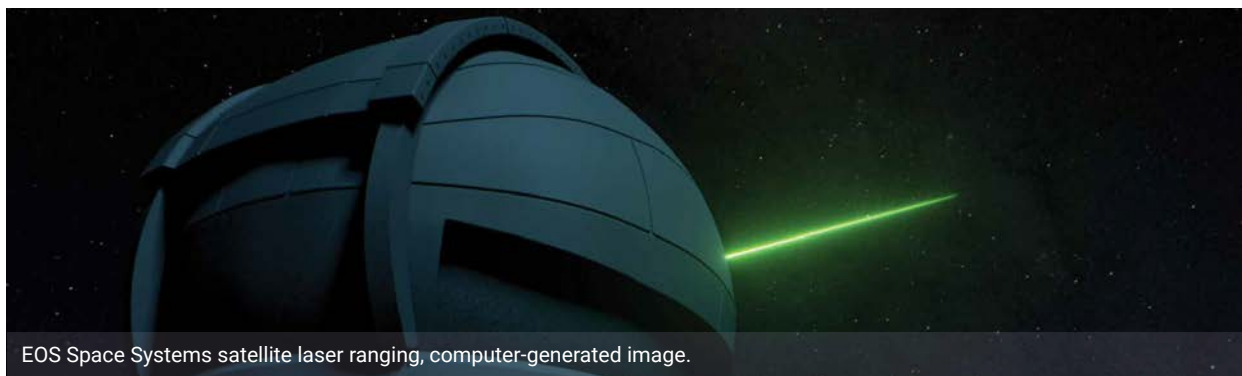
## Supply Chain, Operations and Facilities

In 2025, Defence Systems advanced its operational resilience and production readiness, delivering consistent progress across key programs while addressing supply chain pressures and resource constraints. Targeted initiatives strengthened supplier performance, improved inventory governance, and enhanced production scheduling in preparation for increased 2026 production volumes.

The business also invested significantly in uplifting Engineering capacity to accelerate product development, strengthen design assurance, and support export and domestic growth opportunities. Introduction of a Build to Stock program further improved production efficiency and cash flow predictability by aligning inventory strategy with contracted demand profiles. Collectively, these actions support operational stability, margin improvement potential, and Defence Systems readiness to scale delivery across core and emerging markets.

## Supply Chain

- Strategic sourcing improvements with optimised vendor data, strengthened supply contracts and enhanced tendering and cost reduction initiatives.
- Implementation of improved Material Requirements Planning (MRP) systems delivering linked Purchasing, Inventory Management and Production planning supporting improved Delivery On Time initiatives.
- Physical warehouse restructure, increasing capacity and preparing for paperless warehouse initiative for 2026.



EOS Space Systems satellite laser ranging, computer-generated image.

### Operations

- Enhanced production scheduling and resource management, reducing schedule conflict risk across multi program delivery streams.
- Introduced the Build to Stock program, enhancing production efficiency, reducing lead time variability, and providing greater certainty on inventory planning aligned to customer delivery profiles.
- Preparing for increased production levels in 2026 to support execution of the captured contract success.

### Engineering and Production Capability

- Significant uplift in Engineering capacity, including hiring across critical disciplines, stabilising capability and supporting succession and resilience planning.
- Strengthened engineering governance to support design assurance for R150 system, R500 development in Singapore, and preparatory work for R800 heavy weapon support.
- Establishment of a R800 production line within Huntsville, Alabama manufacturing facility to support commercialisation of this new heavy-calibre RWS product.

## 4.2 EOS Space Systems

For the year to 31 December 2025, continuing operations revenue in the EOS Space Systems segment (excluding EMS) increased to \$12.7m from the prior year (2024: \$10.8m).

The Space Systems business delivers space domain awareness services as well as designs, manufactures and deploys telescope, high energy lasers, and observatory equipment.

During 2025, Space Systems continued to grow and commercialise its technology. In July and August 2025, Space Systems announced it had secured a \$6m and a subsequent \$5m contract with the Commonwealth of Australia to further collaborate on research priorities.

These projects represent a significant strategic opportunity for EOS and this work was developed consistent with EOS stated strategy of securing third party funding for new capability development work.

Space Systems also installed and tested a new enhanced “guide star laser” system at Mt Stromlo in Australia during the year, which significantly increases the fidelity of its tracking. These new capabilities are intended to be commercialised through the growing space domain awareness market.

Throughout 2025, Space Systems continued to develop the market for space control solutions. EOS believes that the future market for space control solutions is potentially very large. In September, EOS formally launched its “Atlas” Space Control product and brand at the International Astronautical Congress (IAC) 2025 in Sydney. The Atlas family of ground-based high energy laser space control assets is designed to counter growing space threats in an increasingly contested space domain.

During the year, EOS identified several emerging space control opportunities in overseas markets and discussions were held with various potential partners to develop these opportunities. Discussions have focussed on Space Systems’ unique capabilities and potential opportunities to secure future sales in this domain. These discussions are expected to continue into 2026 and will be supported by demonstrations where appropriate.

This market development work is being conducted to support significant long term strategic growth. Typically, in this area it can take several years for opportunities to be developed and converted to signed sales agreements and there is no guarantee that this will be successful.

During the year, KiwiStar Optics secured an order valued at valued at €3.0m (~A\$5.3m) with a European customer for the delivery of precision optical equipment. Kiwistar continues to develop new opportunities and grow the business.

## 5. Acquisition

On 19 November 2025, EOS announced that it has entered into an agreement to acquire the UK-based interceptor business (Interceptor) from the MARSS Group for a total initial investment of €5.5m (approximately A\$10m). Completion of this transaction occurred on 26 November 2025.

Under the transaction, EOS has acquired all Interceptor assets in addition to the specialist engineering team that developed the system. Development of this advanced prototype is expected to take a further 12-24 months before full commercial launch. This is expected to require further investment of up to A\$10m over the next three years.

This acquisition broadens EOS' counter-drone effector portfolio, extends EOS' software and AI capabilities and initiates EOS' presence in the United Kingdom, an important AUKUS partner market.

During the year, EOS incorporated new trading entities in the Netherlands, the United Kingdom and France to support the Group's growth strategy in Europe within the Defence segment. The Interceptor business will be held in the United Kingdom entity.

Refer to Section 7 for details regarding the acquisition of the MARSS Group business, subsequent to year-end.

## 6. Discontinued Operations and Repayment of Debt

In November 2024, the Group entered into a binding share sale agreement to divest 100% of EMS to Cohort plc, and EMS was classified as a disposal group held for sale and as a discontinued operation.

The divestment of EMS was completed on 31 January 2025, with net divestment proceeds of \$153.3m received after final customary adjustments. The divestment of EMS resulted in a gain on sale of \$90.5m. Refer to Note 5 to the financial statements for details.

On 31 January 2025, EOS repaid all remaining debt owing to WHSP. This amounted to \$61.1m which included a \$12.9m "make whole" fee as required under the facility agreement. Following this repayment, the Group no longer has any outstanding borrowings. The WHSP 'make whole' fee is included under interest and other costs of finance paid in the Statement of Cash Flows.

During the period in which EMS was classified as held for sale, EMS continued to focus on building its order book and delivering its satellite communication systems to customers in Australia and other regions, including the deliverables required under the SEA 1442 Phase 5 contract for the Royal Australian Navy.

## 7. Subsequent Events

### 7.1 Bond Facility Amendment

During the period, the Group executed an amendment to its existing bond facility agreement with Export Finance Australia to reflect changes in cash security deposit requirements for performance bonds and guarantees following completion of contract deliverables.

Subsequent to year end, the prior US\$33.2m (A\$49.7m) performance bond was replaced with a US\$16.0m (A\$23.9m) warranty bond to reflect the Group's warranty obligations. The cash security deposit of A\$13.9m disclosed at Note 31 (a) of the financial statements was reduced during 2026 accordingly. The warranty bond is expected to be released upon completion of the warranty period in 2028.

### 7.2 Bank Guarantee

On 14 January 2026, the Group entered into an agreement with Westpac Banking Corporation to issue a A\$10.8m bank guarantee to a customer in Australia. The bank guarantee was fully secured by cash deposits. The guarantee amount, together with the required cash security, reduces progressively as key contractual milestones are achieved during the contract period.

### 7.3 Acquisition of MARSS

On 12 January 2026, the Group announced that it had entered into an agreement to acquire the MARSS Group business (MARSS) for:

- an upfront cash payment of US\$36m plus; and
- a potential earnout of up to €100m via performance rights that are linked to the value of new contract orders during the earnout period, and is payable as a mix of cash or EOS shares.

MARSS is a Europe-based provider of command and control (C2) systems and this acquisition is expected to:

- when coupled with the Group's existing product range, create an integrated, end-to-end solution for effectively countering drones;
- expand the Group's geographic footprint and broaden its end market presence, with scope to leverage MARSS' defence, homeland security and civil relationships; and
- significantly strengthen the Group's in-house AI/ software development capability.



EOS Interceptor-MR, AI-enabled uncrewed aerial system defeating a drone, computer-generated image.

Completion of this transaction is expected in 2026, and is subject to certain conditions being met, including regulatory, customer and other approvals. Refer Note 33 of the financial statements for more details.

The earnout consideration is payable in two tranches, based on the new MARSS contract orders signed in the period at the beginning of the earnout period and ending:

- (i) for the first tranche, 90 days after completion; and
- (ii) for the second tranche, at the end of the earn-out period.

The first tranche of earnout consideration is payable in EOS shares or cash (at the election of the MARSS management shareholders) after the conclusion of the first tranche period, with the cash component capped at €20m. The second tranche of earnout consideration is payable in EOS shares after the conclusion of the second tranche period. The earnout period begins on 11 January 2026 and ends on the earlier of 12 months from completion or 31 May 2027.

#### 7.4 Performance Rights

On 12 January 2026, the Group announced the proposed issue of performance rights to MARSS management shareholders upon completion of the transaction as consideration for the earnout component of the acquisition.

These performance rights could vest into a maximum number of 23,529,411 EOS shares based on agreed issue price of \$7.40, subject to the completion of the acquisition and the extent of the satisfaction of the earnout conditions as detailed in the announcement.

#### 7.5 Committed Optional Loan Facility

Also on 12 January 2026, EOS announced that it has secured a commitment to a \$100m two-year secured term loan facility. The commitment is exercisable at EOS' option. The facility is subject to the finalisation of legal agreements, which will contain representations, warranties and covenants (but will not include any financial ratio covenants), as well as other customary

terms and conditions. Entry into the facility will require the consent of existing funding providers to the Group, including Export Finance Australia and the Group's bankers.

Apart from items outlined above in this Review of Operations, there have been no transactions or events of a material and unusual nature between the end of the reporting period and the date of the report likely, in the opinion of the Directors of the Company, to significantly affect the operations of the Group, the results of those operations, or state of affairs of the Group in future years.

### 8. Material Business Risks

The following is a summary of the material business risks of the Group. These are not listed in any order of importance and do not constitute an exhaustive list. Any of these risks may adversely impact on the financial and operating performance and prospects of the Group and on the ability of the Group to continue operating as a going concern.

#### 8.1 Customer Concentration and Future Sales Revenue risks

Notwithstanding that the Group has a secured contract backlog of over \$400m (excluding conditional contracts), currently the Group's activities remain concentrated with a relatively small number of large value contracts with a relatively small number of customers in a small number of markets.

As is common for entities like EOS the Group's ability to continue operating depends on its ability to continue to secure profitable future sales contracts from existing and new customers.

The Group continues to work to mitigate this risk to the best of its ability by implementing plans to diversify the business with a wide range of new customers in different markets.

During 2025, some progress was made, as the secured contract backlog grew from approximately \$136m at 31 December 2024 to approximately \$459.1m at 31 December 2025.

## 8.1 Customer Concentration and Future Sales Revenue risks (continued)

The Group has a detailed pipeline of potential future opportunities (including conditional contracts) which are being developed. There is a risk that opportunities are cancelled, delayed or take longer than expected to be secured in the form of binding customer contracts. EOS works to mitigate this risk by pursuing a wide range of different opportunities.

The Group has set management performance targets for new business won in the year (which may span over multiple years) and revenue delivered in the year. Management incentive schemes have been established and are updated regularly.

Future sales revenue and cash receipts are likely to continue to be dependent on the performance of the Group, our customers and other parties. For example, EOS sometimes relies on the availability of customer vehicles, or critical components (such as cannons) from suppliers. The Group assesses this risk and takes steps to mitigate this risk, for example by securing appropriate contract terms where possible.

There is no guarantee that the Group will be successful in securing new sales orders, diversifying the business or mitigating potential future non-performance by customers and others.

## 8.2 Cash Receipts, Liquidity and Funding

The Group incurred a Loss Before Tax from Continuing Operations of \$79.0m for the year ended 31 December 2025 and had a net cash outflow from Operating Activities of \$24.2m.

On 31 January 2025, EOS divested the EMS business, receiving proceeds of \$158.6m. Also on 31 January 2025, EOS repaid all borrowings. Following these transactions, as at 31 December 2025, EOS had approximately \$107.0m unrestricted and available cash on hand and no borrowings.

On 11 January 2026, the Group announced the planned acquisition of the MARSS Group business for an upfront consideration of approximately US\$36m (A\$54m) plus an earn out of up to €100m, or A\$174m that may be satisfied by the issuance of EOS shares or in cash (up to €20m, or A\$30m). Also on 11 January 2026, EOS announced that it has secured a committed term loan facility of up to A\$100m for two years.

The Group is reliant on cash collections from customers. The receipt of adequate cash from customers depends on customers making timely payments for the goods supplied in accordance with contractual terms, and on the Group securing new additional cash positive sales orders from customers.

The Group is a party to large contracts which can create relatively large receipts and payments in short periods of time. The Group is exposed to risk if receipts are delayed and this can create additional liquidity requirements at short notice.

The Group manages these risks by monitoring near-term cash forecasts and proactively pursuing cash collections and other cash management strategies. The Board of Directors Audit and Risk Sub-Committee regularly reviews forecast cash balances. In addition, the Group maintains cash reserves to provide capacity to withstand short term movements in cash receipts and payments. A management committee regularly reviews the investment of cash deposits to ensure that these mature in good time to help manage short term movements in cash, whilst also considering counterparty credit risk and other factors.

For strategic funding requirements, such as acquisitions, the Group considers funding risks as part of assessing these opportunities, and works to develop funding solutions as required. This includes consideration of the feasibility and attractiveness of debt or equity fundraising in light of market conditions and other factors.

If adequate cash is not received from customers or funding providers, the Group may not have sufficient liquidity and funds to continue operations. In addition, it may be required to further negotiate with lenders and/or other finance providers and to complete further debt or equity raisings. There is no assurance that the Group will be able to successfully complete future negotiations, debt or equity raisings should this be required.

The Group is regularly asked to issue bank guarantees under new customer contracts. The issuance of such guarantees is subject to the availability of facilities from financiers. There is no guarantee that such facilities will be obtained and this can impact the Group's ability to secure customer contracts on attractive terms.

The Group works to mitigate the risk to the best of its ability by holding regular and constructive discussions with customers and with finance providers, by maintaining proactive cash management processes and by exploring profitable new business opportunities that, if converted, will be cash flow positive. The Group has set management performance targets for cash collected in the year. The Audit and Risk Committee and the Board regularly review cash flow forecasts prepared by Management and determines cash management policies.

### 8.3 Acquisitions and Investments

The Group pursues acquisitions and investments as part of its growth strategy. This includes work to identify and assess potential acquisition targets or investment opportunities. Depending on the outcome of assessments, steps are taken to execute new acquisitions and investments.

There is a risk that the Group may fail to successfully execute acquisitions and fail to manage the integration of the acquisitions to realise synergies and revenue growth across the Group. Any such failure may also result in costs including write off or restructuring charges and unanticipated costs and liabilities that may impact earnings. There is a risk that the Group may invest in acquisitions or other opportunities and that investment returns may not be realised or that the funds invested may be lost.

The Group works to mitigate these risks by subjecting acquisition and investment proposals to detailed reviews. These are assessed by experienced in-house personnel, supplemented by external expertise as required. In particular, acquisition due diligence includes legal, commercial, financial and technical assessments. Where an investment is made, detailed performance goals are set and resources are applied to realise targeted outcomes. For material investments, regular board oversight occurs at each stage of the investment process.

During 2025 the Group completed the acquisition of the Interceptor business and, subsequent to year end, on 12 January 2026 entered into an agreement to acquire the business of the MARSS Group. This is subject to certain conditions being met, including regulatory, customer and other approvals.

There is a risk that the MARSS Group acquisition may be delayed or may not complete if these conditions are not met.

Following the completion of the MARSS acquisition, the Group intends to establish this business as a new division which is integrated into the Group. The business will be subject to appropriate controls and supervision, similar to other Group activities. This is intended to help ensure that a wide range of risks are assessed and managed. There is no guarantee that risks will be fully mitigated or that performance will align with expectations.

There is no guarantee that any Group acquisitions or investments made will be successful or achieve targeted outcomes.

### 8.4 Foreign Exchange Risks

The Group typically incurs costs in Australian dollars and United States dollars, and sells products priced in Australian dollars, United States dollars, Euros and other currencies. This can create a foreign exchange exposure, particularly as costs are often incurred prior to sales proceeds being received, and the Group holds assets (including contract assets) denominated in foreign currency. The Group works to monitor foreign exchange exposures and mitigates these by factoring reasonably possible foreign exchange movements into pricing.

In addition, receipts and payments with foreign exchange risks are often incurred over extended periods of time, protecting the Group from the impact of short-term movements in foreign exchange rates. Except for the natural hedge afforded by having operating assets in different countries, the Group does not hedge foreign exchange transactions. The Group may incur exchange gains and losses as a result of this approach.

### 8.5 Human Resources Risks

EOS operational requirements rely on highly technical talent with in-demand skills in the global marketplace. The Group's ability to continue operating effectively depends on its ability to attract and retain (where required) high quality leaders and employees with skills aligned to the future needs of the Group, particularly as our order book expands.

The market for acquiring in-demand capabilities remains challenging however, the Group employs a broad range of tactics and initiatives to attract, employ and retain critical resources and to ensure our people are paid competitively.

The introduction of new regulatory requirements (see section 8.12) can also limit the size of talent pools that the Group can hire from, particularly when we are required to hire Australian or other approved citizens. Understanding these challenges, the Group continues to proactively work on opportunities to widen our hiring pools on a global scale to address this.

The Group evaluates concentration risks (including our reliance on talent pools in small geographic markets such as Canberra, Australia), and ways to reduce this. This includes regularly considering the expansion of our production capability in the United States, Singapore and other locations in order to have wider pools of talent to draw upon as well as bringing in talent from one country to another to build capabilities and experiences across our employee group, reducing risk overall.

The Group faces a risk that key personnel leave the Group and successors are not available in house.

### 8.5 Human Resources Risks (continued)

During 2025 the Group conducted (1) targeted hiring for key roles and (2) conducted a detailed succession planning review. The Board of Directors' People and Culture Sub Committee reviews regular progress updates on these areas. These steps are intended to help assess and mitigate this risk.

It is acknowledged that there is no guarantee that the Group will be able to retain key managers and employees in a highly competitive market and employment landscape and this may have an adverse impact on the Group's financial and operating performance.

Clearly understanding the succession risk, the Board, the People and Culture Committee and the Executive Leadership team, have implemented robust plans around leadership and critical technical talent identification and have developed an active succession plan to build and retain critical capabilities and to manage this ongoing risk.

### 8.6 Cyber / Information Technology Risks

The Group is dependent on the performance, reliability and availability of technology platforms, data centres and technology systems, including services provided by third parties. The Group operates in the defence industry and has a higher inherent Cyber / Information Technology risk profile than other organisations.

There is a risk that technology systems may be adversely affected by disruption, including by factors outside the Group's control. This could lead to a prolonged disruption to the Group's activities, with adverse effects on the Group's products and services, operations, interactions with suppliers, employees and others, delivery to customers, cash receipts and net cash flows, and on the Group's reputation.

The Group employs expert personnel and third-party service providers to help mitigate these risks. These mitigations include monitoring threats and other processes. The technical nature of this risk is subject to ongoing rapid evolution. If this risk arose, there is no guarantee that the mitigation activities would be effective and in this situation, it could have an adverse effect on the ability of the Group to continue operating.

A Board subcommittee, the Data Security and Data Governance Committee, was established in 2023 to oversee this risk. The work of this committee continued during 2024 and 2025.

### 8.7 Geo-Political Change Risks

The Group is exposed to changes in geopolitical risks, including changes in the operating environment that arise from wars, terrorist acts and tensions between states that impact global security. In addition, political and governmental changes can ultimately lead to changes in market demand and other factors that impact the Group.

The Group operates in international markets in the defence industry and has a higher inherent geo-political risk profile than many other organisations. The Group is also exposed to the risk of political and economic instability in international markets, inconsistent product regulation by national governments or their agencies, imposition of product tariffs and burdens, difficulty in enforcing intellectual property rights, national taxes, and language and other cultural barriers.

During 2025, the risk of the imposition of product tariffs increased as some countries (including the United States) indicated a willingness to impose tariffs. The overall impact of tariffs on the Group during 2025 was not material, but the Group expects this risk to continue evolving. This could result in changes that adversely affect the cost of materials purchased by the Group or the prices ultimately charged by the Group to customers. EOS monitors developments and works to ensure customer opportunities and contracts are not exposed to this risk. There is no guarantee that this work will be successful.

Changes in geopolitical situations or legal requirements could have an adverse impact on market development, sales opportunities, revenues, operations, costs, profits, and cash receipts and net cash flows, including the ability of customers to pay for products and services supplied. The Group addresses this by monitoring global developments, including meeting with senior defence and political leaders in different countries. The Group conducts operations and manufacturing in multiple countries and, if required, this could provide some flexibility to adapt activities and potentially mitigate certain risks. The Group also considers potential future situations, particularly when developing and adapting market strategies and plans, as well as working to influence critical decisions through appropriate channels.

## 8.8 Operational Continuity and Supply Chain Risks

In future, the Group's continuing operations may be affected by a range of factors, including the interruption of availability of materials and components caused by supply chain issues, access to operational premises and access to high-level engineering skills and personnel and to customer and supplier facilities and equipment. The continued supply of components to the Group is at risk of interruption due to global availability of critical minerals and to potential new regulatory constraints (including restrictions on defence exports) in origin countries. The Group's products are also subject to obsolescence risks, including the ongoing availability of critical components that may no longer be being manufactured by suppliers.

The Group continues to monitor these risks and develop plans to mitigate them, including working to source and hold inventories of critical parts. In addition, the Group continues to work with customers and others to address the risk of adverse financial impacts of delays in access to firing ranges, vehicles, weapons and other critical items. There is no guarantee that the Group's plans will cover all scenarios or be successful in fully mitigating these risks, should they arise in future.

## 8.9 Stakeholder Dissatisfaction Risks

The Group interacts with a wide range of stakeholders. These include customers (including various government, defence force and other buyers) suppliers, industrial partners, regulators, lenders and funding providers, employees, equity investors and others. The ongoing operation of the Group depends on the level of trust and confidence of stakeholders in the Group.

Following the divestment of EMS, on 31 January 2025 the Group repaid all outstanding borrowings. At 31 December 2025, the Group had cash reserves of approximately \$106.9m and no borrowings. The Group believes this represents a continued improvement in overall financial health and that this provides the opportunity to improve stakeholder confidence in the Group and reduce the risk of stakeholder dissatisfaction.

Stakeholder requirements typically encompass a wide range of demands and there is no guarantee that the Group will be able to satisfy stakeholder requirements. Ultimately this could lead to stakeholders withholding co-operation and could disrupt the Group's ability to continue operating.

## 8.10 Product Obsolescence, Development and Performance Risks

Ongoing sales of existing products to customers require the maintenance and development of these existing products and services to ensure that they remain effective and saleable. In order to continue operating, existing products require the maintenance of legacy software, and the implementation of new software. The Group employs software engineers to do this.

The Group sells high technology products and services and there is the risk that fundamental technology changes occur over time rendering the Group's existing products obsolete. For example, global security endeavours could become more focussed on missiles than land-based RWS technologies, presenting a risk and an opportunity. The Group addresses this by monitoring market trends and developing new technology products. Product development work is subject to risk, including that if the Group does not have access to the necessary investment funding and the necessary skills and capabilities, this could disrupt or delay product development programs and ultimately the ongoing operation of the Group.

The technical and commercial development of new products depends on the assessment of evolving market needs and a range of complex factors. Product development can consume significant amounts of investment and may not result in the development of commercially viable products for extended periods of time or ever. The Group's access to appropriate sources of development funding and technical, commercial and strategic capability is a key determinant of future product viability and the Group may not be able to access these.

In some contracts, the Group is exposed to significant penalties (including up to the entire contract price) if the products supplied do not meet specified performance criteria. The Group aims to manage this by scoping product specifications appropriately so that specifications are achievable. For new products (including high energy laser weapons) there is a higher risk that product performance does not meet specified criteria and that penalties are incurred. There is no guarantee that the group will be able to mitigate this risk or avoid significant penalties in future.

The Group regularly reviews its product portfolio and evolving market trends and continues to develop product plans to mitigate these risks. There is no guarantee that the Group will be able to maintain or develop commercially viable products.

### 8.11 ESG: Environmental, Social and Governance Risks

The Group is exposed to a wide range of Environmental, Social and Governance risks. The Group's products (including Remote Weapons Systems) and other services may be used in ways that impact human rights. The Group is required to comply with export controls in Australia, the United States and other countries and has implemented controls designed to ensure compliance.

The Group is exposed to other social risks, including evolving community expectations and obligations relating to supply chain ethics, modern slavery, diversity rights and behaviour of Directors and employees. The Group works to monitor social risks and take steps to monitoring evolving social expectations and ensure compliance with obligations in good time.

The Group is subject to the impacts of changes in environmental requirements and compliance obligations (including reporting) and to the impacts of changes in the environment on supply chain availability. The Group's activities, products and services may have an adverse impact on the environment. The Group's exposure to environmental and climate change risks is set out in more detail below.

The Group is exposed to governance risks, including those relating to Board governance and diversity and the ability to retain and attract Board Directors with the requisite skills and experience. In addition, there is the risk that Board review and decision-making processes may not be effective in ensuring compliance with relevant obligations and the ongoing viability of the Group at all times. The Board monitors its composition, skills and processes to assess this risk and take steps to mitigate risks where possible.

ESG risks continue to evolve rapidly and there is no guarantee that the Group will be able to continue to anticipate or fully mitigate these risks.

### 8.12 Regulatory and Legal risks

The Group is subject to a wide range of regulatory and legal obligations in different countries. These include regulations relating to export licenses for its products, security obligations (including relating to sites, people, data and classified activities) and compliance with the requirements of the Australian Securities Exchange and the *Corporations Act 2001* (Cth) in Australia (and similar legislation in other countries). Compliance with this wide range of regulatory requirements can be costly.

The Group's regulatory and legal environment is subject to change and the Group can face new regulatory requirements. For instance, in 2024 Australia introduced

new 'Safeguarding Australia's Military Secrets' laws which require former ADF members, Defence APS employees and certain other contractors to obtain a 'Foreign Work Authorisation' prior to working for a foreign military or foreign government body. The *Defence Trade Controls Amendment Act 2024* significantly changed Australia's export control rules, including by introducing several new criminal offences covering the supply of Defence and Strategic Goods List (DSGL) technology to foreign persons in Australia, the re-supply of DSGL goods and technology and the provision of services related to DSGL goods and technology outside Australia.

The Group has taken steps in previous years to manage compliance with these new requirements and this work continues (although, there is no certainty that any mitigating actions taken may be effective in a way that allows the Group to continue operating without short-term or long-term impacts). There are also evolving risks, such as the risk of tariffs outlined in section 8.7.

In the United States, the Group's activities are subject to compliance with detailed regulations relating to Foreign Ownership, Control or Influence (FOCI). If the Group does not comply with these regulations there is a risk that the group's activities in the United States may need to be curtailed or terminated. The Group has established governance and other processes to ensure compliance is maintained and that risks or breaches are promptly identified and addressed. There is no guarantee that these processes will be effective in future.

Changes in regulatory and legal requirements can impact the Group's ability to develop, manufacture or export key products components, software and technologies. The Group monitors changes in the regulatory and legal environment and seeks to proactively respond to regulatory and legal risk by monitoring and, where appropriate, enhancing or expanding compliance policies and procedures. The scale and tempo of national security law reforms mean that short or long-term impacts to the Group's business may not always be avoidable.

The Group's relationships with counterparties (including customers, suppliers, and others) are governed by contracts and relevant legislation in Australia, the United States of America, Singapore and other countries. In addition, the Group's ongoing operations depend on continuing to meet regulatory and licencing requirements of different jurisdictions. In particular, the Group requires specific government permits (including export licences) under the applicable export control laws of the countries in which it operates. This includes export licences for the export of controlled goods, software and technology, issued by the relevant authorities in the country of export (or, in some cases, the authorities of the country where the goods, software or technology were manufactured

or developed). Government authorities often have broad discretion regarding the granting (or extension or suspension) of such permits and licences, and their decision-making can be affected by political and/or strategic considerations that are challenging to predict. Delivery contracts must be declined or terminated without fault if an export license is not granted and the Group works to manage this risk.

There is the risk that the Group could be subject to disputes, legal claims, litigation, investigations, class actions and sanctions from customers, suppliers, investors, lenders and other funding providers, regulators, governments and others. These may relate to past, current or future events or activities of the Group, including actions or omissions by Directors and employees. For example, in March 2024, EOS disclosed that it was the subject of an investigation by ASIC in Australia in connection with compliance with disclosure obligations and related duties regarding the Company's 2022 revenue guidance. During 2025, EOS reached a settlement with ASIC in connection with alleged breaches by the Company of continuous disclosure obligations under the *Corporations Act 2001* (Cth) and the ASX Listing Rules. This settlement is subject to approval by the Federal Court. This settlement brings to an end ASIC's investigation in connection with the Company's 2022 revenue guidance although court action by ASIC continues against a former Director who remains a current employee of the Company.

There is no guarantee that any past, current or future such matters arising will be resolved in a way that allows the Group to continue operating without short-term or long-term impacts.

### 8.13 Additional Information on Climate Change and Climate-related Risks

The Group is exposed to climate change and climate-related risks. Directors are responsible for providing oversight of the Group's risks and opportunities in this area.

The main climate risks that the Group face in the short term include compliance with evolving legislation, including reporting obligations in different jurisdictions. Reporting obligations are evolving and jurisdiction-specific and the Group works to ensure compliance with these requirements.

In 2024, the Group engaged an external specialist to conduct an initial assessment of climate reporting obligations. As part of this, it was determined that the Group expects to be required to comply with climate-related financial disclosure obligations for the 2027 reporting year. Throughout 2025, the Group continued

to work with an external specialist firm to undertake further planning and assessment work to mitigate risks arising from this new requirement. This includes work to consider climate change and climate-related risks as well as climate reporting obligations. This work will continue during 2026.

Over the medium and long term, the Group has identified the risk that additional obligations will arise relating to potential mitigation of adverse environmental activity within the Group's supply chains. The Group has an extensive and fragmented supply chain base which is involved in the manufacture of electronic and other equipment. The Group continues to develop the maturity of its supply chain processes, including in this area.

The Group's strategy for managing climate-related risks is under review which will include modelling of different climate-related scenarios, such as a '2 degrees centigrade or lower' scenario.

The Group has identified ESG (including climate risks) as a risk to the Group through its risk management process which is overseen by the Directors. Assessing this risk and developing mitigations and other actions (current and planned) is the responsibility of management. The Directors are responsible for monitoring compliance with the various evolving requirements (including reporting obligations), progress being made and the development of future plans.

The Group plans to renew its climate risk goals, strategy and detailed plans, including setting metrics and targets and preparing for climate-related reporting requirements during 2026.

## 9. Long-Term Incentive Plan

During the year, 986,842 share options and 165,929 share rights were issued to the Managing Director and CEO, Dr Andreas Schwer, following approval at the AGM in May 2025.

In addition, during the year a further issue of 2,074,495 share options and 339,823 share rights were issued to senior management as part of the Omnibus Employee Incentive Plan.

There is no change in share capital as a result of these allocations and it is anticipated that upon vesting and exercise, these allocations will be funded, to the fullest extent possible, by shares already issued and held in trust as lapsed shares under the existing Loan-Funded Share Plan.

No other share rights or share options were issued to directors during or after the period.

## 10. 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 obligation commitment is secured by an offset bond of US\$16.9m (A\$25.3m) which is guaranteed by Export Finance Australia. In respect of this bond, a cash security amount of US\$16.9m (A\$25.3m) has been placed on deposit.

As part of the offset program, EOS was required to develop, agree and submit an approved business plan, which will generate offset credits, to the offset credit authority. On 20 February 2025, the Group received approval from the offset credit authority for the business plan.

During the year, in accordance with various approvals from the offset authority, EOS continued to take steps to formally establish a 49% EOS owned joint venture (JV) with Shielders Advanced Industries. The intention of both parties is that this JV will set up local manufacturing and assembly of EOS' R150 Remote Weapon System product in the Middle East. As at the date of this report, the JV had not been established.

Under the approved business plan, EOS has from 1 July 2026 until 1 July 2033 to set up the JV and earn the relevant offset credits. This includes in-kind contributions including the licensing of EOS owned IP, and providing technical data packages and manufacturing knowhow to the JV.

Under the approval from the offset credit authority, the final form of the various agreements necessary for the JV to manufacture and assemble EOS product in the Middle East require the approval of the offset credit authority in due course. As at the date of this report, EOS expects to receive the necessary approvals. Under the approved business plan in order to earn offset credits EOS must contribute not less than AED 18.4m (approximately A\$7.5m) in cash to the JV by 1 July 2026 unless otherwise agreed with the offset authority. As at the date of this report, EOS has not yet contributed any cash.

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.

## 11. Capital Management

The Group's continued its focus on capital management, and the monetising of contracts on hand during 2025.

At the beginning of the year, the Group had one secured borrowing facility with WHSP (WHSP facility) for a Term Loan principal facility of \$35.0m. The total debt repayment obligation of \$52.1m was due to mature on 11 October 2025 and included principal, establishment fees and interest accrued, not paid in cash, to that date. The facility carried interest of 22% per annum and line fees of 4%. This loan was secured by a general security deed which ranked pari passu with the Export Finance Australia facility. The borrowing facility agreement included a 100% 'make whole' clause which applied in the case of any early repayment.

On 31 January 2025, following the divestment of EMS, EOS was required to repay the WHSP facility noted above. The total repayment (including principal, interest and make whole amounts) was \$61.1m. The make whole fee was included under interest and other costs of finance paid in the Statement of Cash Flows.

Following this debt repayment, EOS had no borrowings as at 31 December 2025, and held \$106.9m in available cash balances. Furthermore, EOS had \$41.6m of restricted cash (security deposits) held as security for bank guarantees.

During the year, the Group executed an amendment to its existing bond facility agreement with Export Finance Australia to reflect changes in security deposit requirements for performance bonds and guarantees following completion of contract deliverables. In the amendment, which was executed in November 2025, the previous covenants were replaced with new monthly and quarterly covenant requirements with Tangible Net Worth and minimum unrestricted cash balance requirements to be met.

The Group is a party to large contracts which can create relatively large receipts and payments in short periods of time. The Group is exposed to risk if receipts are delayed and this can create additional liquidity requirements at short notice. The Group manages this risk by monitoring near-term cash forecasts and proactively pursuing cash collections and other cash management strategies.

Subsequent to year end, on 12 January 2026, EOS announced that it has secured a commitment to a \$100m two year secured term loan facility, exercisable at EOS' option. The facility is subject to the finalisation of legal agreements and the consent of existing funding providers to the Group, including Export Finance Australia and the Group's bankers.

Further details of the loan facility will be announced when the legal agreement is finalised the Group.

Refer to section 7.5 for details.

## 12. Business Outlook

During 2025, EOS finalised the transformation strategy to focus on commercialising its substantial intellectual property and growing its core product offerings in the areas of Remote Weapon Systems, High Energy Laser Weapons and Space Control. This work included initiatives to diversify the Group's range of products and the markets we serve, and ultimately our customer and revenue base. This is intended to improve profitability and returns over time.

### 12.1 Outlook for Markets, Customers and Order Book

The market outlook for the Group's products remains positive. This is due to ongoing conflicts in Ukraine and the Middle East and continued tensions in other locations. Customer interest in NATO countries and other markets remains strong and overall customer enquiry levels and discussions continued to advance during the year. We continue to see particularly strong interest in counter-drone solutions.

Typically, EOS operates in an industry where it can take an extended period of time (up to a year or more) for new opportunities to be converted into signed sales contracts. EOS continues to pursue a number of material opportunities in different markets, including Europe, North America the Middle East and other international markets.

At 31 December 2025, the unconditional backlog order book was \$459.1m. EOS aims to both grow the backlog order book and convert the existing conditional orders to binding orders during 2026. Achieving this depends on a range of factors, some of which are outside of EOS control.

### 12.2 Outlook for Revenue

Typically, the recognition of revenue is governed by the achievement of project milestones or based on progress towards performance, as specified in customer contracts. Changes in project timing, and the timing of the Group's revenue, can arise due to unplanned changes in circumstances.

The level of future revenue in 2026 and beyond will depend on the delivery against contracts on hand and on the level of new contracts secured and delivered during the year. Factors including the achievement of product manufacturing and delivery milestones, compliance with detailed contractual requirements, ongoing customer relationships and the outcome of commercial discussions and negotiations (as well as the quantum of new contracts secured) all impact revenue recognised. Due to the nature of the industry in which EOS operates historically, the timing and quantum of revenue has been difficult to predict with certainty.

During 2025, EOS revenue from continuing operations was \$128.5m. Achieving a higher revenue in 2026 will depend on achieving on the requisite manufacturing, delivery and other milestones, as well as other factors.

The Group will continue to provide updates during the year in line with its continuous disclosure obligations.



EOS R400 remote weapon system engaging targets during live-fire testing.



# Directors' Report

The Directors of Electro Optic Systems Holdings Limited submit herewith the annual financial report of the Company for the year ended 31 December 2025.

In order to comply with the provisions of the *Corporations Act 2001* (Cth), the Directors report as follows:

## 1. Directors

The names and particulars of the Directors of the Company during or since the end of the financial year are:

Name	Particulars
<p><b>Mr Garry Hounsell</b> B Bus (Acc), FCA, FAICD</p> <p><b>Independent Non-executive Chair</b></p> <p><b>Appointed:</b> 24 November 2022</p> <ul style="list-style-type: none"> <li>• <b>Board Committees:</b> Nomination Committee (Chair)</li> <li>• Audit and Risk Committee (from 1 January 2026)</li> <li>• Joint Venture / M&amp;A Committee</li> </ul>	<p><b>Experience and Expertise</b></p> <p>Garry is currently Chair of Helloworld Travel Limited (since 2016) and a Non-executive Director at Treasury Wine Estates Limited (since 2012).</p> <p>Garry was previously the Chair of the Commonwealth Superannuation Corporation, Chair of Myer Holdings Limited (2017-2020; Executive Chair Feb-Jun 2018), Chair and a Non-executive Director of Spotless Group Holdings Limited (2014-2017), and Chair of Emitch Limited (2006-2008) and PanAust Limited (2008-2015). He was also previously an Advisory Board Member of PanAust Limited (2015-2017), Rothschild Australia Limited (2012-2017), and Investec Global Aircraft Fund (2007-2019). He was a Director at Orica Limited (2004-2013), Nufarm Limited (2004-2012), Qantas Airways Limited (2005-2015), Mitchell Communication Group Limited (2008-2010), Integral Diagnostics Limited (2015-2017), Dulux Group Limited (2010-2017) and Investec Aircraft Syndicate Limited (2012-2018). Garry was a member of Commencer Capital's (formally Investec Emerging Companies) Investment Committee (2019-2024).</p> <p>Garry was a Senior Partner at Ernst &amp; Young (2002-2004), CEO and Managing Partner of Arthur Andersen (2001-2002) and a Partner at Arthur Andersen (1989-2002).</p> <p>Garry has a Bachelor of Business (Accounting) from the Swinburne Institute of Technology (1975) and is a Fellow of Chartered Accountants Australia and New Zealand and a Fellow of the Australian Institute of Company Directors.</p> <p><b>Directorships of other listed entities in the last three years:</b></p> <p>Treasury Wine Estates Limited (2012 to present) and Helloworld Travel Limited (2016 to present).</p>
<p><b>Dr Andreas Schwer</b> PhD, MSc, MSE</p> <p><b>Managing Director and Chief Executive Officer</b></p> <p><b>Appointed:</b> 11 December 2023</p>	<p><b>Experience and Expertise</b></p> <p>Dr Schwer was appointed as Chief Executive Officer in August 2022 and appointed as Managing Director on 11 December 2023.</p> <p>An executive leader with deep international experience – including in Asia, the Middle East, Europe, and North America – Dr Schwer has had a varied career in the defence and space domains. His previous experience includes senior positions in the global defence industry, including fourteen years at Airbus Group and five years at the German defence company Rheinmetall AG. Dr Schwer has a thorough understanding of the Company's global operations, having acted, most recently, as President of EOS EMEA (Europe, Middle East, and Africa) for two years, during which time he oversaw the expansion of the company's operations in NATO and Middle Eastern markets. Among his qualifications, he holds a PhD in the field of system modelling and satellite engineering.</p> <p><b>Directorships of other listed entities in the last three years</b></p> <p>Titomic Ltd</p>

Name	Particulars
<p><b>Air Marshal Geoffrey Brown AO</b> BEng (Mech), MA (Strategic Studies), GAICD</p> <p><b>Independent Non-executive Director</b></p> <p><b>Appointed:</b> 21 April 2016</p> <p><b>Board Committees:</b></p> <ul style="list-style-type: none"> <li>• Joint Venture / M&amp;A Committee (Chair)</li> <li>• People and Culture Committee (Chair until 5 September 2025)</li> <li>• Data Security and Data Governance Committee (from 1 January 2026)</li> <li>• Nomination Committee</li> </ul>	<p><b>Experience and Expertise</b></p> <p>Geoff retired from the Royal Australian Air Force in July 2015 as Air Marshal in the position of Chief of Air Force. Among his qualifications he holds a BEng (Mech), a Master of Arts (Strategic Studies), Fellow of the Institution of Engineers Australia and is a Fellow of the Royal Aeronautical Society. He is Chair of the Advisory Board of CAE Asia Pacific and Deputy Chair of the Sir Richard Williams Foundation. Geoff is a member of the Strategic Advisory Board of Lockheed Martin (Australia) Pty Ltd and a member of the Governing Council of the Temora Air Museum..</p> <p><b>Directorships of other listed entities in the last three years:</b></p> <p>Nil</p>
<p><b>The Hon Kate Lundy</b> HonLittD, GAICD</p> <p><b>Independent Non-executive Director</b></p> <p><b>Appointed:</b> 23 March 2018</p> <p><b>Board Committees:</b></p> <ul style="list-style-type: none"> <li>• Data Security and Data Governance Committee (Chair)</li> <li>• People and Culture Committee</li> <li>• Nomination Committee</li> <li>• Audit and Risk Committee</li> <li>• Joint Venture / M&amp;A Committee (until 31 December 2025)</li> </ul>	<p><b>Experience and Expertise</b></p> <p>Kate served as a Senator representing the Australian Capital Territory from 1996 to 2015. During this time, she held various front bench positions in both Government and Opposition, including the Minister for Sport, Multicultural Affairs and Assisting on Industry and Innovation and the Digital Economy.</p> <p>Kate continues to be passionate about technology and innovation. Her focus is the positive impact of technology on society, culture and the economy. In 2017, the Australian National University awarded her a Doctor of Letters (honorary doctorate) for her "exceptional contributions to advocacy and policy for information communications and technology, for the ACT and nationally."</p> <p>Kate is the Chair of the Canberra Institute of Technology and a Non-executive Director of the National Roads and Motoring Association, the National Youth Science Forum and Frontier SI.</p> <p><b>Directorships of other listed entities in the last three years:</b></p> <p>Nil</p>
<p><b>Mr David Black</b> BA(Hons) (Economics), FCA, MBA, GAICD</p> <p><b>Independent Non-executive Director</b></p> <p><b>Appointed:</b> 1 January 2021</p> <p><b>Board Committees:</b></p> <ul style="list-style-type: none"> <li>• Audit and Risk Committee (Chair)</li> <li>• Data Security and Data Governance Committee</li> <li>• Nomination Committee</li> <li>• Joint Venture / M&amp;A Committee</li> <li>• People and Culture Committee (until 31 December 2025)</li> </ul>	<p><b>Experience and Expertise</b></p> <p>Before retiring from the Deloitte Touche Tohmatsu Australia partnership, David spent 25 years with Deloitte in the UK and Australia. During that time David provided services to a range of clients including in the Defence, Manufacturing and Government sectors. David's experience includes working with growing start-up businesses, multinational corporations and the boards of ASX-listed entities on complex accounting, internal and external auditing, risk management, corporate governance and due diligence engagements. During his time at Deloitte David previously served as the audit partner for the Company.</p> <p>Since his retirement from Deloitte, David has established a growing family business, The Coastal Brewing Company, and serves on a number of Government sector audit committees as an independent member, chairing one of those committees.</p> <p><b>Directorships of other listed entities in the last three years:</b></p> <p>Nil</p>

Name	Particulars
<p><b>Mr Robert Nicholson</b> BSc, LLB, LLM, MBA, GAICD</p> <p><b>Independent Non-executive Director</b></p> <p><b>Appointed:</b> 24 May 2023</p> <p><b>Board Committees:</b></p> <ul style="list-style-type: none"> <li>• People and Culture Committee (Chair since 5 September 2025)</li> <li>• Audit and Risk Committee</li> <li>• Nomination Committee</li> <li>• Joint Venture / M&amp;A Committee</li> <li>• Data Security and Data Governance Committee (until 31 December 2025)</li> </ul>	<p><b>Experience and Expertise</b></p> <p>Robert was a Partner at Herbert Smith Freehills Kramer (and predecessor firms) for 28 years. He served on the Freehills Board of Partners for 10 years and was the Chairman for 3 years in the lead-up to the firm's merger with Herbert Smith to create a global firm with 500 partners and 28 offices.</p> <p>Robert is the Chair of Alinta Energy and a Director of PLS Group, Port of Melbourne, Baker Heart and Diabetes Institute and the European Australian Business Council. He is a Senior Advisor to Herbert Smith Freehills Kramer.</p> <p><b>Directorships of other listed entities in the last three years:</b></p> <p>PLS Group (2026 – current)</p>

## 2. Company Secretary

Name	Particulars
<p><b>Ms Melanie Andrews</b> BComm, FCPA, MBA, GAICD</p> <p><b>Appointed:</b> 26 March 2024</p>	<p>Melanie was appointed as Company Secretary on 26 March 2024 in line with the Board's strategy to transition this role in-house. She is an experienced Company Secretary and is a Graduate Member of the Australian Institute of Directors.</p>

## 3. Principal Activities

The principal activities of the Group are in the Space Systems and Defence Systems business.

The Company is listed on the Australian Securities Exchange.

## 4. Review of Operations

A detailed review of operations is included on pages 20 to 35 of this financial report.

## 5. Going Concern

The financial report has been prepared on the going concern basis which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

## 6. Rounding of Amounts

The Company is a company of the kind referred to in *ASIC Corporations (Rounding in Financials/Directors' Reports) Instrument 2016/191*, dated 24 March 2016, and in accordance with that Corporations Instrument amounts in the financial report are rounded to the nearest thousand dollars, unless otherwise indicated.

## 7. Changes to the State of Affairs

During the year, the following events occurred:

- completion of the divestment of EMS on 31 January 2025;
- full repayment of the WHSP debt facility; and
- acquisition of the UK-based interceptor drone business, which was completed on 26 November 2025.

Apart from those mentioned above, there were no significant changes in the state of affairs of the Group during the financial year.

## 8. Share Options / Rights

In 2023, the Board introduced a new Omnibus Employee Incentive Plan (OEIP). No further issues under the legacy Loan Funded Share Plan (LFSP) and legacy Employee Share Option Plan (ESOP) are anticipated.

### 8.1 Share Options (OEIP)

#### Share options granted to Directors and Key Management Personnel

986,842 share options were issued to the Managing Director and CEO, Dr Andreas Schwer, following approval at the Annual General Meeting (AGM) in May 2025.

528,947 share options were issued to the CFO/COO, Clive Cuthell, in June 2025.

No other share options were issued to directors or key management personnel during or after the period.

#### Share options on issue at year end or exercised during or since the financial year

There were 7,770,862 unlisted options outstanding as at the date of this report as per the table below.

Options Outstanding	Issue Date	Expiry Date	Exercise Price	Plan
2,109,322	22 December 2023	31 December 2028	\$0.50	OEIP
2,100,000	30 May 2024	31 December 2028	\$0.50	OEIP
48,263	30 August 2024	31 December 2028	\$0.50	OEIP
629,835	30 August 2024	31 December 2029	\$1.70	OEIP
2,824,396	3 June 2025	31 December 2030	\$1.13	OEIP
59,046	14 November 2025	31 December 2029	\$1.70	OEIP
<b>7,770,862</b>				

595,057 share options were exercised during or since the financial year. There were no shares or interests issued during or since the financial year as a result of exercise of an option as shares were allocated for exercised options from shares already on issue and held in the employee share trust as lapsed shares.

During the year ended 31 December 2025, 50,000 legacy ESOP share options were forfeited due to the expiry of the exercise period and 457,494 share options (consisting of 30,000 ESOP options and 427,494 OEIP options) were forfeited due to cessation of employment.

At 31 December 2025, 2,208,989 share options were eligible for vesting, subject to the Board's confirmation. These will be confirmed and will vest in 2026.

To the extent that share options vest and are exercised in the future, it is anticipated that these allocations will be funded, to the fullest extent possible, by shares already issued and held in trust as lapsed shares within the employee share trust.

## 8.2 Share Rights (OEIP)

### Share rights granted to Directors and Key Management Personnel

165,929 share rights were issued to the Managing Director and CEO, Dr Andreas Schwer, following approval at the AGM in May 2025.

88,938 share rights were issued to the CFO/COO, Clive Cuthell, in June 2025.

No other share rights or share options were issued to directors or key management personnel during or after the period.

### Share rights on issue

2,257,099 share rights have been issued and remain outstanding as at the date of this report. No shares were issued during or since the financial year as a result of exercise of a share right.

During the year ended 31 December 2025, 138,876 share rights were forfeited due to cessation of employment.

At 31 December 2025, 874,646 share rights were eligible to be tested, subject to the Board's confirmation. These will be confirmed and vest in 2026.

To the extent that share rights vest and are exercised in the future, it is anticipated that these allocations will be funded, to the fullest extent possible, by shares already issued and held in trust as lapsed shares within the employee share trust.

## 8.3 Legacy Incentive Plans – Loan Funded Share Plan and Employee Share Option Plan

### Legacy Loan Funded Share Plan (LFSP)

No new loan funded shares were issued during or since the financial year, and the Company has provided no new interest free loans to the Directors or employees to acquire the shares under the legacy LFSP during or since the financial year.

As a result of a number of performance conditions and shares price hurdles not being met, as well as the resignation of certain employees, 235,000 legacy LFSP shares were forfeited during the year. This resulted in the total amount of the loans outstanding under the legacy LFSP at year-end being \$1,238,450 (2024: \$2,275,925).

Loan funds under the legacy LFSP are limited recourse in nature, meaning that the Company's recourse is limited to the shares. If at the date that the loan becomes repayable the Directors or employees shares are worth less than the outstanding balance of the loan, the Company cannot recover the difference from the Director or employee. Interest will not be payable on the outstanding balance of the loan.

All shares issued under the legacy LFSP are held in an employee share trust (EOS Loan Plan Pty Ltd as trustee for the Share Plan Trust). All shares under the legacy LFSP are also subject to a holding lock until all conditions are satisfied and the loan is repaid. The shares issued to Directors and employees are subject to both vesting conditions and forfeiture conditions.

### 8.3 Legacy Incentive Plans – Loan Funded Share Plan and Employee Share Option Plan (continued)

#### Reconciliation of Loan Funded Shares balances:

	Balance of shares outstanding at 31 December 2024	Lapses and other movements *	Balance of shares outstanding at 31 December 2025
<b>Directors</b>	75,000	(75,000)	-
<b>Employees</b>			
Senior employees	395,000	(160,000)	235,000
<b>Total, Directors and Employees</b>	<b>470,000</b>	<b>(235,000)</b>	<b>235,000</b>

\* The following conditions were not met in 2025:

- The share price hurdle of \$11.50 was not exceeded by 30 June 2025, resulting in 75,000 shares issued to a director being forfeited.
- The share price hurdle of \$11.50 was not exceeded by 31 December 2025, resulting in 85,000 shares issued to senior employees being forfeited.
- Certain employees resigned from subsidiaries of the Group, resulting in 75,000 shares being forfeited.

#### Legacy Employee Share Option Plan (ESOP)

As a result of a number of performance conditions and share price hurdles not being met, as well as the resignation of certain employees, the remaining 80,000 legacy share options were forfeited during the year under this plan.

#### Reconciliation of unlisted options balances issued under the legacy ESOP:

	2024 Number	2025 Number
Balance at beginning of the financial year	370,000	80,000
Lapsed during the year	(290,000)	(80,000)
<b>Balance at end of the financial year</b>	<b>80,000</b>	<b>-</b>
<b>Exercisable at the end of the year</b>	<b>-</b>	<b>-</b>

## 9. Subsequent Events

### Bond Facility Amendment

During the year, the Group executed an amendment to its existing bond facility agreement with Export Finance Australia to reflect changes in cash security deposit requirements for performance bonds and guarantees following completion of contract deliverables. Under the amended agreement, after the end of the year, the prior US\$33.2m (A\$49.7m) performance bond was replaced with a US\$16.0m (A\$23.9m) warranty bond to reflect the Group's warranty obligations and the cash security deposit of A\$13.9m disclosed at Note 31 (a) of the financial statements was reduced during 2026 accordingly. The warranty bond is expected to be released upon completion of the warranty period in 2028.

### Bank Guarantee

On 14 January 2026, the Group entered into an agreement with Westpac Banking Corporation to issue a A\$10.8m bank guarantee to a customer in Australia. The bank guarantee was fully secured by cash deposits. The guarantee amount, together with the required cash security, reduces progressively as key contractual milestones are achieved during the contract period.

## Acquisition of MARSS

On 12 January 2026, the Group announced that it had entered into an agreement to acquire the MARSS group business (MARSS) for:

- an upfront cash payment of US\$36m; plus
- a potential earnout of up to €100m via performance rights that are linked to the value of new contract orders during the earnout period, and is payable as a mix of cash or EOS shares.

MARSS is a Europe-based provider of command and control (C2) systems and this acquisition is expected to:

- when coupled with the Group's existing product range, create an integrated, end-to-end solution for effectively countering drones;
- expand the Group's geographic footprint and broaden its end market presence, with scope to leverage MARSS' defence, homeland security and civil relationships; and
- significantly strengthen the Group's in-house AI/software development capability.

Completion of this transaction is expected in 2026, and is subject to certain conditions being met, including regulatory, customer and other approvals.

The earnout consideration is payable in two tranches, based on the new MARSS contract orders signed in the period starting at the beginning of the earnout period and ending:

- (i) for the first tranche, 90 days after completion; and
- (ii) for the second tranche, at the end of the earn-out period.

The first tranche of earnout consideration is payable in EOS shares or cash (at the election of the MARSS management shareholders) after the conclusion of the first tranche period, with the cash component capped at €20m. The second tranche of earnout consideration is payable in EOS shares after the conclusion of the second tranche period. The earnout period begins on 11 January 2026 and ends on the earlier of 12 months from completion or 31 May 2027.

## Performance Rights

On 12 January 2026, the Group announced the proposed issue of performance rights to MARSS management shareholders upon completion of the transaction as consideration for the earnout component of the acquisition.

These performance rights could vest into a maximum number of 23,529,411 EOS shares based on agreed issue price of \$7.40, subject to the completion of the acquisition and the extent of the satisfaction of the earnout conditions as detailed in the announcement.

## Committed Optional Loan Facility

Also on 12 January 2026, EOS announced that it has secured a commitment to a \$100m two-year secured term loan facility. The commitment is exercisable at EOS' option. The facility is subject to the finalisation of legal agreements, which will contain representations, warranties and covenants (but will not include any financial ratio covenants), as well as other customary terms and conditions. Entry into the facility will require the consent of existing funding providers to the Group, including Export Finance Australia and the Group's bankers.

Apart from those mentioned above, there have been no transactions or events of a material and unusual nature between the end of the reporting period and the date of the report likely, in the opinion of the Directors of the Company, to significantly affect the operations of the Group, the results of those operations, or state of affairs of the Group in future years.

## 10. Deed of Cross Guarantee

On 6 April 2018, the parent entity, Electro Optic Systems Holdings Limited, entered into a deed of cross guarantee with two of its Australian wholly-owned subsidiaries, Electro Optic Systems Pty Limited and EOS Defence Systems Pty Limited. On 28 November 2019, EMS entered into an Assumption Deed and became a party to the Deed of Cross Guarantee.

In November 2024, the Group entered into a binding share sale agreement to divest 100% of EMS to Cohort plc, and EMS was classified as a discontinued operation.

On 31 January 2025, the Group completed the divestment of EMS, and as a result, EMS was removed from the Deed of Cross Guarantee.

## 11. Likely Developments

The Group will continue to operate in the Space Systems and Defence Systems businesses. Please see the Review of Operations for further details.

## 12. Environmental Regulations

In 2024, the Group engaged an external sustainability and climate expert to support the Group as part of its proactive approach to prepare for *Australian Sustainability Reporting Standards* (ASRS) compliance. In this initial phase, the Group conducted introductory workshops with key management across the group, performed an ASRS gap assessment, and developed an initial roadmap to address key gaps identified.

During the year, the Group commenced the next phase of its sustainability transition roadmap by initiating a climate risk and opportunities assessment and developing internal plans to capture climate-related data. The roadmap, scheduled to progress through 2026 and 2027, will involve key management and operational employees in evaluating the Group's climate risk profile and identifying critical business areas and operational changes required to meet mandatory disclosure requirements.

In the opinion of the Directors the Group is in compliance with all applicable environmental legislation and regulations.

## 13. Ethical Labour

The Group has established measures regarding fair labour practices and guidelines that create a respectful and safe work environment for our employees globally. The Group is committed to treating all of its employees with respect and strictly prohibits the use of slavery, forced labour and human trafficking. To prevent the occurrence of forced, compulsory or child labour, the Group has implemented local labour policies and practices to comply with the *Modern Slavery Act*. Any person who applies for employment with the Group does so on a voluntary basis and all employees are legally entitled to leave upon reasonable notice without penalty. In accordance with the Group's recruiting guidelines, offers of employment must be conditional upon successful completion of required background checks. Background checks are required to protect the safety of employees and to ensure that employees meet the Group's standards.

## 14. Diversity

The Group values diversity and recognises the benefits it can bring to the organisation's ability to achieve its goals. The Group's diversity policy (Diversity Policy) outlines its diversity objectives and principles to support equity and fairness and to eliminate discrimination. We participate in the Workplace Gender Equality Agency (WGEA) Annual Pay Gap reporting. A copy of the Group's Diversity Policy is available on the Company's website.

Section 6 of the Diversity Policy states that the Group will establish appropriate and meaningful objectives for achieving gender and other forms of diversity.

The Group's current objectives are to:

- improve the participation of women in the workforce; and
- improve retention of employees.

In 2025, the Group reviewed globally its roles and total remuneration against industry benchmarks. Coupled with the WGEA data, this helped to inform and ensure the Group pays in an equitable and fair manner.

As at 31 December 2025, the Group's gender diversity mix was as follows:

<b>EOS Directors 2025</b>	<b>Number of personnel</b>	<b>Female</b>	<b>Female %</b>	<b>Male</b>	<b>Male %</b>
Board*	5	1	20%	4	80%

<b>EOS Employees 2025</b>	<b>Number of personnel</b>	<b>Female</b>	<b>Female %</b>	<b>Male</b>	<b>Male %</b>
Australia	272	62	23%	210	77%
New Zealand	13	1	8%	12	92%
Singapore	36	11	31%	25	69%
United States	63	17	27%	46	73%
United Arab Emirates	45	6	13%	39	87%
Germany	2	1	50%	1	50%
United Kingdom	4	-	0%	4	100%
Netherlands	1	-	0%	1	100%
<b>Total Employees</b>	<b>436</b>	<b>98</b>	<b>22%</b>	<b>338</b>	<b>78%</b>

\* "Board" excludes the Managing Director who is included under EOS Employees as CEO.

The proportion of female employees to total workforce has increased slightly from 21% in 2024 to 22% at the end of 2025.

## 15. Dividends

The Directors recommend that no dividend be paid and no amount has been paid or declared by way of dividend since the end of the previous financial year and up to the date of this report.

## 16. Director Shareholdings

The following table sets out each Director's relevant interest in shares, restricted ordinary shares under the legacy LFSP of the Company or a related body corporate as at the date of this report.

Directors	Fully paid ordinary shares	Fully paid ordinary shares restricted – Deferred STI plan	Share options under OEIP	Share rights under OEIP
Mr Garry Hounsell	517,647	-	-	-
Dr Andreas Schwer	420,000	70,354	3,086,842	1,005,929
Air Marshal Geoffrey Brown AO	32,197	-	-	-
The Hon Kate Lundy	31,431	-	-	-
Mr David Black	30,610	-	-	-
Mr Robert Nicholson	137,647	-	-	-

## 17. Indemnification and Insurance of Officers and Auditors

During the financial year, the Company paid a premium in respect of a contract insuring the Directors and Officers of the Company and any related body corporate against a liability incurred as such a Director or Officer to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of the coverage provided and the amount of the premium. The Company has agreed to indemnify the current Directors, Company Secretary and Executive Officers against all liabilities to other persons that may arise from their position as Directors or Officers of the Company and its controlled entities, except where to do so would be prohibited by law. The agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

To the extent permitted by law and professional regulations, the Company has agreed to indemnify its auditors, Ernst & Young Australia, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit. The indemnity does not apply to any loss resulting from Ernst & Young Australia's negligent, wrongful or wilful acts or omissions. No payment has been made to indemnify Ernst & Young Australia during or since the financial year.

## 18. Directors' Meetings

The following table sets out the number of Directors' meetings (including meetings of committees of Directors) held during the financial year and the number of meetings attended by each Director (while they were a Director or committee member).

During the financial year, the following meetings were held:

- 22 Board meetings;
- 6 Audit and Risk Committee meetings;
- 7 People and Culture Committee meetings;
- 3 Data Security and Data Governance Committee meetings;
- 3 Joint Venture/M&A Committee meetings; and
- 0 Nomination Committee meetings.

Directors	Board of Directors		Audit and Risk Committee		People and Culture Committee		Data Security and Data Governance Committee		Joint Venture / M&A Committee		Nomination Committee	
	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
Mr Garry Hounsell	22	21	-	-	-	-	-	-	3	3	-	-
Dr Andreas Schwer	22	20	-	-	-	-	-	-	-	-	-	-
Air Marshal Geoff Brown AO	22	19	-	-	7	6	-	-	3	3	-	-
The Hon Kate Lundy	22	19	6	5	7	6	3	3	3	2	-	-
Mr David Black	22	22	6	6	7	7	3	3	3	3	-	-
Mr Robert Nicholson	22	21	6	6	3	3	3	3	3	3	-	-

### 18.1 Audit and Risk Committee

The members of the Committee during or since the end of the year were:

- Mr David Black (Chair);
- The Hon Kate Lundy;
- Mr Robert Nicholson; and
- Mr Garry Hounsell (from 1 January 2026)

The Audit and Risk Committee have reviewed the Group's risk management profile during the year to satisfy itself that it continues to be sound and that the Group is operating with due regard to the risk appetite set by the Board. The Chief Legal Officer prepares a risk profile for regular review by the Committee and the Board of Directors.

### 18.2 People and Culture Committee

The members of the Committee during or since the end of the year were:

- Mr Robert Nicholson (Chair from 5 September 2025);
- Air Marshal Geoffrey Brown AO (Chair until 5 September 2025);
- The Hon Kate Lundy; and
- Mr David Black (until 31 December 2025)

### **18.3 Data Security and Data Governance Committee**

The members of the Committee during or since the end of the year were:

- The Hon Kate Lundy (Chair);
- Mr David Black;
- Air Marshal Geoffrey Brown AO (from 1 January 2026); and
- Mr Robert Nicholson (until 31 December 2025).

### **18.4 Joint Venture / M&A Committee**

A new Board Committee was created during the reporting period to review and assess the complexities of joint venture arrangements and mergers and acquisition activities.

The members of the Committee during or since the end of the year were:

- Air Marshal Geoffrey Brown AO (Chair);
- Mr David Black;
- Mr Robert Nicholson;
- Mr Garry Hounsell (from 1 January 2026); and
- The Hon Kate Lundy (until 31 December 2025).

### **18.5 Nomination Committee**

Mr Hounsell is the Chair of the Nomination Committee and all Non-executive Directors are members of this Committee.

## 19. Remuneration Report

### Dear Shareholders,

Your Board is pleased to present the Remuneration Report for the year ending 31 December 2025.

This year has been marked by significant progress against our corporate strategy. Following the successful divestment of EM Solutions in January and subsequently the full repayment of all borrowings we entered into a phase of disciplined growth execution, continuing to focus on our core product ranges of Remote Weapons Systems, High Energy Laser Weapons and Space Control.

### Company Performance

We continued our forward momentum, increasing our order backlog during 2025, rising from \$136m at the end of 2024 to \$459m at the end of 2025. Major contract wins included:

- A\$108m for the delivery of RWS for the Australian Defence Force's LAND 400-3 Project;
- securing a €71.4m order for a 100 kW High Power Laser system with a European NATO member;
- A\$20m for the delivery of RWS to a Western European NATO member; and
- entering into a conditional contract worth A\$120m with a Korean counterparty for the manufacture and sale of a High Energy Laser Weapon, an establishment of a JV and subsequent licencing for the Korean market to the JV. We expect the initial conditions of the contract to be progressed in early 2026.

At 31 December 2025, EOS had no borrowings and held approximately \$106.9m in cash. EOS had a further \$41.6m of restricted cash held as security for bank guarantees.

Our share price increased 626% through the year from \$1.30 to \$9.44 as at 31 December 2025, delivering a strong return to our shareholders.

### FY25 Remuneration Outcomes – STI and OEIP

Our remuneration framework is designed to attract and retain Executives with appropriate international skills and experience. The Group operates internationally and must compete globally in the defence sector. Our framework aims to strike a balance between fixed pay and at-risk pay, ensuring our KMP are compensated in a manner that is both competitive and aligned with global standards. Our global perspective is reflected in the service-based component of the OEIP, a common practice outside of Australia.

The 2025 year resulted in FY25 STI outcomes of 52% of maximum for the MD/CEO and 37% of maximum for the CFO/COO. Further details are set out in section 20.3, section ii. (page 53) of this report.

As disclosed in our 2024 report, following the 31 December 2024 testing date, a proportion of the 2023 LTI grant vested in 2025 to participants as our share price exceeded the share price hurdle of A\$1.20 for a period of 20 trading days during the required period. The second tranche of the 2023 LTI grant and the first tranche of the 2024 LTI grant were made available for testing at 31 December 2025. The vesting of these will be reported in the FY26 remuneration report.

The Board believes that our incentive outcomes appropriately reflects the achievements of management during the year.

### FY25 Remuneration changes

As disclosed in our 2024 Annual Report, the following changes were made to our remuneration framework in FY25:

- the FY25 LTI grant to KMP was allocated 25% in Rights which will vest for continued service and 75% in performance-based Options (previously 50/50). This shift places greater emphasis on performance driven incentives and the link between executive and shareholder experience; and
- the FY25 LTI issue of options is subject to a relative TSR performance measure, replacing the share price hurdle that was used for prior grants. This ensures executives are only rewarded when EOS outperforms the chosen peer group index.

### FY26 Remuneration changes

- **NED fee increase:** After assessing the market competitiveness of our director fees, the fees were increased from 1 January 2026 to better reflect the demands and responsibilities of our directors and to continue to be competitive in attracting directors of appropriate experience and skill. The fees for our non-executive directors increased to \$120,000 per annum plus \$5,000 per annum for each committee on which they sit and \$20,000 per annum for each committee they chair. The Chairman's remuneration increased to \$240,000 per annum (inclusive of all committee work).

The Board will continue to review our remuneration framework in line with practices in the markets in which we operate and with reference to feedback from our shareholders.

Yours sincerely



A handwritten signature in blue ink, appearing to read 'R. Nicholson'.

**Robert Nicholson**

Chair – People and Culture Committee

## 20. Remuneration Report (Audited)

### Contents

- 20.1 Remuneration Overview**
- 20.2 Company performance and shareholder returns**
- 20.3 Executive remuneration structure and 2025 outcomes**
- 20.4 Non-executive Director (NED) remuneration**
- 20.5 Statutory remuneration disclosures**
- 20.6 Share-based compensation**
- 20.7 KMP equity holdings and other transactions**

### 20.1 Remuneration Overview

The Key Management Personnel (KMP) of the Group include the Directors and executives (Executives), who had the authority and responsibility for planning, directing and controlling the activities of the Group during the year were:

Name	Role
<b>Non-executive Directors (NED)</b>	
Mr Garry Hounsell	Chair, Non-executive Director
Air Marshal Geoffrey Brown AO	Non-executive Director
The Hon Kate Lundy	Non-executive Director
Mr David Black	Non-executive Director
Mr Robert Nicholson	Non-executive Director
<b>Executive Director</b>	
Dr Andreas Schwer	Managing Director (MD) and Chief Executive Officer (CEO)
<b>Executive KMP</b>	
Mr Clive Cuthell	Chief Financial Officer (CFO) and Chief Operating Officer (COO)

All KMP held their role as KMP for the full financial year. This report outlines the remuneration arrangements in place for Directors and Executives of the Group.

The Directors are responsible for remuneration policies and packages applicable to the Directors and Executive KMP of the Group, with the support of the People and Culture Committee. The remuneration policy aims to ensure the remuneration package is appropriately competitive for the duties and responsibilities of each role. The Group's Executive team is based in both Australia and internationally and the nature and structure of remuneration has been designed to be globally competitive.

## 20.2 Company Performance and Shareholder Returns

The table below sets out summary information about the Company's earnings and movements in shareholder wealth for the last five financial years.

	31 December 2025 \$'000	31 December 2024 \$'000	31 December 2023 \$'000	31 December 2022 \$'000	31 December 2021 \$'000
Revenue (including discontinued operations)	131,774	258,696	219,253	137,912	212,331
Net profit / (loss) before tax	12,242	(15,113)	(40,193)	(124,839)	(4,612)
Net profit / (loss) after tax	17,479	(19,685)	(34,107)	(115,561)	(13,843)
Share price at start of year	1.30	1.04	0.49	2.34	5.91
Share price at end of year	9.44	1.30	1.04	0.49	2.34
Dividends paid	-	-	-	-	-

## 20.3 Executive KMP Remuneration and 2025 Outcomes

The Group aims to reward Executives with a level and mix of remuneration commensurate with their position, responsibilities and performance that is globally market competitive, in a way that aligns with business strategy so as to:

- reward Executives for Group and individual performance against targets set by reference to suitable benchmarks;
- align Executive's interests with those of shareholders; and
- ensure that the total remuneration paid is competitive by market standards.

The Company's remuneration framework for Executives has the following components:

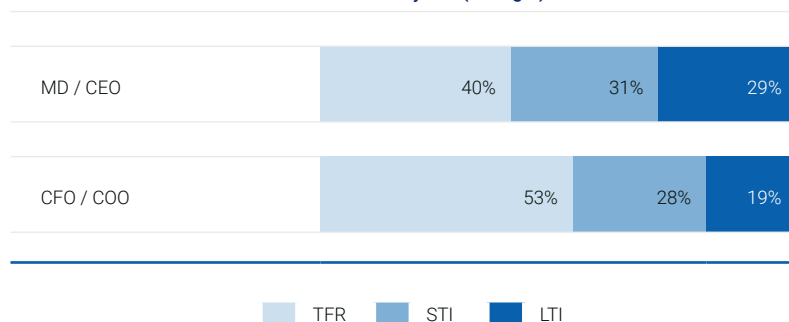
- fixed remuneration;
- performance-based short-term incentive (STI); and
- performance-based long term-incentive (LTI).

LTI's comprise of share options and share rights. Details of the amounts paid, and the number of options and rights granted to Executives are disclosed elsewhere in the Directors' Report.

Executives are employed under standard employment contracts which contain no unusual terms. Beyond accrued leave benefits, there are no other termination payments or golden parachutes for any Directors or Executives. The MD/CEO and the other senior Executives have 90-day notice periods under their employment contracts.

The following diagram sets out the executive pay-mix for FY25 based on the target remuneration opportunity for each KMP. The 'at-risk' components (STI & LTI) of our executive pay packages make up 60% and 47% for our MD & CEO and CFO & COO respectively.

Executive KMP Pay Mix (at target)



### i. Fixed Remuneration

The level of fixed remuneration for Executives is set at market competitive levels to attract and retain Executives of appropriate international experience and is reviewed and benchmarked periodically.

Executive KMP	FY25 Fixed Remuneration	FY24 Fixed Remuneration
Dr Andreas Schwer	\$776,250	\$750,000
Mr Clive Cuthell	\$693,500	\$670,000

### ii. Short-term Performance Incentives (STI)

Executives have a target STI opportunity based on the accountabilities of their specific role and impact on the Group's performance. Each year appropriate targets and key performance indicators (KPI's) are determined for each individual to reflect the core drivers of short-term performance and to provide a framework for delivering sustainable value to the Group, its shareholders and customers.

Six to seven KPI's are determined for each participant which cover both Group and business unit financial performance measures and individual non-financial measures of performance. For each KPI, a base, target and a stretch objective is set.

Stretch vesting is set at 150% of target.

The STI is determined after the end of the financial year following a review of performance over the year against STI performance measures. This review is undertaken by the Board for the STI of the MD/CEO and CFO/COO and by the MD/CEO for other employees. The STI is paid following the release of this Financial Report.

Group earnings, revenue, cash flow, order book and business unit profits are measures against which the Group's short-term financial performance is assessed. Non-financial hurdles relate primarily to the delivery of team or business unit objectives and projects.

For the MD/CEO and the CFO/COO, there is an STI deferral element where 25% of any STI payable is in the form of deferred equity in EOS shares.

## 20.3 Executive KMP Remuneration and 2025 Outcomes (continued)

### 2025 STI outcomes

Performance measures for the MD/CEO and CFO/COO are set by reference to the following criteria:

STI Objectives	MD / CEO		CFO / COO	
	Weighting	Achieved	Weighting	Achieved
	%	%	%	%
Business Financial Goals	60%	37%	60%	0%
Strategic Partnerships	13%	125%	N/A	N/A
Growth in New Markets	13%	150%	N/A	N/A
Company Strategy	14%	150%	N/A	N/A
Financial	N/A	N/A	15%	125%
Processes	N/A	N/A	25%	140%
STI Outcome (% of target)	79%		52%	
STI Outcome (% of maximum)	56%		37%	

Executive KMP	STI Target Opportunity (%fixed)	STI Max Opportunity (%fixed)	STI Cash Awarded (75%)	Deferred STI Awarded (25%)	Total STI Awarded (\$)
Dr Andreas Schwer	80%	120%	353,970	117,990	471,960
Mr Clive Cuthell	55%	83%	154,477	51,492	205,969

### iii. Long-term Performance Incentives (LTI) – Omnibus Employee Incentive Plan (OEIP)

From FY25, in line with broad market practice, we transitioned to the practice of making annual equity grants to our Executives under the OEIP to align their remuneration with the creation of shareholder value over the long term.

The grant under the OEIP comprises:

- share options with vesting targets intended to drive performance that will generate significant shareholder value; and
- share rights, with service-based vesting that are intended to retain the management team in line with global peer practice.

In both cases, the value of the reward is linked to the future share price, providing strong alignment with shareholders. The composition of the LTI grant made to the MD/CEO and CFO/COO during the year was structured as 25% service-based rights and 75% performance-based options.

In FY23 we granted the MD/CEO and CFO/COO a 'double grant' of options/rights. In FY24 they did not participate in the OEIP grant.

The structure of the OEIP is detailed below with full details of offers included in Note 23 to the financial statements.

### LTI Awards Tested During 2025

The 2023 LTI grant was structured as 50% share rights (subject to annual continued service) and 50% share options which would vest subject to two share price hurdles tested 31 December 2024, 2025 and 2026 (testing dates). The share price hurdles were determined by reference to the VWAP for EOS shares for the 9 months to 31 March 2023 of A\$0.50.

- During 2024 the first share price hurdle of A\$1.20 was achieved for a period of at least 20 trading days prior to the first testing date on 31 December 2024. Accordingly, 67% of the 2023 options granted vested during 2025.
- During 2025 the second share price hurdle of A\$3.00 was achieved for a period of at least 20 trading days prior to the second testing date on 31 December 2025. Accordingly, the remainder of the 2023 options will vest in 2026. Details of these options will be disclosed in the 2026 Remuneration Report.
- The 2023 LTI share rights vest in three equal tranches subject to continued employment at the three annual testing dates. As both KMP continued employment throughout the 31 December 2024 and 2025 testing dates, the first tranche of share rights vested at the beginning of 2025 and the second tranche of share rights will vest at the beginning of 2026 (and will be disclosed in the 2026 remuneration report).

<b>Executive KMP</b>	<b>2023 LTI Rights Vested in FY2025 (Tranche 1)</b>	<b>2023 LTI Options Vested in FY2025 (Tranche 1)</b>	<b>2023 LTI Rights to Vest in FY2026 (Tranche 2)</b>	<b>2023 LTI Options to Vest in FY2026 (Tranche 2)</b>
Dr Andreas Schwer	420,000	1,417,500	420,000	682,500
Mr Clive Cuthell	248,000	837,000	248,000	403,000

Full details of the OEIP grants on-foot are included in section 20.6 Share-based compensation.

## 20.4 Non-Executive Director (NED) Remuneration

Fees paid to directors reflect the Group's desire to attract and retain appropriately capable and experienced directors. The size of the remuneration pool that can be paid to NED is governed by resolutions passed at a General Meeting of shareholders.

Each NED receives a fee for serving as a Director of the Company. The level of NED remuneration is as follows:

<b>Role</b>	<b>Fee 2025 \$</b>	<b>Fee 2024 \$</b>
Board Chair	175,000	175,000
NED	100,000	100,000
Committee Chair	-	-
Committee Member	-	-

All fees above include statutory superannuation, where applicable. Directors may be reimbursed for expenses reasonably incurred in attending to the Group's affairs.

NED fees are determined within an aggregate Directors' fee pool limit, which is periodically recommended for approval by shareholders. Shareholders approved a resolution at the 2020 AGM to set the aggregate pool limit of NED fees at \$1,000,000 per annum. This limit has not increased since 2020. The manner in which this limit is apportioned amongst NEDs is determined by Directors within this limit set by shareholders.

Following a review, the Board has decided to increase the level of Director fees paid effective from 1 January 2026. The fees paid to the Chair will increase to \$240,000 p.a., inclusive of superannuation and any Committee memberships. The base fees for each Non-executive Director will increase to \$120,000 p.a. In addition to this base fee, the Chair of each Board Committee will receive \$20,000 p.a. and Committee members will receive \$5,000 for each Board Committee on which they are a member. Fees do not apply for membership of the Nomination Committee. Fees are inclusive of superannuation, where applicable.

No options were granted to or exercised by any NED during 2025.

## 20.4 Non-Executive Director (NED) Remuneration (continued)

### People and Culture Committee

The current members of the People and Culture Committee are Robert Nicholson (Chair), Air Marshall Geoffrey Brown AO and the Hon Kate Lundy.

The People and Culture Committee provide advice, recommendations and assistance to the Board with respect to people and culture matters. The Committee advises the Board on remuneration policies and practices for the Board, the CEO, the CFO/COO, senior executives and other persons whose activities, individually or collectively, affect the financial soundness of the Company. The Committee may seek independent advice from external advisors on related matters.

The policies and practices are designed to:

- enable the Company to attract, retain and motivate Directors, executives and employees who will create value for shareholders within the Company's values and risk appetite, by providing remuneration packages that are equitable and externally competitive in international markets;
- be fair and appropriate having regard to the performance of the Company and the relevant Director, executive or employee; and
- comply with relevant legal requirements.

## 20.5 Statutory Remuneration Disclosures

Details of the remuneration of each member of KMP of the Group are set out in the tables following.

No Executives are employed by the holding company. The following table discloses the remuneration of the Executives of the Group for the period during which they were considered KMP:

2025	Short term			Post employment	Share-based <sup>2</sup>				Termination benefits	Total
	Salary & Fees	Cash STI Bonus <sup>1</sup>	Other benefits	Super-annuation	Loan Funded Share Plan	OEIP Options/Rights	Deferred Equity Bonus	Other long term benefits		
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Directors</b>										
Mr Garry Hounsell	161,288	-	-	13,712	-	-	-	-	-	175,000
Air Marshal Geoffrey Brown AO	89,486	-	-	10,514	-	-	-	-	-	100,000
The Hon Kate Lundy	89,486	-	-	10,514	-	-	-	-	-	100,000
Mr David Black	89,486	-	-	10,514	(51,715) <sup>3</sup>	-	-	-	-	48,285
Mr Robert Nicholson	97,321	-	-	2,679	-	-	-	-	-	100,000
Dr Andreas Schwer	817,632	353,970	-	-	-	550,071	117,990 <sup>4</sup>	-	-	1,839,663
<b>Total</b>	<b>1,344,699</b>	<b>353,970</b>	<b>-</b>	<b>47,933</b>	<b>(51,715)</b>	<b>550,071</b>	<b>117,990</b>	<b>-</b>	<b>-</b>	<b>2,362,948</b>
<b>Other KMP</b>										
Mr Clive Cuthell	695,989	154,477	65,079	29,966	-	249,520	51,492	8,973	-	1,255,496
<b>Total</b>	<b>695,989</b>	<b>154,477</b>	<b>65,079</b>	<b>29,966</b>	<b>-</b>	<b>249,520</b>	<b>51,492</b>	<b>8,973</b>	<b>-</b>	<b>1,255,496</b>

1) All bonuses are earned in the financial year to which they relate and are paid during the following year as either cash or deferred equity.

2) The share-based payments above are based on the valuation at the grant date using a valuation model, pro-rated over the period from grant date to vesting date.

3) Expense reversal relating to LFSP lapsed shares.

4) Subject to approval by shareholders at the AGM.

2024	Short term			Post employment	Share-based <sup>2</sup>					Total
	Salary & Fees	Cash STI Bonus <sup>1</sup>	Other benefits	Super-annuation	Loan Funded Share Plan	OEIP Options/Rights	Deferred Equity Bonus	Other long term benefits	Termination benefits	
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Directors</b>										
Mr Garry Hounsell	157,304	-	-	17,696	-	-	-	-	-	175,000
Air Marshal Geoffrey Brown AO	89,888	-	-	10,112	-	-	-	-	-	100,000
The Hon Kate Lundy	89,888	-	-	10,112	-	-	-	-	-	100,000
Mr David Black	89,888	-	-	10,112	17,460	-	-	-	-	117,460
Mr Robert Nicholson	97,268	-	-	2,732	-	-	-	-	-	100,000
Dr Andreas Schwer	752,499	238,500	14,450	-	-	1,637,688 <sup>3</sup>	79,500	-	-	2,722,637
<b>Total</b>	<b>1,276,735</b>	<b>238,500</b>	<b>14,450</b>	<b>50,764</b>	<b>17,460</b>	<b>1,637,688</b>	<b>79,500</b>	<b>-</b>	<b>-</b>	<b>3,315,097</b>
<b>Other KMP</b>										
Mr Clive Cuthell	679,636	223,864	34,264	28,665	-	540,440	74,621	5,564	-	1,587,054
<b>Total</b>	<b>679,636</b>	<b>223,864</b>	<b>34,264</b>	<b>28,665</b>	<b>-</b>	<b>540,440</b>	<b>74,621</b>	<b>5,564</b>	<b>-</b>	<b>1,587,054</b>

1) All bonuses are earned in the financial year to which they relate and are paid during the following year as either cash or deferred equity.

2) The share-based payments above are based on the valuation at the grant date using a valuation model, pro-rated over the period from grant date to vesting date.

3) The higher value in 2024 share-based payments for Dr Schwer relates to the deferral of the 2023 grant requiring shareholder approval at the 2024 AGM.

## 20.6 Share-based Compensation

### i. KMP Share Options (OEIP)

#### Vesting Principles

The options will vest if the vesting conditions have been met on a testing date in the manner set out in the tables below, provided that the KMP continues to provide services to the Group on the date of vesting.

	% Vest if Hurdle Met	Vesting hurdle required to be met on Testing Date	Testing Dates	Exercise Period
2023 Grant (FY23)	50%	Vesting occurs on a straight-line basis between \$1.20 and \$3.00	31/12/2024 31/12/2025 31/12/2026	From Vesting Date until 31/12/2028
	100%		\$3.00	
2025 Grant (FY25)	One-third	50% of each tranche will vest if the Company's TSR is equal to the TSR of the ASX Emerging Companies Index (Index) ending on testing date.	31/12/2026	From Vesting Date until 31/12/2030
	One-third	100% of each tranche will vest if the Company's TSR is 200% of the TSR of the ASX Emerging Companies Index (Index) ending on testing date.	31/12/2027	
	One-third	Vesting occurs on a straight line basis between Index and 200% of Index.	31/12/2028	

No KMP participated in the 2024 grant.

## 20.6 Share-based Compensation (continued)

The 2025 options will be available to vest in 3 tranches at each testing date and are subject to a service period and the Company's performance compared to a Relative Total Shareholder Return (TSR) hurdle over the performance period. Options will vest on a linear pro-rata basis for performance between the lower and upper vesting hurdles.

During the year, 986,842 share options were issued to the CEO/MD and 528,947 share options were issued to the CFO/COO under the 2025 grant. No options were exercised by any KMP during 2025.

### ii. KMP Share Rights (OEIP)

#### Vesting Principles

The rights will vest in the below proportions based purely on a service condition if the employee remains employed by the Group on the below hurdle dates.

	Amount to vest	Continued employment on Testing Date
2023 Grant	One third on each testing date	31/12/2024
		31/12/2025
		31/12/2026
2025 Grant	One third on each testing date	31/12/2026
		31/12/2027
		31/12/2028

Share rights are subject to a service condition and if an employee is not employed on a testing date, those rights will be forfeited.

During the year, 165,929 share rights were issued to the CEO/MD and 88,938 share rights were issued to the CFO/COO under the 2025 grant.

### iii. LTI – Legacy Plans

During 2023 the Board determined to replace the legacy Loan Funded Share Plan (LFSP) and the legacy Employee Share Option Plan (ESOP) with the OEIP as the long-term incentive plan for management.

Of the 470,000 shares at the beginning of the year subject to the legacy LFSP, 235,000 shares were forfeited during the year, either as a result of not meeting performance conditions, expiry or cessation of employment. 75,000 of the shares forfeited related to a Director. At the end of the financial year, there are no legacy LFSP shares held by KMP and 235,000 legacy LFSP shares remain outstanding to other staff.

All of the 80,000 remaining unlisted options at the beginning of the year issued under the legacy ESOP were forfeited during the year, either as a result of not meeting performance conditions, expiry or cessation of employment. There are no legacy ESOP options remaining at the end of the financial year.

It is not intended that any future grants will be made under the legacy LFSP or legacy ESOP.

#### Legacy LFSP

No KMP held any LFSP shares at the end of the financial year. Details of the historical grants under the legacy LFSP are outlined below.

The vesting principles and conditions for the remaining LFSP are outlined in Note 23 of the financial statements.

All of the 75,000 LFSP shares held by a KMP at the beginning of the year were forfeited during the year as the share price hurdle was not achieved. As at 31 December 2025, there remains 235,000 LFSP shares on issue.

## 20.7 KMP Equity Holdings and Other Transactions

The following table sets out each KMP's equity holdings (represented by holdings of fully paid ordinary unrestricted shares in Electro Optic Systems Holdings Limited).

	Number of shares				
	1 January 2025	Purchased during the year	Sold during the year	OEIP shares vested during the year	31 December 2025
Mr Garry Hounsell	517,647	-	-	-	517,647
Air Marshal Geoffrey Brown AO	32,197	-	-	-	32,197
The Hon Kate Lundy	26,431	5,000	-	-	31,431
Mr David Black	30,610	-	-	-	30,610
Mr Robert Nicholson	137,647	-	-	-	137,647
Dr Andreas Schwer	-	-	-	420,000	420,000
Mr Clive Cuthell	-	-	-	248,000	248,000
<b>Total</b>	<b>744,532</b>	<b>5,000</b>	<b>-</b>	<b>668,000</b>	<b>1,417,532</b>

OEIP shares which vested during the year were related to the service rights which converted to shares to KMP upon testing at 31 December 2025.

The following table sets out each KMP's equity holdings (represented by holdings of restricted fully paid ordinary shares in Electro Optic Systems Holdings Limited issued under the legacy LFSP or as deferred STI).

	Number of shares				
	1 January 2025	Issued during the year	Sold during the year	Forfeited during the year	31 December 2025
Mr Garry Hounsell	-	-	-	-	-
Air Marshal Geoffrey Brown AO	-	-	-	-	-
The Hon Kate Lundy	-	-	-	-	-
Mr David Black	75,000	-	-	(75,000)	-
Mr Robert Nicholson	-	-	-	-	-
Dr Andreas Schwer	-	70,354	-	-	70,354
Mr Clive Cuthell	-	66,036	-	-	66,036
<b>Total</b>	<b>75,000</b>	<b>136,390</b>	<b>-</b>	<b>(75,000)</b>	<b>136,390</b>

## 20.7 KMP Equity Holdings and Other Transactions (continued)

The following table sets out KMP's equity holdings represented by holdings of unvested share options and share rights under the new OEIP.

Subject to the rules of the OEIP, no options or rights will vest if the conditions are not satisfied, subject to the discretion of the Board (and ASX Listing Rules, as applicable) hence the minimum value of the option and rights yet to vest is nil. The maximum value of the options and rights yet to vest has been determined as the amount of the grant date fair value of the options and rights that is yet to be expensed at the end of the reporting period.

	Number of OEIP Share Rights				Grant date	Fair value of Grant per Right issued \$	Financial years in which Rights issued may vest	Maximum total value of grant yet to expense \$
	1 January 2025	Share rights issued during the year	Vested during the year	31 December 2025				
Dr Andreas Schwer	1,260,000	165,929	(420,000)	1,005,929	30/5/2024 (FY23 Grant)	\$1.45	2024 2025 2026	\$269,953
					20/5/2025 (FY25 Grant)	\$1.58	2026 2027 2028	
Mr Clive Cuthell	744,000	88,938	(248,000)	584,938	21/4/2023 (FY23 Grant)	\$0.94	2024 2025 2026	\$127,036
					20/5/2025 (FY25 Grant)	\$1.58	2026 2027 2028	
<b>Total</b>	<b>2,004,000</b>	<b>254,867</b>	<b>(668,000)</b>	<b>1,590,867</b>				<b>\$396,989</b>

	Number of OEIP Share Options				Grant date	Fair value of Grant per option issued \$	Financial years in which options issued may vest	Maximum total value of grant yet to expense \$
	1 January 2025	Share options issued during the year	Other movement during the year	31 December 2025				
Dr Andreas Schwer	2,100,000	986,842	-	3,086,842	30/5/2024 (FY23 Grant)	\$0.91	2024 2025 2026	554,185
					20/5/2025 (FY25 Grant)	\$0.98 \$0.95 \$0.93	2026 2027 2028	
					21/4/2023 (FY23 Grant)	\$0.46	2024 2025 2026	
Mr Clive Cuthell	1,240,000	528,947	-	1,768,947	20/5/2025 (FY25 Grant)	\$0.98 \$0.95 \$0.93	2026 2027 2028	297,043
<b>Total</b>	<b>3,340,000</b>	<b>1,515,789</b>	<b>-</b>	<b>4,855,789</b>				<b>851,228</b>

At the testing date of 31 December 2025, the following are eligible for vesting in 2026, subject to the Boards confirmation:

- 420,000 share rights and 682,500 share options to Dr Schwer; and
- 248,000 share rights and 403,000 share options to Mr Cuthell.

## 21. Non-audit Services

The Directors are satisfied that the provision of non-audit services, during the year, by the auditor (or by another person or firm on the auditor's behalf) is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors have formed this view based on the fact that the nature and scope of each type of non-audit service provided means that the audit independence was not compromised.

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are contained in Note 32 to the financial statements.

## 22. Auditor's Independence Declaration

The auditor's independence declaration is included on page 62 of the annual report.

Signed in accordance with a resolution of Directors made pursuant to s.298(2) of the *Corporations Act 2001*.

On behalf of the Directors



A handwritten signature in black ink, appearing to read 'Garry Hounsell'.

**Garry Hounsell**

Director and Chair of the Board of Directors

Dated at Canberra this 23rd day of February 2026



**Shape the future  
with confidence**

Ernst & Young  
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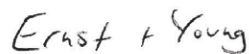
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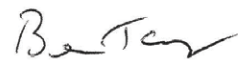
## Auditor's independence declaration to the directors of Electro Optic Systems Holdings Limited.

As lead auditor for the audit of the financial report of Electro Optic Systems Holding Limited for the financial year ended 31 December 2025, I declare to the best of my knowledge and belief, there have been:

- a. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit;
- b. No contraventions of any applicable code of professional conduct in relation to the audit; and
- c. No non-audit services provided that contravene any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Electro optic Systems Holdings Limited and the entities it controlled during the financial year.

  
Ernst & Young

  
Ben Tansley  
Partner  
23 February 2026

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## Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2025

	Note	2025 \$ '000	2024 \$ '000
<b>Continuing operations</b>			
Revenue	2(a)	128,458	176,565
Other income	2(a)	5,184	2,055
Foreign exchange (loss)/ gain	2(b)	(7,342)	11,570
Raw materials and consumables used		(47,061)	(91,920)
Employee benefits expense	2(b)	(71,242)	(62,507)
Occupancy costs		(2,600)	(2,042)
Administration expenses		(37,766)	(32,171)
Other expenses		(8,669)	(2,911)
Finance cost	2(b)	(18,653)	(24,550)
Depreciation of property, plant and equipment	2(b)	(7,045)	(3,715)
Depreciation of right of use assets	2(b)	(4,255)	(3,956)
Amortisation of intangible assets	2(b)	(8,045)	(4,871)
<b>(Loss) before tax from continuing operations</b>		<b>(79,036)</b>	<b>(38,453)</b>
Income tax benefit	4(a)	5,536	3,337
<b>(Loss) for the year from continuing operations</b>		<b>(73,500)</b>	<b>(35,116)</b>
<b>Discontinued operations</b>			
Profit after tax for the year from discontinued operations	5	90,979	15,431
<b>Profit / (loss) for the year</b>		<b>17,479</b>	<b>(19,685)</b>
Attributable to:			
Owners of the Company	24	18,611	(18,731)
Non-controlling interests		(1,132)	(954)
		<b>17,479</b>	<b>(19,685)</b>
<b>Other Comprehensive Income</b>			
<b>Items that may be reclassified in future to profit or loss</b>			
Exchange differences on translation of foreign operations		(1,116)	1,826
<b>Total comprehensive profit/(loss) for the year</b>		<b>16,363</b>	<b>(17,859)</b>
Attributable to:			
Owners of the Company		17,495	(16,905)
Non-controlling interests		(1,132)	(954)
		<b>16,363</b>	<b>(17,859)</b>
	Note	Cents per share	Cents per share
<b>Basic and diluted gain/ (loss) earnings per share</b>			
	3		
From continuing operations		(39.7)	(19.5)
From discontinued operations		50.0	8.8
<b>Total</b>		<b>10.3</b>	<b>(10.7)</b>

Notes to the financial statements are included on pages 69 to 126.

## Consolidated Balance Sheet

As at 31 December 2025

	Note	2025 \$ '000	2024 \$ '000
<b>CURRENT ASSETS</b>			
Cash and short-term deposits	25	106,916	41,078
Trade and other receivables	7	31,125	17,730
Security deposits	31	6,925	12,747
Contract asset	8	9,767	57,381
Inventories	9	80,613	62,685
Prepayments	10	28,663	18,127
Assets classified as held for sale	5	-	95,160
<b>TOTAL CURRENT ASSETS</b>		<b>264,009</b>	<b>304,908</b>
<b>NON-CURRENT ASSETS</b>			
Deferred tax asset	4	14,631	7,927
Security deposits	31	34,661	36,729
Prepayments	10	1,873	2,175
Right of use assets	11	15,649	15,023
Goodwill	12	2,505	2,505
Intangible assets	14	22,830	18,702
Property, plant and equipment	15	18,579	13,045
<b>TOTAL NON-CURRENT ASSETS</b>		<b>110,728</b>	<b>96,106</b>
<b>TOTAL ASSETS</b>		<b>374,737</b>	<b>401,014</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	16	40,893	28,210
Contract liabilities	17	42,406	24,130
Borrowings	18	-	47,939
Lease liabilities	19	4,806	4,683
Tax payable		58	4,543
Provisions	20	24,672	19,036
Liabilities directly associated with assets held for sale	5	-	26,170
<b>TOTAL CURRENT LIABILITIES</b>		<b>112,835</b>	<b>154,711</b>
<b>NON-CURRENT LIABILITIES</b>			
Lease liabilities	19	12,336	13,308
Provisions	20	11,522	13,486
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>23,858</b>	<b>26,794</b>
<b>TOTAL LIABILITIES</b>		<b>136,693</b>	<b>181,505</b>
<b>NET ASSETS</b>		<b>238,044</b>	<b>219,509</b>
<b>EQUITY</b>			
Issued capital	21	467,479	467,192
Reserves	22	18,579	17,810
Accumulated losses	24	(241,894)	(260,505)
Equity attributable to owners of the Company		244,164	224,497
Non-controlling interests		(6,120)	(4,988)
<b>TOTAL EQUITY</b>		<b>238,044</b>	<b>219,509</b>

Notes to the financial statements are included on pages 69 to 126.

## Consolidated Statement of Changes in Equity

For the year ended 31 December 2025

	Accumulated losses \$'000	Issued capital \$'000	Foreign currency translation reserve \$'000	Employee equity-settled benefits reserve \$'000	Attributable to owners of the parent \$'000	Non-controlling interests \$'000	Total Equity \$'000
<b>2025</b>							
<b>At 1 January 2025</b>	(260,505)	467,192	1,602	16,208	224,497	(4,988)	219,509
Profit / (loss) for the year	18,611	-	-	-	18,611	(1,132)	17,479
Exchange differences arising on translation of foreign operations	-	-	(1,116)	-	(1,116)	-	(1,116)
<b>Total comprehensive profit/(loss) for the year</b>	<b>18,611</b>	<b>-</b>	<b>(1,116)</b>	<b>-</b>	<b>17,495</b>	<b>(1,132)</b>	<b>16,363</b>
Share options exercised	-	287	-	-	287	-	287
Recognition of share-based payments expense	-	-	-	1,885	1,885	-	1,885
<b>At 31 December 2025</b>	<b>(241,894)</b>	<b>467,479</b>	<b>486</b>	<b>18,093</b>	<b>244,164</b>	<b>(6,120)</b>	<b>238,044</b>
<b>2024</b>							
<b>At 1 January 2024</b>	(241,774)	432,248	(224)	12,857	203,107	(4,034)	199,073
Loss for the year	(18,731)	-	-	-	(18,731)	(954)	(19,685)
Exchange differences arising on translation of foreign operations	-	-	1,826	-	1,826	-	1,826
<b>Total comprehensive loss for the year</b>	<b>(18,731)</b>	<b>-</b>	<b>1,826</b>	<b>-</b>	<b>(16,905)</b>	<b>(954)</b>	<b>(17,859)</b>
Issue of 20,588,235 equity shares at \$1.70 per share on 2 April 2024 - Share Placement	-	35,000	-	-	35,000	-	35,000
Issue of 1,127,858 equity shares at \$1.70 per share on 22 April 2024 - Share purchase plan	-	1,917	-	-	1,917	-	1,917
Equity raising transaction costs	-	(1,973)	-	-	(1,973)	-	(1,973)
Recognition of share-based payments expense	-	-	-	3,351	3,351	-	3,351
<b>At 31 December 2024</b>	<b>(260,505)</b>	<b>467,192</b>	<b>1,602</b>	<b>16,208</b>	<b>224,497</b>	<b>(4,988)</b>	<b>219,509</b>

Notes to the financial statements are included on pages 69 to 126.

## Consolidated Statement of Cash Flows

For the year ended 31 December 2025

	Note	2025 \$ '000	2024 \$ '000
<b>Cash flows from operating activities</b>			
Receipts from customers		194,555	261,126
Payments to suppliers and employees		(197,996)	(268,360)
Income tax (paid)/received		(5,943)	(549)
Interest and bill discounts received		3,298	2,236
Interest and other costs of finance paid		(18,099)	(24,818)
<b>Net cash outflows from operating activities</b>	<b>25</b>	<b>(24,185)</b>	<b>(30,365)</b>
<b>Cash flows from investing activities</b>			
Payments for business acquisition		(6,281)	-
Payments for property, plant and equipment		(14,026)	(6,173)
Payments for intangibles and other assets		(6,017)	(5,383)
Proceeds from disposal of subsidiary, net of cash	5	156,609	-
Transaction costs related to disposal of subsidiary	5	(3,294)	-
Placement of term deposits		(60,000)	-
Proceeds from term deposits		60,000	-
Payments for security deposits		(6,265)	(5,851)
Proceeds from security deposits		10,561	21,086
<b>Net cash inflows from investing activities</b>		<b>131,287</b>	<b>3,679</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of new shares		-	36,917
Proceeds from exercise of options		287	-
Transaction costs related to issue of new shares		-	(1,973)
Repayment of lease liabilities		(5,084)	(5,229)
Repayment of borrowings		(48,219)	(20,505)
<b>Net cash (outflows)/inflow from financing activities</b>		<b>(53,016)</b>	<b>9,210</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>			
		<b>54,086</b>	<b>(17,476)</b>
Cash and cash equivalents at the beginning of the financial year		52,304	70,997
Effects of exchange rate fluctuations on the balances of cash held in foreign currencies		526	(1,217)
<b>Cash and cash equivalents at the end of the financial year</b>	<b>25</b>	<b>106,916</b>	<b>52,304</b>

Notes to the financial statements are included on pages 69 to 126.

# Notes to the Consolidated Financial Statements

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# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

## 1. Basis of Preparation

### a. Corporate Information

The consolidated financial statements of Electro Optic Systems Holdings Limited and its subsidiaries (collectively, the Group) for the year ended 31 December 2025 were authorised for issue by the Directors on 23 February 2026.

For the purposes of preparing the consolidated financial statements, the Company is a for-profit entity. Electro Optic Systems Holdings Limited (the Company, or parent) is a limited company incorporated and domiciled in Australia and whose shares are publicly traded. The registered office is in Symonston, Canberra, Australia.

### b. Basis of Preparation

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with the *Corporations Act 2001* and Australian Accounting Standards issued by the Australian Accounting Standards Board (AASB) and International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB) (collectively referred to as IFRS) and complies with other requirements of the law.

The financial report has been prepared on the basis of historical cost unless otherwise stated. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise stated. The presentation and functional currency of the Group is Australian dollars.

The Company is a company of the kind referred to in *ASIC Corporations (Rounding in Financials/Directors' Reports) Instrument 2016/191*, dated 24 March 2016, and in accordance with that Corporations Instrument amounts in the financial report are rounded to the nearest thousand dollars (\$'000), unless otherwise indicated.

The Group includes material accounting policies in the notes to the financial statements, specifically where accounting policies have been made in relation to the recognition and measurement basis used and are relevant to an understanding of the financial statements.

During 2024, the Group announced the decision to sell EM Solutions Pty Ltd (EMS), a wholly owned subsidiary. The divestment of EMS was completed on 31 January 2025. The activities relating to EMS have been classified and presented as a discontinued operation in both the current and comparative periods in accordance with accounting standards.

### c. Going Concern

The financial report has been prepared on the going concern basis which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business and at amounts stated in the financial report.

For the year ended 31 December 2025, the Group incurred a loss before tax from continuing operations of \$79.0m (December 2024: loss of \$38.5m) and had a net cash outflow from operating activities of \$24.2m (December 2024: net outflows of \$30.4m) and had a net increase in cash and cash equivalents held of \$54.1m (December 2024: net decrease of \$17.5m).

The total Group's net assets position was \$238.0m at 31 December 2025, an increase of \$18.5m from the net assets position of \$219.5m at 31 December 2024.

At 31 December 2025 the Group had a total balance of cash and cash equivalents of \$106.9m (December 2024: \$52.2m) and net current assets of \$151.2m (December 2024: \$150.2m). As at 31 December 2025 the Group had borrowings of nil (December 2024: \$47.9m).

Subsequent to year end, on 12 January 2026, the Group announced that it had entered into an agreement to acquire the MARSS group business (MARSS) for:

- an upfront cash payment of US\$36m; plus
- a potential earnout of up to €100m via performance rights that are linked to the value of new contract orders during the earnout period, and is payable as a mix of cash or EOS shares, with the cash component capped at €20m.

The maximum cash consideration payable under the transaction is approximately A\$90m.

## 1. Basis of Preparation (continued)

On the same date, 12 January 2026, EOS announced it had secured a commitment for a \$100m two year secured term loan facility. The commitment is exercisable at EOS' option. The facility is subject to the finalisation of legal agreements, which will contain representations, warranties and covenants (but will not include any financial ratio covenants), as well as other customary terms and conditions. Further details of the loan facility will be announced when the legal agreement is finalised. The facility is intended to be available if required to support growth and provide liquidity buffers, including working capital, across the expanded business and if required to support payments for the acquisition of MARSS. Entry into the facility will require the consent of existing funding providers to the Group, including Export Finance Australia and the Group's bankers.

The Group continues to closely monitor its cash flow outlook and compliance with financial covenants.

The Directors, in their consideration of the appropriateness of the going concern basis for the preparation of this financial report, have caused to be prepared a cash flow forecast through to 31 March 2027 which supports the ability of the Group to continue as a going concern.

Whilst noting that in the medium to long-term, the continued ability of the Group to continue as a going concern remains dependent on securing sufficient new cash flow positive contracts, including converting key opportunities within the Defence and Space sector pipelines, as at the date of signing this report, the Directors consider they have reasonable grounds to believe that the Group will continue as a going concern.

### d. Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

All intra-group assets and liabilities, equity, income, expenses, and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. The interests of non-controlling shareholders with present ownership interests entitling them to a proportionate share of net assets upon liquidation may initially be measured at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement is made on an acquisition-by-acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in non-controlling interests having a deficit balance.

### e. Adoption of New and Revised Standards

#### New and amended standards that are effective for the current year

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and effective for the current year. These standards did not materially affect the Group's accounting policies or any of the amounts recognised in the financial statements.

#### New and revised AASB Standards in issue but not yet effective

At the date of authorisation of the financial statements, the Group has not applied the following new and revised Australian accounting standards, interpretations and amendments that have been issued but are not yet effective.

Standard/amendment	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
• AASB 2024-2 Amendments to Australian accounting standards – classification and measurement of financial instruments	1 January 2026	31 December 2026
• AASB 2024-3 Amendments to Australian accounting standards – annual improvements Volume II	1 January 2026	31 December 2026
• AASB 2025-1 Amendments to AASs - Contracts Referencing Nature-dependent Electricity	1 January 2026	31 December 2026
• AASB 18 Presentation and Disclosure in Financial Statement	1 January 2027	31 December 2027
• AASB 2014-10 Amendments to Australian Accounting Standards – Sale or contribution of assets between an investor and its associate or joint venture	1 January 2028	31 December 2028

### *AASB 18 Presentation and Disclosure in Financial Statements*

AASB 18 will replace AASB 101 *Presentation of Financial Statements*, introducing new requirements aimed at improving comparability of financial performance and enhancing the relevance and transparency of information to users. Whilst the standard retains many existing disclosure requirements, it introduces revised presentation rules.

AASB 18 will not affect the Group's net profit or the recognition and measurement of items in the financial statements. However, its impact on presentation and disclosure is expected to be significant. The standard introduces five defined categories in the statement of profit or loss and other comprehensive income: Operating, Investing, Financing, Income taxes and Discontinued operations, and two mandatory subtotals: Operating profit and Profit before financing and income taxes.

It also requires disclosure of Management-Defined Performance Measures (MPMs), such as Earnings before Interest, Taxes, Depreciation, and Amortisation (EBITDA) or adjusted profit, and provides enhanced guidance on aggregation and disaggregation of information within the primary statements and notes.

Management is assessing the detailed implications of AASB 18 on the Group's consolidated financial statements. While no impact on net profit is expected, the new presentation requirements may affect how operating profit and other performance measures are reported.

The other new accounting amendments are not expected to have a material impact on the Group's accounting policies or any of the amounts recognised in the financial statements.

## **f. Foreign Currency**

### **(i) Foreign currency transactions**

Transactions in foreign currencies are recorded at the exchange rate prevailing on the date of transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency closing rates of exchange at the reporting date.

Exchange differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are recorded using the exchange rates at the date of the transaction.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e. translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

## 1. Basis of Preparation (continued)

### (ii) Foreign operations

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (having non-AUD functional currency) are translated into Australian dollars at the exchange rate prevailing at the reporting date, income and expenses items are translated at the average rate of exchange for the respective months. Exchange differences arising on such translation are recognised as currency translation reserve under equity.

Exchange differences arising from the translation of a foreign operation previously recognised in currency translation reserve in equity are not reclassified from equity to the consolidated profit or loss until the disposal of the operation.

### g. Accounting Judgements and Estimates

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described in the applicable notes to financial statements.

The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Estimates and underlying assumptions are reviewed on an ongoing basis and changes are reflected in the assumptions when they occur.

Refer to the relevant note to financial statements for the estimates and judgements applied.

### h. Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables. Cash flows are included in the statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities which

is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

### i. Climate-Related Matters

The Group considers climate-related matters in estimates and assumptions, where appropriate. This assessment includes a wide range of possible impacts on the Group due to both physical and transition risks. Even though the Group believes its business model and products will still be viable after the transition to a low-carbon economy, climate-related matters increase the uncertainty in estimates and assumptions underpinning several items in the financial statements. Even though climate-related risks might not currently have a significant impact on measurement, the Group is closely monitoring relevant changes and developments. The items and considerations that are most directly impacted by climate-related matters are:

- Useful life of property, plant and equipment.
  - i. When reviewing the residual values and expected useful lives of assets, the Group considers climate-related matters, such as climate-related legislation and regulations that may restrict the use of assets or require significant capital expenditures.
- Impairment of non-financial assets.
  - i. The value-in-use may be impacted in several different ways by transition risk in particular, such as climate-related legislation and regulations and changes in demand for the Group's products. Even though the Group has concluded that no single climate-related assumption is a key assumption for the 2025 impairment test, the Group considered expectations for increased costs of emissions, increased demand for goods sold by the Group and cost increases due to stricter recycling requirements in the cash flow forecasts in assessing value-in-use amounts. See Note 13 for further information.
- Decommissioning liability.
  - i. The impact of climate-related legislation and regulations is considered in estimating the timing and future costs of decommissioning the Group's manufacturing facilities.

In 2024, the Australian government passed the Climate-related Financial Disclosures Act - *Treasury Laws Amendment (Financial Market Infrastructure and Other Measures) Act 2024*. The new Act mandates listed entities to disclose their climate-related plans, financial risks and opportunities, in accordance with *Australian Sustainability Reporting Standards (ASRS)*. As at 31 December 2025, the Group qualifies as a "Group 2 entity" based on its assets and revenue thresholds, with mandatory reporting requirements commencing on 1 January 2027.

In 2024, the Group engaged an external sustainability and climate expert to support the Group as part of its proactive approach to prepare for ASRS compliance. In this initial phase, the Group conducted introductory workshops with key management across the Group, performed an ASRS gap assessment, and developed an initial roadmap to address key gaps identified.

During the year, the Group held planning discussions with external sustainability and climate expert for the next phase of its sustainability transition roadmap. The Group will commence the assessment of the relevant climate-related risks and opportunities and to develop internal transition plans to capture climate-related data during 2026.

The roadmap, scheduled to progress through 2026 and 2027, will involve key management and operational employees in evaluating the Group's climate risk profile and identifying critical business areas and operational changes required to meet mandatory disclosure requirements.

## 2. Profit/(Loss) Before Tax– Continuing Operations

### a. Revenue

<b>Revenue from continuing operations</b>	<b>2025 \$ '000</b>	<b>2024 \$ '000</b>
Revenue from operations consisted of the following items:		
Revenue from the sale of goods	105,033	157,745
Revenue from the rendering of services	23,425	18,820
<b>Total revenue</b>	<b>128,458</b>	<b>176,565</b>

### (i) Disaggregation of revenue – continuing operations

The Group derives its revenue from the transfer of goods and services both over time and at a point in time, as shown below.

<b>Revenue recognition over time</b>	<b>2025 \$ '000</b>	<b>2024 \$ '000</b>
Defence segment		
Sale of goods	74,910	105,487
Providing of services	9,746	4,353
Space segment		
Sale of goods	276	-
Providing of services	10,398	5,306
<b>Total revenue recognised over time</b>	<b>95,330</b>	<b>115,146</b>

All other revenue is recognised at a point in time:

<b>Revenue recognition at a point in time</b>	<b>2025 \$ '000</b>	<b>2024 \$ '000</b>
Defence segment		
Sale of goods	29,640	52,258
Providing of services	1,501	3,638
Space segment		
Sale of goods	207	-
Providing of services	1,780	5,523
<b>Total revenue recognised at a point in time</b>	<b>33,128</b>	<b>61,419</b>
<b>Total revenue recognised</b>	<b>128,458</b>	<b>176,565</b>

## 2. Profit/(Loss) Before Tax– Continuing Operations (continued)

### Recognition and measurement

The Group recognises revenue from the following major sources:

- engineering design, manufacture and supply of remote weapon systems (RWS) and related installation, integration and support services;
- design, develop and manufacture of high energy laser weapons and related integration with air defence command and control (C2) systems; and
- design, manufacture, delivery and operation of sensors and data for space domain awareness and space control.

Customer contracts across all segments, including both products and services, are highly customised and are configured specifically for each client's operational, commercial and capability requirements.

#### (i) Transaction price

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer. This transaction price is updated for changes in scope or price (or both) that are approved by all parties to the contract, either in writing or by oral agreement.

Revenue recognition is constrained for negative variable consideration in relation to delays in formal customer acceptance or potential late delivery penalties/liquidated damages. Once the constraint is removed, a cumulative catch-up adjustment is made to recognise the related revenue.

There is no significant financing component in the Group's contracts with customers as the period between provision of goods and services and the receipt of cash from customers is less than a year. Payment terms which extend beyond a year are for reasons other than the provision of a significant financing component.

#### (ii) Timing of revenue recognition

The timing of revenue recognition (i.e., over time or at a point in time) is determined by the nature and specifications of the contracts that the Group enters into with its customers.

##### A. Revenue recognition over time

Goods manufactured and services delivered under the Group's major contracts do not have an alternative use for the Group and the Group has an enforceable right to payment for performance completed to date, therefore, the Group recognises revenue for its major contracts over time.

- The transaction price is allocated to performance obligations based on standalone selling prices. The output method, based on the delivery of goods or services to customers or the achievement of contract milestones, best depicts progress under these contracts as it represents the best measurement of value to the customer of goods or services to date relative to the remaining goods or services promised under the contract.
- For other contracts the input method offers the best depiction of progress under the contract. For such contracts, the Group recognises revenue with reference to costs or labour hours incurred to date relative to the total expected contract costs or labour hours. The estimation of forecast costs or labour hours to complete is a significant accounting estimate. Initial contract budgets are prepared at contract inception based on detailed project plans, supplier quotations, labour hour estimates and historical experience. These estimates are reassessed regularly by management throughout the contract term.

##### B. Revenue recognition at a point in time

For contracts where revenue at a point in time offers the best depiction of the Group's satisfaction of its performance obligations, the Group recognises revenue when control transfers to the customer. Control is assessed as transferred to the customer when the Group has a present right to payment for the asset, typically upon delivery of goods and services to customers.

Under bill and hold arrangements, revenue is recognised once formal acceptance is received from customers.

Interest revenue is recognised using the effective interest rate method.

## Significant accounting judgements and estimates

The Group estimates variable considerations to be included in the transaction price and also makes judgements in terms of the nature and timing of revenue recognised under contracts.

Under a major production contract with a foreign customer, late deliveries against the contracted schedule, due in part to customer requested changes and other factors, resulted in the application of late delivery penalties in 2023 and 2024. During the year, this contract was finalised, and the Group received a total of US\$40m (approximately A\$60m). This cash receipt reflects the accepted contract work to date and includes the recovery of late delivery penalties of US\$8m (approximately A\$12m), which had been previously recognised as constrained revenue in prior periods.

### (ii) Other income – continuing operations

	2025 \$ '000	2024 \$ '000
Bank Interest	3,182	1,553
Grant income	11	13
Gain on lease modification	904	-
Other	1,087	489
<b>Total other income</b>	<b>5,184</b>	<b>2,055</b>

## b. Expenses

The loss for the year from continuing operations includes the following expenses:

	2025 \$ '000	2024 \$ '000
Employee benefits expense:		
Share-based payments (equity-settled) expense	1,873	3,209
Contributions to defined contribution superannuation plans	4,871	3,977
Other employee benefits	64,498	55,321
<b>Total employee benefits expense</b>	<b>71,242</b>	<b>62,507</b>
Finance costs		
Interest expense on lease liabilities	903	1,057
Interest on secured borrowings	973	12,355
Other finance costs	16,777	11,138
<b>Finance costs</b>	<b>18,653</b>	<b>24,550</b>
Amortisation of intangible assets	8,045	4,871
Depreciation of property, plant and equipment	7,045	3,715
Depreciation on right of use assets	4,255	3,956
Foreign exchange loss/(gain)	7,342	(11,570)

### 3. Earnings per Share

	2025 cents per share	2024 cents per share
<b>Basic</b>		
Continuing operations	(39.7)	(19.5)
Discontinued operations	50.0	8.8
<b>Total</b>	<b>10.3</b>	<b>(10.7)</b>
<b>Diluted</b>		
Continuing operations	(39.7)	(19.5)
Discontinued operations	50.0	8.8
<b>Total</b>	<b>10.3</b>	<b>(10.7)</b>

#### Calculation of basic and diluted total earnings per share

The earnings and weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share are as follows:

Earnings	Note	2025 \$'000	2024 \$'000
Earnings – net profit/ (loss) attributable to equity holders of parent	(a)	18,611	(18,731)
Adjustments to exclude profit for the year from discontinued operations	5	(90,979)	(15,431)
Earnings from continuing operations for the purpose of basic and diluted earnings per share (excluding discontinued operations)		(72,368)	(34,162)

Number of shares	Note	2025 No. of shares	2024 No. of shares
Weighted average number of ordinary shares used in the calculation of basic earnings per share	(b), (c)	182,066,881	175,407,278

- (a) Profit/loss attributable to the owners of the parent entity used in the calculation of basic earnings per share is the same as net profit/loss in the statement of profit or loss and other comprehensive income.
- (b) Unlisted share options and share rights issued under employee incentive plans are not considered dilutive as all the conditions of exercise have not been met at the reporting date and the Group made a loss from continuing operations in the period.
- (c) Shares issued under the LFSP are not included in the weighted average number of ordinary shares as they are treated as in-substance options for accounting purposes. The options are not considered dilutive given the Group made a loss from continuing operations in the period.

#### 4. Income Tax

Income tax	2025 \$ '000	2024 \$ '000
Current year tax (benefit)/ expense	(5,237)	4,572

##### a. The prima facie Income Tax Expense on pre-tax Accounting (Loss)/Profit from Operations reconciles to the Income Tax (Benefit)/Expense in the Financial Statements as follows:

	2025 \$ '000	2024 \$ '000
(Loss) before income tax from continuing operations	(79,036)	(38,453)
Profit before income tax from discontinuing operations	91,278	23,340
<b>Profit / (Loss) before income tax</b>	<b>12,242</b>	<b>(15,113)</b>
Income tax expense/ (benefit) calculated at 30%	3,673	(4,534)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(533)	934
Non-deductible expenditure	1,967	4,337
Other assessable income	1,758	2,262
Foreign income tax offset	-	(979)
Tax losses brought to account	(271)	(24,444)
Gain on disposal of subsidiary	(27,157)	24,968
Other non-deductible/non-assessable items	186	88
	(20,377)	2,632
Adjustment in respect of prior years	660	(2,028)
Unused tax losses and tax offsets not recognised as deferred tax assets	14,480	3,968
<b>Income tax (benefit)/expense attributable to operating (loss)</b>	<b>(5,237)</b>	<b>4,572</b>
- Attributable to continuing operations	(5,536)	(3,337)
- Attributable to a discontinued operation	299	7,909

The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law, 19% in Netherlands, 25% in United Kingdom and France, 15% in Germany, 17% in Singapore, nil in United Arab Emirates and 28% in New Zealand. Tax rates in the USA apply at a Federal, State and local level and can vary depending upon location. The tax rates applicable to the Group's USA operations have been assumed to approximate a combined rate of 21%. There has been no change in the corporate tax rate when compared with the previous reporting year except for the new entities incorporated in the current year.

As disclosed in Note 5, the Group entered in a binding sales agreement for the divestment of EMS on 21 November 2024 which triggers a capital gain tax (CGT) event in the prior year, and available tax losses were utilised to offset the resulting capital gain. The capital loss utilised in 2024 related to the SpaceLink (SPL) entity that was a discontinued operation in 2022.

## 4. Income Tax (continued)

### b. Deferred Tax Balances

The following are the major deferred tax assets and liabilities recognised by the Group and movements thereon during the current and prior year.

	2024 \$ '000	Charge/ (credit) to profit and loss \$ '000	Recognised in other comprehensive income \$ '000	2025 \$ '000
<b>Deferred tax assets</b>				
Accruals	260	918	-	1,178
Business capital expenditure deductible over five years	757	(189)	-	568
Provisions	12,992	(63)	-	12,929
Right of use assets	1,020	(650)	-	370
Foreign exchange gain arising from tax fair value adjustment	(4,616)	4,261	-	(355)
Other	215	(215)	-	-
	<b>10,628</b>	<b>4,062</b>	-	<b>14,690</b>
<b>Deferred tax liabilities</b>				
Prepaid insurance	(106)	35	-	(71)
Contract asset	(538)	538	-	-
Property plant and equipment	(1,258)	699	-	(559)
Intangible assets	(613)	613	-	-
Acquired intangible assets	(2,239)	2,810	-	571
	<b>(4,754)</b>	<b>4,695</b>	-	<b>(59)</b>
<b>Net deferred tax assets/(liabilities)</b>	<b>5,874</b>	<b>8,757</b>	-	<b>14,631</b>
<b>Net deferred tax assets/(liabilities) as:</b>				
Continuing operations	14,631			
Included in liabilities held for sale	-			
	<b>14,631</b>			

	2023 \$ '000	Charge/ (credit) to profit and loss \$ '000	Recognised in other comprehensive income \$ '000	2024 \$ '000
<b>Deferred tax assets</b>				
Accruals	153	107	-	260
Business capital expenditure deductible over five years	390	367	-	757
Provisions for annual leave	12,434	558	-	12,992
Contract asset	777	(1,315)	-	(538)
Foreign exchange gain arising from tax fair value adjustment	(1,556)	(3,060)	-	(4,616)
Other	16	199	-	215
	<b>12,214</b>	<b>(3,144)</b>	<b>-</b>	<b>9,070</b>
<b>Deferred tax liabilities</b>				
Prepaid insurance	-	(106)	-	(106)
Right of use assets	1,218	(198)	-	1,020
Property plant and equipment	(1,860)	602	-	(1,258)
Intangible assets	-	(613)	-	(613)
Other	-	-	-	-
Acquired intangible assets	(2,622)	383	-	(2,239)
	<b>(3,264)</b>	<b>68</b>	<b>-</b>	<b>(3,196)</b>
<b>Net deferred tax assets/(liabilities)</b>	<b>8,950</b>	<b>(3,076)</b>	<b>-</b>	<b>5,874</b>
<b>Net deferred tax assets/(liabilities) as:</b>				
Continuing operations	7,927			
Included in liabilities held for sale	(2,053)			
	<b>5,874</b>			

At the reporting date the Group has unused tax losses emanating from its Australian and overseas entities. No deferred tax asset has been recognised in respect of these balances as it is not considered probable that there will be future taxable profits available in these jurisdictions.

## 4. Income Tax (continued)

### c. Unrecognised Deferred Tax Balances

	2025 \$ '000	2024 \$ '000
The following cumulative deferred tax assets have not been brought to account as assets		
Tax losses – revenue	67,118	55,208
Differences - Thin Capitalisation	4,815	1,459
Differences – Overseas subsidiaries	2,966	139
<b>Total</b>	<b>74,899</b>	<b>56,806</b>

### d. Franking Account Balance

	2025 \$ '000	2024 \$ '000
Adjusted franking account balance	4,926	4,616

## Recognition and measurement

### (i) Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the year, using tax rates and tax laws that have been enacted or substantively enacted by the reporting date. Current tax for current and prior years is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

### (ii) Deferred tax

Deferred tax is recognised on temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and their corresponding tax base.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised.

However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the assets and liabilities giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle current tax assets and liabilities on a net basis.

**(iii) Current and deferred tax for the year**

Current and deferred tax is recognised as an expense or income in the statement of profit or loss and other comprehensive income, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or bargain purchase gain.

**(iv) Tax consolidation**

The Company and all its wholly-owned Australian entities are part of a tax-consolidated group under Australian taxation law with effect from 1 January 2003. Electro Optic Systems Holdings Limited is the head entity in the tax-consolidated group. Tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'separate taxpayer within the Group' approach.

Current tax liabilities and assets and deferred tax assets arising from unused tax losses and tax credits of the members of the tax-consolidated group are recognised by the Company (as the head entity in the tax-consolidated group).

There are formal tax funding and tax sharing arrangements between the companies comprising the Australian tax-consolidated group as at 31 December 2025. During the year, the Group completed the divestment of EMS on 31 January 2025. As a result of this transaction, EMS is no longer part of the Group's tax consolidated group from the effective date of disposal.

**Significant accounting judgements and estimates**

Deferred tax assets are recognised for unused tax losses and deductible temporary differences to the extent it is probable that the taxable profit will be available against which the losses can be utilised. Significant judgement is required to determine the amount of the deferred tax assets that can be recognised, based on the likely timing and the level of future taxable profits, together with future tax planning strategies.

The Directors made a critical judgement in relation to recognising some of the deferred tax balances described in Note 4(b). The Directors currently consider it probable that sufficient taxable amounts will be available against which deductible temporary differences can be utilised in the Australian tax Group.

The Directors also made a critical judgement in relation to not recognising deferred tax balances on tax losses and denied debt deductions under the thin capitalisation rule. Deferred tax assets are only recognised when it is probable that the Group will have sufficient taxable profits against which these amounts can be utilised. In addition, no deferred tax assets have been recognised in the foreign subsidiaries.

## 5. Discontinued Operations

On 21 November 2024, EOS entered into a binding share sale agreement to sell EMS to Cohort plc (Cohort). As at 31 December 2024, EMS was classified as a disposal group held for sale and as a discontinued operation. Accordingly, a total of \$95,160,000 of assets and \$26,170,000 of liabilities were classified as held for sale at 31 December 2024.

The divestment of EMS was completed on 31 January 2025, with divestment proceeds of \$160.0m received after final customary adjustments during the year ended 31 December 2025. The disposal is consistent with the Group's transformation strategy to focus on commercialising its substantial intellectual property and growing its core product offerings in the areas of RWS, high energy laser weapons and space control.

The profit after tax of discontinued operations for the one month prior to divestment on 31 January 2025 was \$455,000. The divestment of EMS resulted in a pre-tax gain of \$90,524,000. The detailed results of EMS and discontinued operations for the year are presented below:

	2025* \$ '000	2024 \$ '000
Revenue	3,316	82,131
Other income	121	690
Foreign exchange gain / (loss)	14	468
Raw materials and consumables used	(1,053)	(38,386)
Employee benefit expenses	(1,464)	(13,801)
Occupancy costs	(27)	(302)
Administration expenses	(88)	(3,563)
Other expenses	(45)	(860)
Amortisation of intangible assets	-	(1,463)
Depreciation of property plant and equipment	-	(799)
Depreciation of right of use assets	-	(519)
Finance cost	(20)	(256)
<b>Profit before tax of discontinued operations</b>	<b>754</b>	<b>23,340</b>
Income tax (expense)	(299)	(7,909)
<b>Profit after tax of discontinued operations</b>	<b>455</b>	<b>15,431</b>
Gain on sale of the discontinued operations	90,524	-
<b>Profit after tax from discontinued operations</b>	<b>90,979</b>	<b>15,431</b>
The net cash flows generated by EMS during the year were:		
	2025* \$ '000	2024 \$ '000
Operating	(4,151)	1,634
Investing	(48)	(895)
Financing	(46)	(515)
<b>Net cash (outflow) / inflow of discontinued operations</b>	<b>(4,245)</b>	<b>224</b>

\* Represents one month of activity prior to the sale settlement on 31 January 2025.

The net assets of EMS at the date of disposal were as follows:

	<b>2025</b> <b>\$ '000</b>
Cash and short-term deposits	3,366
Trade and other receivables	8,153
Contract assets	23,053
Inventories	20,338
Prepayments	1,780
Security deposits	6,648
Right of use asset	3,407
Goodwill	9,868
Property, plant and equipment	4,246
Intangible assets	9,386
<b>Total assets classified as held for sale</b>	<b>90,245</b>
Trade and other payables	(3,754)
Lease liabilities	(4,132)
Contract liabilities	(12,220)
Deferred tax liabilities	(2,053)
Provisions	(1,929)
<b>Total liabilities classified as held for sale</b>	<b>(24,088)</b>
<b>Net assets disposed of</b>	<b>66,157</b>

The net cash flows arising on disposal of discontinued operations:

	<b>2025</b> <b>\$ '000</b>
Cash received from sale of the discontinued operations	159,975
Cash disposed as a part of discontinued operations	(3,366)
Transaction and other directly attributable costs	(3,294)
<b>Net cash inflow from disposal</b>	<b>153,315</b>

As EMS was disposed during the year, the assets and liabilities classified as held for sale are no longer included in the consolidated balance sheet at 31 December 2025. There were no disposal of subsidiaries made in 2024.

### Recognition and measurement

A disposal group qualifies as a discontinued operation if it is a component of an entity that either has been disposed of, or it is classified as held for sale and:

- a. represents a separate major line of business or geographical area of operations,
- b. is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or
- c. is a subsidiary acquired exclusively with a view to resale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn.

## 5. Discontinued Operations (continued)

Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position, and no longer presented in the segment note.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the consolidated statement of profit or loss and other comprehensive income.

Cash flows from discontinued operations are included in the consolidated statement of cash flows and are disclosed separately in this note. The Group includes proceeds from disposal in cash flows from discontinued operations.

All other notes to the financial statements include amounts for continuing operations, unless indicated otherwise.

### Significant accounting judgement and estimate

During the year, the Group completed the sale of EMS, which had been classified as held for sale and as a discontinued operation in the current and prior year.

The Directors considers EMS met the criteria to be classified as held for sale and as a discontinued operation in the prior year, and during the current year for the following reasons:

- EMS was available for immediate sale to the buyer;
- EMS was a separate and major line of business in the Space Systems segment, and was a cash-generating unit of the Group;
- EMS had distinct and separate products from the Group. EMS manufactures and sells satellite and frequency terminals; and
- the Group had a confirmed contract with a buyer for an agreed price, and was settled on 31 January 2025.

The activities relating to EMS have been classified as a discontinued operation in accordance with accounting standards. The comparative consolidated statement of profit and loss and other comprehensive income has been re-presented to show the discontinued operations separately from continuing operations. The intra-group transactions between discontinued operations and continuing operations have been fully eliminated in the consolidated financial result.

The proceeds from the disposal exceeded the carrying amount of the related net assets, and a pre-tax gain on disposal of \$90,524,000 has been recognised in the consolidated statement of profit or loss. No impairment losses were recognised in prior periods on classification of EMS as held for sale.

## 6. Business Combinations

On 26 November 2025, the Group completed the acquisition of the UK-based Interceptor business (the Interceptor) from MARSS group (MARSS). This transaction was previously announced on 19 November 2025.

Under the transaction, the Group had acquired 100% of the Interceptor business assets which included the interceptor system and intellectual property, as well as the specialist engineering team that developed the system for a total investment of €5.5m (approximately A\$10m). No contingent consideration was recognised, and no liabilities were assumed by the Group, at the acquisition date.

This acquisition broadens the Group's counter-drone effector portfolio, extends the Group's software and AI capabilities and initiates the Group's presence in the United Kingdom, an important AUKUS partner market.

The operations of the Interceptor include strategic and operational processes for the development of interceptor drone counter-drone capability, commercial outputs, and includes five key specialised engineers that created this product to continue its development.

The transaction meets the criteria to be defined as a business as required by AASB 3 *Business Combinations* and has been treated as a business combination in this report. The acquired set of processes and assets, together with transferred employees, constituted an integrated set of activities capable of being conducted and managed as a business. The acquisition date has been determined as 26 November 2025.

The accounting for the transaction has been provisionally determined as at 31 December 2025 using initial measurements which are subject to change during the measurement period. The measurement period shall not exceed one year from the date of acquisition. Based on this, the provisional fair value of the identifiable net assets, being the intangible assets of €3,500,000 (\$6,281,000) acquired, was considered to approximate the total consideration transferred at the acquisition date. The acquisition did not give rise to goodwill, and no gain on a bargain purchase was recognised at the acquisition date noting its provisional basis.

In addition, the total investment includes a development advance of €2.0m (\$3.6m) provided to MARSS, which will be recouped in cash should the completion conditions of the MARSS group business acquisition not be satisfied during 2026 (refer to Note 33 for further details relating to the proposed MARSS acquisition). As at 31 December 2025, and at the date of this report, the conditions have not been satisfied, and the cash advance is classified as other debtors in Note 7.

Acquisition-related expenses of \$273,000 have been expensed in administration expenses.

The Group's wholly-owned United Kingdom subsidiary, Electro Optic Systems Limited UK, is the legal entity that acquired and holds the Interceptor business.

During the reporting period, the Interceptor business did not contribute any revenue or expenses to the Group's loss before tax from continuing operations, as expenses incurred by the business were capitalised. Revenue is expected to be recognised upon commercialisation of the Interceptor product.

### Recognition and measurement

Business combinations are accounted for using the acquisition method in accordance with AASB 3 *Business Combinations*. The Group identifies the acquirer and determines the acquisition date, being the date on which control is obtained.

At the acquisition date, the Group recognises the identifiable assets acquired and liabilities assumed at their fair values. Identifiable assets and liabilities are recognised separately from goodwill where they meet the definition of an asset or liability and are separately identifiable.

The consideration transferred in a business combination is measured at fair value and comprises the aggregate of the fair values of assets transferred, liabilities incurred to the former owners of the acquiree and equity instruments issued by the Group. Transaction costs incurred in connection with a business combination are expensed as incurred and included in administration expenses.

## 6. Business Combinations (continued)

Any excess of the consideration transferred over the fair value of the identifiable net assets acquired is recognised as goodwill at the acquisition date. Where the fair value of the identifiable net assets exceeds the consideration transferred, the resulting bargain purchase gain is recognised immediately in profit or loss.

Where the initial accounting for a business combination is incomplete at the reporting date, the Group recognises provisional amounts for the items for which the accounting is incomplete. Provisional amounts are adjusted retrospectively during the measurement period (not exceeding 12 months from the acquisition date) to reflect new information obtained about facts and circumstances that existed at the acquisition date.

### Significant accounting judgements and estimates

The Group exercised judgement in determining that the Interceptor acquisition met the definition of a business combination under AASB 3, including an assessment of whether the acquired set of activities and assets constituted an integrated set capable of being conducted and managed for the purpose of providing goods or services.

At the reporting date, the fair value assessment of the acquisition remained provisional, as the valuation process was not complete. The Group applied judgement in determining that the provisional fair values recognised approximated the consideration transferred based on information available at the reporting date. These amounts may be adjusted during the measurement period, as permitted under AASB 3, should new information become available about facts and circumstances that existed at the acquisition date.

Judgement was also applied in assessing the expected future economic benefits associated with the Interceptor business, including the timing of commercialisation and the ability of the acquired assets to generate future revenue. As at the reporting date, no revenue had been recognised from the Interceptor business, with revenue expected to be recognised upon commercialisation.

## 7. Trade and Other Receivables

	2025 \$ '000	2024 \$ '000
Trade receivables from third-party customers	24,360	16,556
GST receivable	2,680	784
Employee receivables	529	390
Other debtors	3,556	-
<b>Total</b>	<b>31,125</b>	<b>17,730</b>

Trade receivables are non-interest bearing and are generally on terms of 30 days.

The Group measures the loss allowance for trade receivables at an amount equal to the lifetime expected credit loss (ECL). The ECL on trade receivables are estimated by reference to past known default experience of the debtors and an analysis of the debtors' current financial position, adjusted for factors that are specific to the debtors. Based on this analysis, any ECL on trade receivable balances at the end of the year are immaterial.

There has been no change in the estimation techniques or significant assumptions made during the current reporting year. There were no receivables written off during the year and no receivables balances, as at the end of the year, are subject to enforcement activities.

## 8. Contract Asset

	2025 \$ '000	2024 \$ '000
Unbilled revenue – current	9,767	57,381
<b>Total</b>	<b>9,767</b>	<b>57,381</b>

The contract asset reflects amounts recognised in revenue on a milestone or delivery basis in the Defence Systems and Space Systems segments for point in time revenue recognition, but which have not yet been billed to the customer. It also includes amounts recognised for over time revenue recognition, such as under an input method measurement, prior to billing. This occurs where contracts typically invoice on a milestone basis that may not necessarily reflect progress under the contract.

The movement in the contract asset during the financial year is set out below.

	2025 \$ '000	2024 \$ '000
Opening balance	57,381	68,036
Invoiced during the year	(66,834)	(119,919)
Net revenue recognised during the year	21,487	126,650
Impact of foreign exchange and other movements	(2,267)	4,296
Reclassified as held for sale	-	(21,682)
<b>Closing balance</b>	<b>9,767</b>	<b>57,381</b>

### Significant accounting judgements and estimates

Timing differences between revenue recognition and invoicing are expected to arise due to differences between the Group's revenue recognition policies (see Note 2) and the terms of the underlying contracts. The Directors have concluded that any estimated credit losses against the contract asset are immaterial. This judgement is based on the nature of the counterparties involved (primarily sovereign entities), the payments received during the year, and continuing communications with clients regarding administration of the underlying contracts.

The Group assesses for any constrained revenue and the recoverability of the contract asset. During the year, the Group has recognised a total of US\$8m (approximately A\$12m) of previously constrained revenue. The recognition of this revenue reflects the finalisation of a longstanding contract with a customer in the Middle East.

A critical judgement exists in relation to the recoverability of the contract assets. This judgement is based on the nature of the counterparties involved, contract amendment discussions that are underway with customers, payments received during the year and continuing communications with the clients regarding administration of the underlying contracts.

The Directors have reviewed the collectability of the contract asset as at 31 December 2025 and concluded that no material provision should be recognised on the basis of cash received to date and the creditworthiness of the counterparty, amongst other factors. Furthermore, the Directors are of the view that the estimates used in preparing this financial report are reasonable.

## 9. Inventories

	2025 \$ '000	2024 \$ '000
Raw materials – at lower of cost and net realisable value	52,740	48,650
Work in progress – at cost	27,873	14,035
<b>Total</b>	<b>80,613</b>	<b>62,685</b>

### Recognition and measurement

Inventories are measured at the lower of cost and net realisable value.

Costs are assigned on the following basis:

- Raw materials: weighted average cost basis for raw material inventory
- Work-in-progress: standard cost

Net realisable value represents the estimated selling price in the ordinary course of business, less estimated costs of completion, estimated costs necessary to make the sale, and provision for obsolescence.

### Significant accounting judgements and estimates

The Group has recognised a provision of \$24.3m for inventory obsolescence (2024: \$11.4m) to reflect the expected net realisable value of stock items with slow market demand or potential technological obsolescence, considering the current market conditions and rapid technological advancements.

The provision estimate is based on forecasted demand, expected lifecycle changes and ageing of inventory. The Group will continue to monitor these factors and adjust the provision as necessary.

## 10. Prepayments

	2025 \$ '000	2024 \$ '000
Prepayments – current	28,663	18,127
Prepayments – non-current	1,873	2,175
<b>Total</b>	<b>30,536</b>	<b>20,302</b>

Prepayments include prepayments made to suppliers for the delivery of component parts and services in relation to open orders.

## 11. Right of Use Assets

	Office Premises \$'000	Office Equipment \$'000	Total \$'000
<b>Cost</b>			
At 1 January 2024	34,979	1,266	36,245
Additions	-	-	-
Adjustment due to lease modification	2,788	-	2,788
Disposals	-	(137)	(137)
Reclassified as held for sale	(6,476)	-	(6,476)
Net exchange differences	1,329	-	1,329
<b>At 31 December 2024</b>	<b>32,620</b>	<b>1,129</b>	<b>33,749</b>
Additions	4,567	-	4,567
Adjustment due to lease modification	690	-	690
Disposals	(2,123)	(1,065)	(3,188)
Net exchange differences	(1,158)	-	(1,158)
<b>At 31 December 2025</b>	<b>34,596</b>	<b>64</b>	<b>34,660</b>
<b>Accumulated depreciation and impairment</b>			
At 1 January 2024	15,484	978	16,462
Depreciation charge	4,226	249	4,475
Disposals	-	(137)	(137)
Reclassified as held for sale	(2,974)	-	(2,974)
Net exchange differences	900	-	900
<b>At 31 December 2024</b>	<b>17,636</b>	<b>1,090</b>	<b>18,726</b>
Depreciation charge	4,219	36	4,255
Disposals	(2,123)	(1,065)	(3,188)
Net exchange differences	(782)	-	(782)
<b>At 31 December 2025</b>	<b>18,950</b>	<b>61</b>	<b>19,011</b>
<b>Carrying amount</b>			
<b>At 31 December 2025</b>	<b>15,646</b>	<b>3</b>	<b>15,649</b>
<b>At 31 December 2024</b>	<b>14,984</b>	<b>39</b>	<b>15,023</b>

### Recognition and measurement

The Group assesses at contract inception whether a contract is or contains a lease. That is, if the contract conveys the right to control the use of an identified asset for the period of time in exchange for consideration.

The Group recognises a right of use asset and a corresponding lease liability (Note 19) with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense when incurred unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. The Group recognised lease payments as an operating expense of \$0.6m in 2025 (2024: \$0.4m).

The Group recognises right of use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right of use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right of use assets includes the amount of the lease liability recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

## 11. Right of Use Assets (continued)

Right of use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets. Right of use assets are also subject to impairment in line with AASB 136 *Impairment of Assets*.

Where the Group has an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under AASB 137. The costs are included in the related right of use asset, unless those costs are incurred to produce inventories.

If a lease transfers ownership of the underlying asset or the cost of the right of use asset reflects that the Group expects to exercise a purchase option, the related right of use asset is depreciated over the useful life of the underlying asset.

## 12. Goodwill

	2025 \$ '000	2024 \$ '000
<b>Opening balance</b>	<b>2,505</b>	<b>12,373</b>
Classified as held for sale	-	(9,868)
<b>Closing balance</b>	<b>2,505</b>	<b>2,505</b>

Management has identified the following as the Group's cash generating units (CGUs) during the year:

CGU	Operations
EMS	EMS specialises in innovative optical, microwave and on-the-move radio and satellite products that help deliver high speed, resilient and assured telecommunications anywhere in the world. EMS was classified as held for sale during 2024, and was disposed of in January 2025.
Space Technologies	The Group's laser-based surveillance systems with space tracking capability; manufactures and sells telescopes and dome enclosures for space projects.
Defence Systems	Develops, manufactures and markets advanced fire control, surveillance, weapon systems, and high energy laser to approved military customers.

The carrying amount of goodwill was allocated to CGUs as follows:

	2025 \$ '000	2024 \$ '000
Defence	-	-
Space	2,505	2,505
EMS	-	9,868
<b>Total</b>	<b>2,505</b>	<b>12,373</b>

### Recognition and measurement

Goodwill is initially recognised and measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquirer, and the fair value of the acquirer's previously held equity interest (if any) over the net of the acquisition-date amount of the identifiable assets acquired and liabilities assumed.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group CGU's expected to benefit from the synergies of the combination. CGUs to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. Goodwill is classified as held for sale if it is directly associated with the assets and liabilities of a disposal group.

### Significant accounting judgements and estimates

The Directors made a critical judgement in relation to the recoverable amount of goodwill and the allocation of goodwill to the three CGUs.

The Group assesses each CGU, where possible, at year end, to determine whether there are any indications of impairment or reversal of impairment. Where an indicator of impairment or reversal exists, a formal estimate of the recoverable amount is made. Goodwill and indefinite life intangible assets are assessed for impairment at least on an annual basis.

Recoverable amount is the higher of the fair value less cost of disposal and value in use calculated in accordance with the Group accounting policy. These assessments require the use of estimates and assumptions such as the pipeline of sales opportunities, discount rates applied to estimated free cash flows, and long-term growth rates applied in estimating the future value of our CGUs. The recoverable amount is sensitive to these assumptions used for the discounted cash flow model.

The key assumptions used to determine the recoverable amount for the different CGU's are disclosed and further explained in Note 13.

## 13. Impairment of Assets

### Impairment Indicators and Testing

At each year end, the Group assesses whether indicators of impairment or impairment reversal exist at an individual asset level, where possible, and a CGU level.

### Recognition and measurement

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Goodwill and intangible assets with indefinite useful lives are tested for impairment annually and whenever there is an indication that the asset may be impaired. An impairment of goodwill is not subsequently reversed. The recoverable amount is the higher of fair value less cost of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. The Group determines the values assigned to each key assumption based on historical experience, company specific information, and where appropriate, relevant external data.

If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately.

Other than goodwill, where an impairment loss subsequently reverses the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset or CGU in prior years. A reversal of an impairment loss is recognised in profit or loss immediately.

### Significant accounting judgements and estimates

At 31 December 2025, the Group assessed that no indicator of impairment exists.

Despite no indicators of impairment being identified, the Group performed an impairment assessment of the Space CGU, to which goodwill is allocated, as required by accounting standards. No impairments, or reversals of impairments, were recognised as a result of the Group's 31 December 2025 assessment.

### 13. Impairment of Assets (continued)

#### Key assumptions and sensitivities used for impairment assessment performed during the year ended 31 December 2025

The recoverable amount of the Space CGU has been assessed by reference to the higher of value in use and fair value less cost of disposal arrived by discounting a five-year cash flow forecast with the weighted average cost of capital of each CGU.

Assumption	Basis of Assumption
Future sales levels	Derived from the Company's multi-year revenue outlook.
Discount rate	Takes into account the risk-free rate, equity market risk and the specific risk premium for each CGU.
Long-term growth rate	Represents the rate relevant to market conditions and business plans. The long-term growth rate included in the terminal value in calculating the value in use for each CGU was 2.5% (2024: 2.5%).

The Board monitors climate-related risks when measuring the recoverable amount. While the Group believes its operations are not significantly exposed to physical risk, the value-in-use may be impacted by climate-related legislation and regulations and their impact on demand for the Group's products. The Group has concluded that no single climate-related assumption is a key assumption for the 2025 impairment test.

Management reviewed the discount rates used based on the prevailing market conditions as of 31 December 2025, the risk profile related to assumed future cash flows and other relevant considerations. The discount rate used in calculating the value in use for Space CGU is given below:

	2025	2024
Space	18.41%	20.02%

The Group conducted a sensitivity analysis to test changes in the key assumptions used to determine the recoverable amount for Space CGU. Sensitivity testing included reducing future sales levels by 10%, reducing the long-term growth rate to 0.5% and increasing the discount rate by an additional 3%. It was observed that a reasonable change in future sales levels and discount rates could cause impairment in the Space CGU.

## 14. Intangible Assets

	Product development \$'000	Core technology (not patented) \$'000	Patented technology \$'000	Software \$'000	Customer contracts and relationships \$'000	Total \$'000
<b>Cost</b>						
At 1 January 2024	7,434	10,772	3,556	486	2,776	25,024
Additions	3,207	-	-	-	-	3,207
Transfer from PP&E	12,932	-	-	-	-	12,932
Assets held for sale	-	(10,772)	(3,556)	(486)	(2,776)	(17,590)
<b>At 31 December 2024</b>	<b>23,573</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>23,573</b>
Additions	6,017	-	-	-	-	6,017
Additions - Business Combinations (Note 6)	6,281	-	-	-	-	6,281
Net exchange differences	(136)	-	-	-	-	(136)
<b>At 31 December 2025</b>	<b>35,735</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>35,735</b>
<b>Amortisation</b>						
At 1 January 2024	-	(4,549)	(1,001)	(410)	(781)	(6,741)
Exchange differences	-	-	-	-	-	-
Charge for the year	(4,871)	(987)	(217)	(89)	(170)	(6,334)
Reclassified as held for sale	-	5,536	1,218	499	951	8,204
<b>At 31 December 2024</b>	<b>(4,871)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(4,871)</b>
Charge for the year	(8,045)	-	-	-	-	(8,045)
Net exchange differences	11	-	-	-	-	11
<b>At 31 December 2025</b>	<b>(12,905)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(12,905)</b>
<b>Carrying amount</b>						
<b>At 31 December 2025</b>	<b>22,830</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>22,830</b>
<b>At 31 December 2024</b>	<b>18,702</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>18,702</b>

Product development costs include amounts capitalised in respect of products under development, prototype assets, and intangible assets under development acquired as part of the Interceptor business acquisition. As at 31 December 2025, \$10.9m of capitalised product development costs remained under development and had not yet commenced amortisation (2024: \$3.2m), of which \$6.2m relates to the acquisition of the Interceptor business. Refer to Note 6 for further details.

## 14. Intangible Assets (continued)

### Recognition and measurement

#### (i) Research and development costs

Expenditure on research activities is recognised as an expense in the year in which it is incurred. Where no internally generated intangible assets can be recognised, development expenditure is recognised as an expense in the year as incurred.

#### (ii) Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset, and their fair value can be measured reliably.

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

The following estimated useful lives are used in the calculation of amortisation on a straight-line basis:

Product development costs	3-5 years
Core technology (not patented)	10 years
Patented technology	15 years
Software	5 years
Customer contracts and relationships	15 years

### Significant accounting judgements and estimates

A critical judgement exists in the decision to capitalise development work in progress. The Group capitalises costs for product development projects. Initial capitalisation of costs is based on judgement that technological and economic feasibility is confirmed, usually when a product development project has reached a defined milestone. In determining the amounts to be capitalised, the Directors make assumptions regarding the expected future cash generation of the project. At 31 December 2025, the carrying amount of capitalised product development costs was \$22.8m. The asset is driven by capital works undertaken by Defence Systems.

The Directors determine the useful life for capitalised development costs based on expected product lifecycle, technological evolution, and anticipated commercialisation period, which affects the amortisation period and expense recognition. During the year, an accelerated amortisation of \$2.5m was recognised due to the revision of the expected useful life of a development product.

A critical judgement also exists in relation to the recoverability of development work in progress. The Group continues to invest in the ongoing engineering development of counter drone defence, predominantly in the areas of directed energy (DE) and counter uninhabited aerial strike (CUAS) technologies. The Directors have assessed the recoverable amount of these development works in progress asset on 31 December 2025 and concluded that no impairment is required to be recognised. This judgement is based on the engagements, negotiations and demonstrations completed during the year and the feedback received from industry partners and potential customers. Contracts for DE products were awarded in the current year, and contract negotiations are ongoing with potential customers.

## 15. Property, Plant and Equipment

	Plant & equipment \$'000	Office furniture & fittings* \$'000	Leasehold improvements \$'000	Specialised operational assets* \$'000	Capital WIP \$'000	Total \$'000
<b>Cost</b>						
At 1 January 2024	20,726	7,148	2,859	15,051	14,455	60,239
Additions	1,276	986	155	495	2,180	5,092
Transfers	-	-	-	-	(12,932)	(12,932)
Disposals and write offs	(224)	(119)	-	(132)	-	(475)
Reclassify as held for sale	(1,289)	(794)	-	(6,116)	-	(8,199)
Other movements	-	-	-	-	-	-
Net exchange differences	128	112	92	36	-	368
<b>At 31 December 2024</b>	<b>20,617</b>	<b>7,333</b>	<b>3,106</b>	<b>9,334</b>	<b>3,703</b>	<b>44,093</b>
Additions	3,144	1,006	2,200	209	6,225	12,784
Transfers	4,060	120	14	69	(4,263)	-
Disposals and write offs	(59)	(2,056)	(619)	(595)	-	(3,329)
Net exchange differences	(245)	(109)	(76)	(32)	(12)	(474)
<b>At 31 December 2025</b>	<b>27,517</b>	<b>6,294</b>	<b>4,625</b>	<b>8,985</b>	<b>5,653</b>	<b>53,074</b>
<b>Accumulated depreciation and Impairment</b>						
At 1 January 2024	(11,755)	(5,015)	(2,349)	(11,612)	-	(30,731)
Depreciation charge	(2,626)	(805)	(413)	(670)	-	(4,514)
Disposals and write offs	275	115	-	81	-	471
Reclassify as held for sale	613	369	-	3,086	-	4,068
Other movements	-	-	-	-	-	-
Net exchange differences	(117)	(106)	(83)	(36)	-	(342)
<b>At 31 December 2024</b>	<b>(13,610)</b>	<b>(5,442)</b>	<b>(2,845)</b>	<b>(9,151)</b>	<b>-</b>	<b>(31,048)</b>
Depreciation charge	(5,938)	(685)	(305)	(117)	-	(7,045)
Disposals and write offs	33	1,988	573	595	-	3,189
Other movements	-	-	-	-	-	-
Net exchange differences	192	115	70	32	-	409
<b>At 31 December 2025</b>	<b>(19,323)</b>	<b>(4,024)</b>	<b>(2,507)</b>	<b>(8,641)</b>	<b>-</b>	<b>(34,495)</b>
<b>Carrying amount</b>						
<b>At 31 December 2025</b>	<b>8,194</b>	<b>2,270</b>	<b>2,119</b>	<b>344</b>	<b>5,653</b>	<b>18,579</b>
<b>At 31 December 2024</b>	<b>7,007</b>	<b>1,891</b>	<b>261</b>	<b>183</b>	<b>3,703</b>	<b>13,045</b>

\*During the year, Office equipment and Furniture, fixtures and fittings were grouped and presented as a single asset class, Office furniture and fittings. Satellites, Test equipment, Computer software and Motor vehicles were grouped and presented as a single asset class, Specialised operational assets. This reclassification represents a change in presentation only, and comparative information has been reclassified to align with the current year presentation.

## 15. Property, Plant and Equipment (continued)

### Recognition and measurement

Plant and equipment and leasehold improvements are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of an item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is provided on property, plant and equipment. Depreciation is calculated so as to write-off the net cost or other revalued amount of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual accounting period. In particular, the Group considers the impact of health, safety and environmental legislation in its assessment of expected useful lives and estimated residual values. Furthermore, the Group considers climate-related matters, including physical and transition risks in determining if climate-related legislation and regulations might impact either residual values or useful lives.

The following estimated useful lives are used in the calculation of depreciation:

Plant and equipment	2 to 25 years
Leasehold improvements	3 to 8 years
Office furniture and fittings	2 to 20 years
Specialised operational assets	3 to 15 years

## 16. Trade and Other Payables

	2025 \$ '000	2024 \$ '000
Trade payables	30,493	18,123
Accruals	10,400	10,087
<b>Total</b>	<b>40,893</b>	<b>28,210</b>

The average creditor days on purchases of goods is 30 days and no interest is payable on goods purchased within agreed credit terms. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

## 17. Contract Liabilities

	2025 \$ '000	2024 \$ '000
Opening balance	24,130	20,587
Invoiced during the year	63,662	59,769
Net revenue recognised during the year	(45,370)	(44,143)
Impact of foreign exchange and other movements	(16)	201
Reclassified as held for sale	-	(12,284)
<b>Closing balance</b>	<b>42,406</b>	<b>24,130</b>

Contract liabilities represents amounts received from customers in advance of the satisfaction of relevant performance obligations under the applicable contracts. The Group expects to deliver the goods and services in question within the next 12 months, in accordance with the terms of the underlying contracts.

## 18. Borrowings

	2025 \$ '000	2024 \$ '000
<b>Secured borrowings</b>		
Washington H. Soul Pattinson and Company Ltd (WHSP)	-	47,939
<b>Total secured borrowings</b>	-	<b>47,939</b>
<b>Total borrowings, net</b>	-	<b>47,939</b>
Current portion	-	47,939
Non - current portion	-	-
<b>Total borrowings, net</b>	-	<b>47,939</b>

### Secured Borrowings - WHSP

On 31 January 2025, EOS repaid all remaining debt owing to WHSP. This amounted to \$61.1m which included a \$12.9m "make whole" fee as required under the facility agreement. Following this repayment, the Group no longer has any outstanding borrowings. The WHSP "make whole" fee is included under interest and other costs of finance paid in the Statement of Cash Flows.

Following the Term Loan repayment to WHSP, the Group continues to be required to comply with quarterly covenants under bond facility agreements with Export Finance Australia.

During the year, the Group executed an amendment to its existing bond facility agreement with Export Finance Australia to reflect changes in security deposit requirements for performance bonds and guarantees following completion of contract deliverables. Refer to Note 31 for details.

As part of the amendment, effective from November 2025, the previous covenants were replaced with new monthly and quarterly covenant requirements. The new covenants include a requirement that Tangible Net Worth exceed \$220.0m and that a minimum unrestricted cash balance of \$35.0m is maintained by certain Group entities designated as guarantors under the agreement.

For the year, and in the period up to the date of this report, the Group complied with its obligations under the various facility agreements.

The total reported borrowings shown above include the total outstanding borrowings owing to lenders, including capitalised fees and interest, less the unamortised transaction costs of establishing borrowings:

	2025 \$ '000	2024 \$ '000
Total borrowings owing to lenders	-	52,072
Unamortised cost of establishing borrowings	-	(4,133)
<b>Total borrowings, net</b>	-	<b>47,939</b>

The weighted average interest rates paid during the year were as follows:

	2025 %	2024 %
Weighted average interest rate	22	22

## 19. Lease Liabilities

	2025 \$ '000	2024 \$ '000
<b>As at 1 January</b>	<b>17,991</b>	<b>23,919</b>
Additions	4,370	-
Lease modification	220	2,788
Interest accrued / paid	903	1,288
Lease payments	(5,941)	(6,379)
Reclassified as held for sale	-	(4,177)
Net exchange differences	(401)	552
<b>As at 31 December</b>	<b>17,142</b>	<b>17,991</b>
Current	4,806	4,683
Non-current	12,336	13,308
<b>Total</b>	<b>17,142</b>	<b>17,991</b>

	2025 \$ '000	2024 \$ '000
<b>Maturity analysis</b>		
Year 1	5,561	5,543
Year 2	5,741	4,830
Year 3	3,272	3,869
Year 4	2,060	2,351
Year 5	1,715	1,794
Onwards	590	1,887
	<b>18,939</b>	<b>20,274</b>
Less: interest	(1,797)	(2,283)
<b>Total</b>	<b>17,142</b>	<b>17,991</b>

The Group has several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the lease portfolio and to align with the Group's business needs. Judgement is exercised in determining whether the extension and termination options are reasonably certain to be exercised.

The Group does not face a significant liquidity risk with regard to its lease liabilities. All lease obligations in Australia are denominated in Australian dollars and leases in overseas entities are based in the currency of the country concerned.

The Group had a net cash outflow for leases of \$5,090,000 (2024: \$5,230,000) during the financial year.

### Recognition and measurement

At the commencement date of the lease, the Group recognised lease liabilities measured at the present value of the lease payments to be made over the lease term. In calculating the present value of the lease payment, the Group uses the discount rate implicit in the lease, or if this rate cannot be readily determined, the Group's incremental borrowing rate.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the carrying amount of the lease liability if there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine lease payments) or a change in the assessment of an option to purchase the underlying asset.

## 20. Provisions

	2025 \$ '000	2024 \$ '000
<b>Current</b>		
Employee benefits	11,907	10,195
Decommissioning	250	250
RWS units and parts	3,442	5,460
Legal and penalty	6,494	1,608
Warranty	2,579	1,523
<b>Total</b>	<b>24,672</b>	<b>19,036</b>
<b>Non-current</b>		
Employee benefits	4,187	4,456
Make good	1,507	1,823
Warranty	5,828	7,207
<b>Total</b>	<b>11,522</b>	<b>13,486</b>

The movement in each class of provision (excluding employee benefits) during the financial year are set out below:

	Warranty \$ '000	RWS units and parts \$ '000	Make good \$ '000	Legal and Penalty \$ '000	Decommissi- oning \$ '000	Total \$ '000
<b>Balance at 1 January 2025</b>	<b>8,730</b>	<b>5,460</b>	<b>1,823</b>	<b>1,608</b>	<b>250</b>	<b>17,871</b>
Additional provisions recognised	1,052	1,434	198	5,000	-	7,684
Reduction and unwinding of provisions recognised	(1,345)	(3,452)	(55)	-	-	(4,852)
Utilised during the year	(30)	-	(454)	-	-	(484)
Effect of movement in foreign exchange	-	-	(5)	(114)	-	(119)
<b>Balance at 31 December 2025</b>	<b>8,407</b>	<b>3,442</b>	<b>1,507</b>	<b>6,494</b>	<b>250</b>	<b>20,100</b>

### Recognition and measurement

Provisions are recognised when the Group has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is probable that recovery will be received, and the amount of the receivable can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

#### (i) Employee benefits

The provision for employee benefits relates to the liability for annual leave, long service leave, wages and salaries and expected short-term incentive obligations to employees.

Provision is made for benefits accruing to employees when it is probable that settlement will be required, and they are capable of being measured reliably.

Provisions made in respect of short-term employee benefits are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Provisions made in respect of long-term employee benefits are measured as the present value of the estimated future payments to be made in respect of services provided by employees up to the reporting date.

## 20. Provisions (continued)

### (ii) Warranty

Provisions for warranty costs are recognised as agreed in individual sales contracts, at the Directors best estimate of the expenditure required to settle the Group's liability. When sales-related warranties cannot be purchased separately, they serve as an assurance that the products sold comply with agreed-upon specifications.

A critical judgement is made in relation to the valuation of the provision for warranty costs with the valuation determined based on the best estimate of the expenditure required to settle the Group's liability under its warranty obligations. Estimates and outcomes that have been applied in the assessing warranty provisions may change in the future and the Group will recognise any revisions deemed necessary as a result.

### (iii) Make good and decommissioning provisions

The provision for decommissioning costs relates to an obligation to dismantle and refurbish a telescope at a future date, and the provision for make good relates to obligation to make good on leased assets.

Make good provision, including decommissioning costs, is recognised when there is a present obligation which it is probable that an outflow of economic benefits will be required to settle and the amount of the provision can be measured reliably. The estimated future obligations include the costs of dismantling and removing leasehold improvement, decommissioning plant and equipment, or otherwise restoring facilities and premises as required in accordance with the underlying agreements.

### (iv) RWS units and parts

The provision for RWS units relates to the cost to manufacture and resupply RWS systems and parts for an existing customer and is recognised when there is a present obligation under an existing contract to settle the Group's obligation under the contract and the amount of the provision can be measured reliably. The estimated future obligations include the costs of the manufacture and resupply as required in accordance with the underlying agreements.

A critical judgement in relation to the provision for the cost to manufacture and resupply RWS units and parts to an existing customer is based on the best estimate of the cost required to settle the Group's obligation under this contract. Estimates and outcomes that have been applied in assessing this provision may change in the future and the Group will recognise any revisions deemed necessary as a result.

### (v) Legal and penalty

The provision relates to estimated legal or settlement costs to resolve the ASIC action and other legal disputes and is recognised when there is a present obligation which it is probable that an outflow of economic benefits will be required to settle and the amount of the provision can be measured reliably.

Critical judgement has been applied in relation to the provision for legal costs based on the best estimate of the expenditure required to settle the Group's liability to resolve the legal matter. Estimates and outcomes that have been applied in assessing this provision may change in the future and the Group will recognise any revisions deemed necessary as a result.

On 26 November 2025, the Group announced that it has settled ASIC's investigation in relation to certain disclosure matters in 2022. As part of the settlement, ASIC has applied to the Federal Court seeking declarations of contravention of continuous disclosure obligations and a civil penalty of \$4.0m. EOS supports the declarations and penalty sought by ASIC. If approved by the Federal Court, the Group expects to pay the penalty during 2026. As a result, the Group has recognised a legal provision of \$5.0m (2024: nil), which includes the civil penalty and associated legal fees. Further details are included in the announcement of 26 November 2025.

## 21. Issued Capital

	2025 \$ '000	2024 \$ '000
Balance at the beginning of the financial year – ordinary shares	467,192	432,248
Issue of 20,588,235 equity shares at \$1.70 per share on 2 April 2024 - Share placement	-	35,000
Issue of 1,127,858 equity shares at \$1.70 per share on 22 April 2024 - Share purchase plan	-	1,917
Equity Raising transaction costs	-	(1,973)
Share options exercised	287	-
<b>Balance at end of the financial year</b>	<b>467,479</b>	<b>467,192</b>

	2025 Number	2024 Number
<b>Fully paid ordinary shares</b>		
Balance at beginning of financial year	192,952,099	171,236,006
Issue of 20,588,235 equity shares at \$1.70 per share on 2 April 2024 - Share placement	-	20,588,235
Issue of 1,127,858 equity shares at \$1.70 per share on 22 April 2024 - Share purchase plan	-	1,127,858
<b>Balance at end of financial year</b>	<b>192,952,099</b>	<b>192,952,099</b>

Fully paid ordinary shares carry one vote per share and carry the right to dividends. The shares issued under the legacy LFSP are restricted shares subject to vesting and performance criteria under the Plan detailed in Note 23 and are treated as in-substance options for accounting purposes.

Shares issued under the legacy LFSP are not included in issued capital as they are treated as in-substance options for accounting purposes.

## 22. Reserves

	2025 \$ '000	2024 \$ '000
Foreign currency translation reserve	486	1,602
Employee equity-settled benefits reserve	18,093	16,208
<b>Total</b>	<b>18,579</b>	<b>17,810</b>

	2025 \$ '000	2024 \$ '000
<b>Foreign currency translation reserve</b>		
Balance at beginning of financial year	1,602	(224)
Translation of foreign operations	(1,116)	1,826
<b>Balance at end of financial year</b>	<b>486</b>	<b>1,602</b>

Exchange differences relating to the translation from the functional currencies of the Group's foreign controlled entities into Australian dollars are brought to account by entries made to the foreign currency translation reserve. This includes translations from US dollars, Euros, Singaporean dollars, New Zealand dollars and UAE Dirham. Exchange differences previously accumulated in the foreign currency translation reserve (in respect to translating the net assets of foreign operations) are reclassified to profit or loss on disposal of the foreign operation.

	2025 \$ '000	2024 \$ '000
<b>Employee equity-settled benefits reserve</b>		
Balance at beginning of financial year	16,208	12,857
Share-based payment expense	1,885	3,351
<b>Balance at end of financial year</b>	<b>18,093</b>	<b>16,208</b>

The employee equity-settled benefits reserve arises on the grant of share options and share rights to directors and employees under the legacy ESOP, legacy LFSP and Omnibus Employee Incentive Plan. Further information about share-based payments to employees is in Note 23 to the financial statements.

## 23. Share-based Payments

The Group had the following share-based payment arrangements in operation in the reporting period:

- a) Legacy Employee Share Option Plan (ESOP);
- b) Legacy Loan-funded Share Plan (LFSP);
- c) Omnibus Employee Incentive Plan (OEIP)
  - i. Share Options OEIP; and
  - ii. Share Rights OEIP.

Equity-settled share-based payments are measured at fair value at the date of the grant. Fair value is measured by use of either the Monte Carlo model or the Black-Scholes model. The models have been adjusted, based on best estimates, for the effects of non-transferability, exercise restrictions and behavioural considerations. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest.

Ordinary shares issued under the legacy LFSP are accounted for as an in-substance option and initially measured using a Monte Carlo simulation model. Directors reassess the non-market inputs and adjust throughout the life for likely eventuality.

Total expenses arising from share-based payment transactions recognised during the year as part of employee benefits expense is \$1.9m (2024: \$3.2m).

### Significant accounting judgements and estimates

Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which depends on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option or appreciation right, volatility and dividend yield and making assumptions about them.

#### (a) Legacy Employee Share Option Plan (ESOP)

The Group had a previous ownership-based compensation scheme where employees may be granted options to purchase ordinary shares at an exercise price based on market prices at the time the option issue was made. Each unlisted share option converts to one ordinary share in Electro Optic Systems Holdings Limited. No amounts were paid or payable by the recipient on receipt of the options and the options could be exercised at any time from the date of vesting to the date of expiry.

No options were granted or exercised during the current or the comparative year. It is not anticipated that any further issues will be made under this plan.

All remaining options were forfeited during the reporting period due to the vesting conditions not being met.

#### Reconciliation of unlisted options issued under the Legacy ESOP:

	2025		2024	
	Number of share options Number	Weighted average exercise price \$	Number of share options Number	Weighted average exercise price \$
Balance at beginning of the financial year	80,000	4.88	370,000	4.81
Forfeited during the year	(80,000)	4.88	(290,000)	4.79
<b>Outstanding at the end of the year</b>	<b>-</b>	<b>-</b>	<b>80,000</b>	<b>4.88</b>
<b>Exercisable at the end of the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## Summary of legacy ESOP

	Grant date	Expiry date	Exercise price	Balance 1 Jan 25	Forfeited during year	Balance 31 Dec 25	Fair value at grant date
2025	19/05/2020	18/05/2025	\$4.75	60,000	(60,000)	-	-
	15/03/2021	16/03/2026	\$5.27	20,000	(20,000)	-	-
				<b>80,000</b>	<b>(80,000)</b>	-	-

	Grant date	Expiry date	Exercise price	Balance 1 Jan 24	Forfeited during year	Balance 31 Dec 24	Fair value at grant date
2024	19/05/2020	18/05/2025	\$4.75	325,000	(265,000)	60,000	\$38,580
	15/03/2021	16/03/2026	\$5.27	45,000	(25,000)	20,000	\$31,360
				<b>370,000</b>	<b>(290,000)</b>	<b>80,000</b>	<b>\$69,940</b>

Employee options carry no rights to dividends and no voting rights. The difference between the total market value of the options at the date of issue, and the total amount received from the employees is recognised in the financial statements over the vesting period.

The employee options under legacy ESOP have the same vesting and forfeiture conditions as those issued under the legacy LFSP.

### (b) Legacy Loan-Funded Share Plan (LFSP)

Details of the grants made under the legacy LFSP in 2020 and 2021 are detailed below. No new loan funded shares have been granted since 2021.

Under the LFSP, fully paid restricted ordinary shares in the Company are acquired by participants using a loan made to them by the Company. The loans are limited recourse, interest and fee free and are repayable in full on the earlier of the termination date of the loan (five years) or the date on which the shares are sold in accordance with the terms of the LFSP.

The legacy LFSP shares are accounted for as options, which give rise to share-based payments.

The LFSP shares are subject to both vesting conditions and forfeiture conditions. Shares are subject to forfeiture if the vesting conditions are not met or participants cease to be employed in the Group. When vesting conditions are met, the shares vest and participants may deal with them in accordance with the LFSP rules.

During the period, all remaining LFSP shares issued in 2020 were forfeited due to the vesting conditions not being met, leaving the balance remaining at reporting date attributable to the 2021 issue.

### Reconciliation of shares issued under the legacy LFSP:

	2025 Number	2024 Number
Balance at beginning of the year	470,000	790,000
Forfeited during the year	(235,000)	(320,000)
<b>Outstanding at end of the year</b>	<b>235,000</b>	<b>470,000</b>

### Vesting Principles

The shares will vest at the end of each 'Vesting Period' in the following manner, provided the following conditions are met:

- Directors and employees continue to provide services to the Group on each of the vesting dates (or such other date on which the Board makes a determination as to whether the vesting condition has been met); and
- the performance hurdles are satisfied, which relate to the Company's earnings before income tax (EBIT) and the Company's share price. Notably, EBIT and share price hurdles must both be achieved in order for shares to vest under each tranche.

## 23. Share-based Payments (continued)

### Elements of remuneration related to performance

There are service conditions and market and/or non-market performance conditions attached to the restricted fully paid ordinary shares issued under the legacy LFSP.

The overall performance of the Company as measured by the share price will determine whether the shares vest and whether the Director or employee receives any benefit from these shares. The time service condition was chosen by the Board as an appropriate condition as it helps in the retention and motivation of Directors and employees.

### Further measures, hurdles and sale restrictions

Additional vesting conditions exist for some senior employees under the terms of the legacy LFSP which specifically relate to the performance of their business sectors within the Group.

To the extent shares vest, they will be subject to sale restrictions for each separate issue of loan funded shares.

In order for vesting to occur, the share price hurdle must be reached on at least 30 trading days, not necessarily consecutive, by the share price hurdle expiry date. If the vesting conditions are not satisfied, or if the Board determines that they cannot be satisfied, the unvested shares will be forfeited.

### (c) Omnibus Employee Incentive Plan (OEIP)

The Board established a long-term incentive plan OEIP for senior management in 2023 to align remuneration with the creation of shareholder value over the long-term, and to replace the legacy LFSP and the legacy ESOP.

#### (i) Share options OEIP

Each share option converts to one ordinary share in Electro Optic Systems Holdings Limited. The options carry neither rights to dividends nor voting rights. The options may be exercised by paying the exercise price at any time from the date of vesting to the date of expiry.

The number of options granted takes into account both the seniority of the individual role and their ability to drive Group and divisional performance.

During 2025, 3,061,337 share options were issued to senior management, which included 986,842 issued to the Managing Director and CEO, Dr Schwer, following approval at the AGM, with an exercise price of \$1.13 determined as the 10-day VWAP following the release of the 2024 financial results on 25 February 2025.

#### Vesting Principles

The options will vest if the vesting conditions have been met on a testing date in the manner set out in the tables below for the issues in the current and comparative reporting periods, provided that the employee continues to provide services to the Group on the date of vesting.

	% vest if vesting hurdle met	Vesting Hurdle	Testing Date	Exercise Period
2024 Grant	50%	Share price of \$3.00	31/12/2025	From vesting date until 31/12/2029
	100%	Share price of \$5.00	31/12/2026 31/12/2027	
2025 Grant	One-third One-third One-third	50% of each tranche will vest if the Company's TSR is equal to the TSR of the ASX Emerging Companies Index (Index) ending on the Testing Date.	31/12/2026 31/12/2027	From vesting date until 31/12/2030
		100% of each tranche will vest if the Company's TSR is 200% of the TSR of the ASX Emerging Companies Index (Index) ending on the Testing Date.	31/12/2028	

The 2023 and 2024 share price hurdles are required to be met for a period of 20 trading days prior to the testing date and these may be non-consecutive days.

The 2025 options will be available to vest in 3 tranches at each testing date and are subject to a service period and the Company's performance compared to a Relative Total Shareholder Return (TSR) hurdle over the performance period.

Options will vest on a linear pro-rata basis for performance between the lower and upper vesting hurdles.

#### Reconciliation in unlisted options issued under the OEIP:

	2025		2024	
	Number of share options	Weighted average exercise price \$	Number of share options	Weighted average exercise price \$
Balance at beginning of the year	5,732,076	0.67	2,953,087	0.50
Granted during the year	59,046	1.70	2,171,500	0.50
Granted during the year	3,002,291	1.13	794,989	1.70
Exercised during the year	(595,057)	0.50	-	-
Forfeited during the year	(427,494)	0.50	(187,500)	0.50
<b>Outstanding at end of the year</b>	<b>7,770,862</b>	<b>0.88</b>	<b>5,732,076</b>	<b>0.67</b>
<b>Exercisable at the end of the year</b>	<b>2,737,477</b>	<b>0.50</b>	<b>-</b>	<b>-</b>

31 December 2025 was a testing date which resulted in 2,208,989 share options being eligible for vesting, subject to the Board's confirmation. These will be confirmed and vest in 2026. The options were priced using the Monte Carlo Simulation method model. Where relevant, the expected life used in the model has been adjusted based on the best estimate for the effects of non-transferability, exercise restrictions and behavioural conditions. Expected volatility is based on the historical share price volatility. Employee options carry no rights to dividends and no voting rights.

The inputs for assessing the fair value of the options issued during the year were:

Grant Date	20/05/2025	05/09/2025
Number of employee options	3,002,291	59,046
Dividend yield	-	-
Annual volatility	65%	55%
Risk free interest rate	3.7%	3.4%
Expected life of options	4.6 years	2.3 years
Grant date share price	\$1.58	\$7.46
Exercise price	\$1.13	\$1.70
Fair value of options on grant date	\$0.93 - \$0.98	\$5.92

#### (ii) Share rights OEIP

Each share right converts to one ordinary share in Electro Optic Systems Holdings Limited. No amounts are paid or payable by the recipient on receipt of the share rights. Rights will be converted into ordinary shares upon the satisfaction of the vesting conditions.

The number of rights granted is determined by the Directors and takes into account both the seniority of the individual role and their ability to drive Group and divisional performance.

During 2025, 505,752 share rights were issued to senior management, which included 165,929 share rights issued to the Managing Director and CEO, Dr Schwer, following approval at the AGM.

## 23. Share-based Payments (continued)

### Vesting Principles

The rights issued in the current and comparative reporting period will vest in the below proportions based purely on a service condition if the employee remains employed by the Group on the below hurdle dates:

	Amount vest	Continued employment on Testing Date
2024 Grant	One third	31/12/2025
	One third	31/12/2026
	One third	31/12/2027
2025 Grant	One third	31/12/2026
	One third	31/12/2027
	One third	31/12/2028

### Movements in share rights issued under the OEIP:

	2025		2024	
	Number of share rights	Weighted average exercise price \$	Number of share rights	Weighted average exercise price \$
Balance at beginning of the year	2,759,062	-	1,341,117	-
Granted during the year	505,752	-	1,455,445	-
Vested during the year	(868,839)	-	-	-
Forfeited during the year	(138,876)	-	(37,500)	-
<b>Outstanding at end of the year</b>	<b>2,257,099</b>	<b>-</b>	<b>2,759,062</b>	<b>-</b>
<b>Exercisable at the end of the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

31 December 2025 was a testing date which resulted in 874,646 share rights being eligible for vesting, subject to the Board's confirmation. These will be confirmed and vest in 2026.

The rights issued were priced using the Black-Scholes option pricing model. Where relevant, the expected life used in the model has been adjusted based on management's best estimate for the effects of non-transferability, exercise restrictions and behavioural conditions. The inputs for assessing the fair value of the rights issued during the year were:

Grant date	20/05/2025	05/09/2025
Number of employee rights	493,943	11,809
Grant date share price	\$1.58	\$7.46
Exercise price	-	-
Fair value of rights on grant date	\$1.58	\$7.46

The fair value of the rights granted during the year ended 31 December 2025 was assessed on the date of grant and are consistent with the spot value on grant date.

## 24. Accumulated Losses

	2025 \$ '000	2024 \$ '000
Balance at beginning of the year	(260,505)	(241,774)
Net profit/ (loss) attributable to members of the parent entity	18,611	(18,731)
<b>Balance at end of the year</b>	<b>(241,894)</b>	<b>(260,505)</b>

## 25. Notes to the Cash Flow Statement

### a. Reconciliation of Cash and Cash Equivalents

For the purposes of the statement of cash flows, cash includes cash on hand and at call deposits with banks or financial institutions, investments in money market instruments maturing within less than three months and net of bank overdrafts. Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the balance sheet as follows:

	2025 \$ '000	2024 \$ '000
Cash and cash short-term deposits	106,916	41,078
Cash and bank balances included in disposal group held for sale (Note 5)	-	11,226

Cash and short-term deposits comprise cash on hand, cash in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash equivalents are short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value.

### b. Reconciliation of Profit/(Loss) Before Income Tax to Net Cash Flows from Operating Activities

	2025 \$ '000	2024 \$ '000
(Loss) before income tax expense from continuing operations	(79,036)	(38,453)
Profit before income tax expense from discontinued operations	91,278	23,340
<b>Profit/ (Loss) before income tax expense</b>	<b>12,242</b>	<b>(15,113)</b>
<b>Reconciling items which include operating activities:</b>		
Gain on disposal of subsidiaries	(90,524)	-
Accrued interest, finance costs and other financing expenses	280	3,622
Amortisation of intangibles	8,045	6,334
Equity-settled share-based payments	1,885	3,351
Depreciation of property, plant and equipment	7,045	4,514
Depreciation of right of use assets	4,255	4,475
Lease modifications	(666)	-
Loss on sale of property, plant and equipment	-	4
Inventory obsolescence provision	10,171	7,418
Tax (paid)/received	(5,943)	(549)
Foreign exchange movements	2,419	(1,101)
<b>(Increase)/decrease in assets</b>		
Receivables and contract assets	32,186	(27,774)
Inventories	(28,762)	(16,380)
Prepayments	(9,412)	(2,134)
<b>Increase/(decrease) in liabilities</b>		
Provisions	3,744	(6,064)
Trade and other payables	10,638	(6,795)
Deferred income	18,212	15,827
<b>Net cash outflows from operating activities</b>	<b>(24,185)</b>	<b>(30,365)</b>

## 26. Related Party Disclosures

### a. Equity Interests in Related Parties

Details of the percentage of Ordinary Shares held in subsidiaries are disclosed in Note 27.

### b. Key Management Personnel (KMP) Compensation

The aggregate compensation of the KMP of the Group is set out below:

	2025 \$ '000	2024 \$ '000
Short-term benefits	2,614	2,467
Post-employment benefits	78	79
Share-based payments	917	2,350
Termination benefits	-	-
Long-term benefits	9	6
<b>Total</b>	<b>3,618</b>	<b>4,902</b>

The amounts disclosed in the table are the amounts recognised during the reporting period for services provided by KMP as either employees or paid to their director-related entities. The total number of KMP included in the above table is seven (2024: seven).

### c. Transactions with Other Related Parties

Other related parties include associates, joint venture partners, and subsidiaries.

The Group did not enter into any transactions with other related parties outside of the ordinary course of business.

### d. Parent Entity

The parent entity in the Group is Electro Optic Systems Holdings Limited.

## 27. Controlled Entities

Name of entity	Country of incorporation	December 2025 %	December 2024 %
<b>Parent Entity</b>			
Electro Optic Systems Holdings Limited (i), (ii)	Australia		
<b>Controlled Entities</b>			
Electro Optic Systems Pty Limited (ii), (iii)	Australia	100	100
EOS Defence Systems Pty Limited (ii), (iii)	Australia	100	100
FCS Technology Holdings Pty Limited (ii)	Australia	100	100
EOS Space Systems Pty Limited (ii)	Australia	100	100
EOS UAE Holdings Pty Limited (ii)	Australia	100	100
EOS Communications Systems Pty Ltd (ii)	Australia	100	100
EM Solutions Pty Ltd (iii)	Australia	-	100
EOS Loan Plan Pty Ltd (iv)	Australia	-	-
Australian Missile Alliance Pty Ltd	Australia	100	100
Sovereign Missile Alliance Pty Ltd	Australia	100	100
EOS Optical Technologies Ltd	New Zealand	100	100
EOS USA, Inc. (Inc in Nevada)	USA	100	100
EOS Space Technologies, Inc. (Inc in Arizona)	USA	100	100
EOS Defense Systems, Inc (Inc in Arizona)	USA	100	100
EOS Defense Systems USA Inc (Inc in Alabama) (v)	USA	100	100
EOS Advanced Technologies LLC (vi)	UAE	49	49
EOS Optronics GmbH	Germany	100	100
EM Solutions (Europe) B.V. (iii)	Netherlands	-	100
EOS Defense Systems Pte Limited	Singapore	100	100
EOS Innovation Singapore Pte Ltd	Singapore	100	100
EOS Netherlands B.V. (viii)	Netherlands	100	-
Electro Optic Systems Limited UK (viii)	United Kingdom	100	-
EOS France SAS (viii)	France	100	-

- (i) Electro Optic Systems Holdings Limited is the head entity within the tax-consolidated group.
- (ii) These companies form part of the Australian consolidated tax entity at the end of the reporting period.
- (iii) These wholly-owned subsidiaries have entered into a deed of cross guarantee with Electro Optic Systems Holdings Limited pursuant to *ASIC Corporations (Wholly-owned Companies) Instrument 2016/875* and are relieved from the requirement to prepare and lodge an audited financial report.

On 6 April 2018, the parent entity, Electro Optic Systems Holdings Limited entered into a deed of cross guarantee with two of its Australian wholly-owned subsidiaries Electro Optic Systems Pty Limited and EOS Defence Systems Pty Limited. On 28 November 2019, the parent entity Electro Optic Systems Holdings Limited entered into a Deed of Assumption which joined EMS as part of the Deed of Cross Guarantee from the effective date of acquisition which was 11 October 2019.

During the year, the Group completed the sale of EMS on 31 January 2025, and as a result, EMS was removed from the Deed of Cross Guarantee. Control of EMS entities ceased on the day of divestment settlement. Refer to Note 5 for details of the transaction.

- (iv) EOS Loan Plan Pty Ltd is the trustee of the legacy LFSP. EOS Loan Plan Pty Ltd was incorporated on 5 December 2019. Electro Optic Systems Holdings Limited has the ability to direct the relevant activities of the entity.

## 27. Controlled Entities (continued)

- (v) Effective from 17 October 2022, EOS Defence Systems USA (EOSDS USA), a United States based subsidiary, is managed through a Special Security Agreement (SSA) as required by the US National Industrial Security Program (NISPOM). The SSA enables EOSDS USA to enter into contracts with the US Department of Defence that contain certain classified information.

The SSA is an instrument designed to mitigate the risk of foreign ownership, control or influence over a US entity that has security clearance under the NISPOM. The SSA denies the foreign owner unauthorised access to classified and export-controlled information while preserving the foreign owner's voice in the business management of the company. Under the SSA, the Group has the right to appoint a representative (Inside Director) along with three Outside Directors. The Outside Directors must be US citizens approved by the US Defense Counterintelligence and Security Agency (DCSA).

The Group maintains its involvement with EOSDS USA's activities through normal business activity and liaison with the Chair of the SSA and through the Inside Director. The operational and governance activities and results are reviewed by the Group's management. These activities are all performed within the confines of the SSA such that EOSDS USA operates its business within the requirements necessary to protect the US national security interest.

An assessment has been performed in accordance with AASB 10 *Consolidated Financial Statements* of whether, for accounting purposes, the Group controls EOSDS USA. The Group is exposed to variable returns from its investment in EOSDS USA and there is assessed to be sufficient power within the confines of the Proxy agreement for the Group to use its influence to affect those returns. As such, under AASB 10, it is deemed that the Group controls EOSDS USA and therefore the results of EOSDS USA are consolidated into the Group's consolidated accounts.

- (vi) Whilst the Group owns less than 50% of the shares, pursuant to the shareholder and other related agreements, it has existing rights that give it the ability to direct the relevant activities of the company and is entitled to 80% of company distributions.
- (vii) During the year, EOS incorporated new trading entities in the Netherlands, the United Kingdom and France to support the Group's growth strategy in Europe within the Defence segment. At 31 December 2025, the Interceptor business was registered in and held by the Group's United Kingdom entity.

### a. Consolidated Profit or Loss, Balance Sheet and Movements in Consolidated Retained Earnings of Entities Party to the Deed of Cross Guarantee

The consolidated profit or loss of the entities which are parties to the Deed of Cross Guarantee are:

	2025 \$ '000	2024 \$ '000
Revenue and other income	73,218	146,180
Foreign exchange (losses)/gains	(15,969)	11,582
Raw materials and consumables used	(31,894)	(86,539)
Employee benefits expense	(39,676)	(36,119)
Administration expenses	(30,480)	(26,352)
Amortisation of intangibles	(7,562)	(4,871)
Interest expense on lease liabilities	(509)	(641)
Finance costs	(17,742)	(23,444)
Depreciation of property, plant and equipment	(1,622)	(2,184)
Depreciation of right of use assets	(1,684)	(1,850)
Occupancy costs	(1,587)	(1,261)
Other expenses	(7,327)	(1,928)
Provision for loss on loans to subsidiaries	(32,123)	-
<b>(Loss) before income tax before continuing operations</b>	<b>(114,957)</b>	<b>(27,427)</b>
Income tax benefit / (expense)	6,619	(920)
Profit/(loss) after tax from discontinued operation	90,979	15,431
<b>Profit/(loss) for the year</b>	<b>(17,359)</b>	<b>(12,916)</b>

## b. Consolidated Profit or Loss, Balance Sheet and Movements in Consolidated Retained Earnings of Entities Party to the Deed of Cross Guarantee

The consolidated balance sheet of the entities which are parties to the Deed of Cross Guarantee:

	2025 \$ '000	2024 \$ '000
<b>CURRENT ASSETS</b>		
Cash and short-term deposits	76,760	32,865
Trade and other receivables	10,264	8,440
Tax receivables	1,067	-
Security deposits	6,925	-
Contract assets	2,797	57,232
Inventories	73,090	54,074
Other	29,933	26,281
Assets classified as held for sale	-	95,160
<b>TOTAL CURRENT ASSETS</b>	<b>200,836</b>	<b>274,052</b>
<b>NON-CURRENT ASSETS</b>		
Deferred tax assets	14,647	7,963
Security deposit	33,462	36,275
Right of use asset	8,480	7,802
Goodwill	2,505	2,505
Intangible assets	8,207	15,649
Property, plant and equipment	4,894	4,875
Other	1,874	2,175
<b>TOTAL NON-CURRENT ASSETS</b>	<b>74,069</b>	<b>77,244</b>
<b>TOTAL ASSETS</b>	<b>274,905</b>	<b>351,296</b>
<b>CURRENT LIABILITIES</b>		
Trade and other payables	25,858	23,124
Current tax payable	-	3,508
Secured borrowings	-	47,938
Lease liabilities	1,928	2,661
Contract liabilities	14,063	1,471
Provisions	20,601	16,651
Liabilities directly associated with assets held for sale	-	26,170
<b>TOTAL CURRENT LIABILITIES</b>	<b>62,450</b>	<b>121,523</b>
<b>NON-CURRENT LIABILITIES</b>		
Lease liabilities	7,884	8,013
Provisions	10,534	12,533
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>18,418</b>	<b>20,546</b>
<b>TOTAL LIABILITIES</b>	<b>80,868</b>	<b>142,069</b>
<b>NET ASSETS</b>	<b>194,037</b>	<b>209,227</b>
<b>EQUITY</b>		
Issued capital	467,479	467,192
Reserves	17,553	15,671
Accumulated losses	(290,995)	(273,636)
<b>TOTAL EQUITY</b>	<b>194,037</b>	<b>209,227</b>

The consolidated accumulated losses of the entities which are party to the Deed of Cross Guarantee are:

Balance at the start of the year	(273,636)	(260,720)
Net (loss) for the year	(17,359)	(12,916)
<b>Balance at end of the year</b>	<b>(290,995)</b>	<b>(273,636)</b>

## 28. Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise receivables, payables, contract assets, borrowings, finance leases, cash and short-term deposits. These instruments expose the Group to a variety of risks that it must manage including, market risk (such as currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

The Group does not use derivative financial instruments to hedge these risk exposures.

The Directors consider that the carrying amount of financial assets and liabilities recognised in these financial statements approximate their fair values. The amounts disclosed in this note exclude contract asset balances as these are not financial assets.

### Risk exposures and responses

#### a. Interest Rate Risk

The Group's exposure to market interest rates relates primarily to the Group's cash holdings.

At balance date the Group had the following mix of financial assets exposed to interest rate risk that are not designated in cash flow hedges:

Financial assets	2025 \$ '000	2024 \$ '000
Cash and short-term deposits	106,916	41,078
Security deposits	41,586	49,476
<b>Total</b>	<b>148,502</b>	<b>90,554</b>

At balance date the Group had no financial liabilities with a fixed rate of interest. Accordingly, there was no exposure to movements in interest rates arising in 2025, other than in respect of the comparative period in 2024.

Financial liabilities	2025 \$ '000	2024 \$ '000
Borrowings	-	47,939
<b>Total</b>	<b>-</b>	<b>47,939</b>

The Group constantly analyses its interest rate exposure. Within this analysis consideration is given to potential renewals of existing positions, alternative financing and the mix of fixed and variable interest rates.

At 31 December 2025, if interest rates had moved as illustrated in the table below, with all other variables held constant, post-tax profit/(loss) and equity would have been affected as follows:

Judgements of reasonably possible movements	Post-tax (loss) higher/(lower)		Equity higher/(lower)	
	2025 \$ '000	2024 \$ '000	2025 \$ '000	2024 \$ '000
<b>Consolidated</b>				
+1% (100 basis points)	1,040	634	1,040	634
-0.5% (50 basis points)	(520)	(316)	(520)	(316)

The movements in profits/ (loss) are due to changes in interest rates on cash balances, based on reasonably possible interest rate movement of an increase of 100 basis points and a decrease of 50 basis points (2024: increase of 100 basis points and decrease of 50 basis points).

## b. Foreign Currency Risk

The Group's financial results can be significantly affected by movements in the US\$/A\$ exchange rates. There are also exposures to Singapore dollars, UAE Dirham, Euro and the New Zealand dollars from operations in those countries. Exchange rates are managed within approved policy parameters using natural hedges and no derivatives are used.

The Group also has transactional currency exposures. Such exposures arise from sales or purchases by an operating entity in currencies other than the functional currency. The Group is mainly exposed to the currency of US dollars, Euro, and Singapore dollars. The following tables details the Group's sensitivity to a percentage increase and decrease in currency units against these foreign currencies.

The policy of the Group is to convert surplus foreign currencies to Australian dollars, excluding foreign currencies relating to discontinued operations. The Group also holds cash deposits in US dollars to secure US dollar bank guarantees and performance bonds to overseas customers. At 31 December 2025, the Group had the following exposure to US\$ foreign currency:

	2025 A\$ '000	2024 A\$ '000
<b>Financial assets</b>		
Cash and short-term deposits	17,510	7,625
Security deposits	39,457	47,888
Trade and other receivables	8,449	13,324
<b>Total</b>	<b>65,416</b>	<b>68,837</b>
<b>Financial liabilities</b>		
Lease liabilities	2,582	6,508
Trade and other payables	14,084	12,729
<b>Total</b>	<b>16,666</b>	<b>19,237</b>
<b>Net exposure</b>	<b>48,750</b>	<b>49,600</b>

All US\$ denominated financial instruments were translated to A\$ at 31 December 2025 at the exchange rate of 0.6693 (2024: 0.6217).

## 28. Financial Risk Management Objectives and Policies (continued)

At 31 December 2025 and 2024, had the Australian Dollar moved as illustrated in the table below, with all other variables held constant, post-tax profit/(loss) and equity would have been affected as follows:

Judgements of reasonably possible movements	Post-tax profit higher/(lower)		Equity higher/(lower)	
	2025 \$ '000	2024 \$ '000	2025 \$ '000	2024 \$ '000
<b>Consolidated</b>				
AUD/USD +10%	(3,102)	(3,156)	(3,102)	(3,156)
AUD/USD -5%	1,796	1,827	1,796	1,827

At 31 December 2025, the Group had the following exposure to Singapore \$ foreign currency:

	2025 A\$ '000	2024 A\$ '000
<b>Financial assets</b>		
Cash and short-term deposits	3,751	3,393
Security deposits	559	139
Trade and other receivables	12,461	8,993
<b>Total</b>	<b>16,771</b>	<b>12,525</b>
<b>Financial liabilities</b>		
Trade and other payables	2,520	655
Lease liabilities	6,116	2,431
<b>Total</b>	<b>8,636</b>	<b>3,086</b>
<b>Net exposure</b>	<b>8,135</b>	<b>9,439</b>

All Singapore \$ denominated financial instruments were translated to A\$ at 31 December 2025 at the exchange rate of 0.8595 (2024: 0.8456).

At 31 December 2025 and 2024, had the Australian Dollar moved as illustrated in the table below, with all other variables held constant, post-tax profit/(loss) and equity would have been affected as follows:

Judgements of reasonably possible movements	Post-tax profit higher/(lower)		Equity higher/(lower)	
	2025 \$ '000	2024 \$ '000	2025 \$ '000	2024 \$ '000
<b>Consolidated</b>				
AUD/SING +10%	(518)	(601)	(518)	(601)
AUD/SING -5%	300	348	300	348

At 31 December 2025, the Group had the following exposure to Euro € foreign currency:

	2025 A\$ '000	2024 A\$ '000
<b>Financial assets</b>		
Cash and short-term deposits	30,711	5,744
Trade and other receivables	153	-
<b>Total</b>	<b>30,864</b>	<b>5,744</b>
<b>Financial liabilities</b>		
Trade and other payables	1,054	1
<b>Total</b>	<b>1,054</b>	<b>1</b>
<b>Net exposure</b>	<b>29,810</b>	<b>5,743</b>

All Euro € denominated financial instruments were translated to A\$ at 31 December 2025 at the exchange rate of 0.5704 (2024: 0.5974).

At 31 December 2025, had the Australian Dollar moved as illustrated in the table below, with all other variables held constant, post-tax profit/(loss) and equity would have been affected as follows:

	Post-tax profit higher/(lower)		Equity higher/(lower)	
	2025 \$ '000	2024 \$ '000	2025 \$ '000	2024 \$ '000
<b>Judgements of reasonably possible movements</b>				
<b>Consolidated</b>				
AUD/EUR +10%	(1,897)	(365)	(1,897)	(365)
AUD/EUR -5%	1,098	212	1,098	212

The Group believes the balance date risk exposures are representative of risk exposure inherent in financial instruments.

As noted, foreign currency transactions entered into during the financial year are managed within approved policy parameters using natural hedges. The Directors do not consider that the net exposure to foreign currency transactions is material after considering the effect of natural hedges.

### c. Credit Risk Management

Credit risk refers to the risk that a counterparty will default on its contractual obligations, resulting in a financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties. The Group is exposed to credit risk from its operating activities (primarily trade receivables and contract asset) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings from international credit agencies. Refer Note 7 and Note 8 for further information on credit assessment for receivables and contract assets.

## 28. Financial Risk Management Objectives and Policies (continued)

### d. Liquidity Risk Management

The Group's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due.

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate risk management framework for the management of the Group's short, medium and long-term funding and liquidity requirements. The Group manages liquidity by seeking to maintain adequate cash reserves, continuously monitoring forecast and actual cash flows and managing the maturity profiles of financial assets.

#### Liquidity and interest tables

The following table detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

Consolidated	Weighted average effective interest rate %	Less than 1 month \$ '000	1-3 months \$ '000	3 months to 1 year \$ '000	1-5 years \$ '000	More than 5 years
<b>2025</b>						
Borrowings	-	-	-	-	-	-
Trade payables and accruals	-	38,480	2,413	-	-	-
Lease liabilities	5%	465	936	4,159	12,788	590
<b>2024</b>						
Borrowings	22%	52,072	-	-	-	-
Trade payables and accruals	-	28,210	-	-	-	-
Lease liabilities	5%	478	920	4,145	12,844	1,887

Refer to Note 19 for details on leases including maturity analysis of lease liabilities and interest.

The following table detail the Group's remaining contractual maturity for its non-derivative financial assets. The table has been drawn up based on the contractual maturities of the financial assets except where the Group anticipates that the cash flow will occur in a different period. The financial asset disclosed in the below table represent their current carrying values.

Consolidated	Weighted average effective interest rate %	Less than 1 month \$ '000	1-3 months \$ '000	3 months to 1 year \$ '000	1-5 years \$ '000	1-5 years \$ '000
<b>2025</b>						
Cash and cash equivalent	-	104,454	-	-	-	-
Receivables	-	22,882	8,243	-	-	-
Security deposits	2%	-	-	6,925	34,661	-
Variable interest rate – cash and term deposits	3%	2,462	-	-	-	-
<b>Total</b>		<b>129,798</b>	<b>8,243</b>	<b>6,925</b>	<b>34,661</b>	<b>-</b>
<b>2024</b>						
Cash and cash equivalent	-	21,039	-	-	-	-
Receivables	-	16,593	1,041	96	-	-
Security deposits	5%	-	-	12,747	36,435	295
Variable interest rate – cash and term deposits	4%	20,039	-	-	-	-
<b>Total</b>		<b>57,671</b>	<b>1,041</b>	<b>12,843</b>	<b>36,435</b>	<b>295</b>

#### e. Categories of Financial Assets and Liabilities

	2025 \$ '000	2024 \$ '000
<b>Financial Assets</b>		
<b>Amortised cost</b>		
Cash and short-term deposits	106,916	41,078
Trade and other receivables	31,125	17,730
Security deposits	41,586	49,476
<b>Total financial assets at amortised cost</b>	<b>179,627</b>	<b>108,284</b>
Current	144,966	71,555
Non-current	34,661	36,729
<b>Financial Liabilities</b>		
<b>Interest-bearing loans and borrowings</b>		
Borrowings	-	47,939
Lease liabilities	17,142	17,991
<b>Total interest-bearing loans and borrowings</b>	<b>17,142</b>	<b>65,930</b>
Current	4,806	52,622
Non-current	12,336	13,308
<b>Trade and other payables - current</b>	<b>40,893</b>	<b>28,210</b>

## 28. Financial Risk Management Objectives and Policies (continued)

### f. Commodity Price Risk

The Group's exposure to commodity price risk is minimal.

#### Recognition and measurement

##### (i) Financial assets

###### A. Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (through profit or loss or other comprehensive income); and
- those to be measured at amortised cost.

The classification depends on the Group's business model for managing financial assets and the contractual cash flow characteristics of the financial assets. For assets measured at fair value, gains and losses will either be recorded through profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held.

For investments in equity instruments not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income. The Group reclassifies debt investments when and only when its business model for managing those assets changes.

###### B. Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss. Measurement of trade and other receivables remains at amortised cost consistent with the prior year.

###### C. Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The consolidated entity measures its debt instruments using the amortised cost basis. Using this method, assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

###### D. Impairment

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, contract assets, loans to associates and lease receivables, the Group applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

##### (ii) Financial Liabilities

###### A. Interest bearing liabilities

All loans and borrowings are initially recognised at fair value less transaction costs. After initial recognition, interest bearing liabilities are stated at amortised cost with any difference between cost and redemption value being recognised in the statement of profit or loss over the period of the borrowings on an effective interest basis.

###### B. Trade and other payables

Liabilities are recognised for amounts to be paid for goods or services received. Trade payables are settled on terms aligned with the normal commercial terms in the Group's countries of operation.

## 29. Segment Information – Continuing Operations

AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess performance.

### a. Segment Determination

The Group identifies its operating segments based on internal reports reviewed and used by the Group's chief operating decision maker (the Chief Executive Officer) to determine business performance and resource allocation. Operating segments are aggregated after considering the nature of the products and services, nature of production processes, type of customer and distribution methods. As a result, EMS and Space Systems segments were merged to form an enlarged Space Systems segment until the Group classified EMS as a discontinued operation in 2024. The segment information reported in this note does not include any amounts for the discontinued operations (refer Note 5).

As a result, the Group's reportable segments are Defence Systems and Space Systems.

#### (i) Defence Systems

Defence Systems develops, manufactures and markets advanced fire control, surveillance, weapon systems, and high energy laser to approved military customers. These products either replace or reduce the role of a human operator for a wide range of existing and future weapon systems in the US, Australasia, Middle East, Europe and South-east Asia markets.

As at 31 December 2025, the Interceptor business is included within the Defence System segment for the purpose of segment reporting.

#### (ii) Space Systems

Space Systems has a range of ground products available to support the Australian and international space markets. They include:

- significant investments into passive optical and laser sensing equipment at both its Mt Stromlo and Learmonth sites;
- manufacturing and supply of various telescopes and dome enclosures for customers around the world. Space Systems astrometric products provide reliable and high-quality optical systems under demanding environmental conditions; and
- specialisation in innovative optical, microwave and on-the-move radio and satellite products that help to deliver high speed, resilient and assured telecommunications anywhere in the world. Developments in the Group's laser technology has opened aligned markets in space optical communications and various high power laser applications.

### b. Geographic Activity

The Group continues to operate in Australia, USA, Singapore, UAE, UK, New Zealand, Netherlands and Germany in the development, manufacture and sale of telescopes and dome enclosures, laser satellite tracking systems, the manufacture of remote weapon systems and high energy laser weapons.

## 29. Segment Information - Continuing Operations (continued)

### c. Segment Information

	2025 \$ '000	2024 \$ '000
<b>Segment revenues – continuing operations</b>		
Space	12,661	10,829
Defence	115,797	165,736
<b>Total of all segments</b>	<b>128,458</b>	<b>176,565</b>
<b>Segment results - continuing operations</b>		
Space	(5,644)	(17)
Defence	(49,213)	(14,665)
<b>Total of all segments</b>	<b>(54,857)</b>	<b>(14,682)</b>
Unallocated holding company costs	(24,179)	(23,771)
<b>(Loss) before income tax expense</b>	<b>(79,036)</b>	<b>(38,453)</b>
Income tax benefit	5,536	3,337
<b>(Loss) for the year</b>	<b>(73,500)</b>	<b>(35,116)</b>

The revenue reported above represents revenue from external customers. The Group had two customers that each provided in excess of 10% of consolidated revenue. The customers are within the Defence segment. One customer represented revenue of \$19,245,000 and the other represented \$15,577,000 during the year.

Segment results represent the profit or loss earned by each segment without the allocation of central administration costs and corporate costs, including director fees, finance costs, investment revenue and income tax. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

The following is an analysis of the Group's assets and liabilities by reportable operating segment:

### Segment assets and liabilities - continuing operations

	Assets*		Liabilities*	
	31 December 2025 \$ '000	31 December 2024 \$ '000	31 December 2025 \$ '000	31 December 2024 \$ '000
Space	19,090	12,388	31,076	28,430
Defence	248,731	252,388	105,617	126,905
<b>Total all segments</b>	<b>267,821</b>	<b>264,776</b>	<b>136,693</b>	<b>155,335</b>
Unallocated cash and short-term deposits	106,916	41,078	-	-
<b>Consolidated</b>	<b>374,737</b>	<b>305,854</b>	<b>136,693</b>	<b>155,335</b>

\* Segment assets and liabilities for both years exclude those relating to discontinued operations and non-current assets held for sale (Note 5).

Assets used jointly by reportable segments are allocated on the basis of the revenue earned by the individual reportable segments.

During the year, EOS incorporated new trading entities in the Netherlands, the United Kingdom and France to support the Group's growth strategy in Europe within the Defence segment.

## Other segment information

	Depreciation, impairment and amortisation of segment assets		Acquisition of segment assets	
	31 December 2025 \$ '000	31 December 2024 \$ '000	31 December 2025 \$ '000	31 December 2024 \$ '000
Space	4,778	931	5,942	2,046
Defence	13,719	10,478	6,368	1,711
<b>Total all segments</b>	<b>18,497</b>	<b>11,409</b>	<b>12,310</b>	<b>3,757</b>
Unallocated management	848	1,133	474	325
<b>Consolidated</b>	<b>19,345</b>	<b>12,542</b>	<b>12,784</b>	<b>4,082</b>

## Information on geographical segments

### 31 December 2025

Geographical segments	Revenue from external customers \$ '000	Segment assets* \$ '000	Acquisition of segment assets \$ '000
Australia/Asia	47,684	44,619	10,174
Middle East - United Arab Emirates	10,700	1,844	19
North America	25,956	8,690	2,591
Europe	44,118	6,283	-
<b>Total</b>	<b>128,458</b>	<b>61,436</b>	<b>12,784</b>

### 31 December 2024

Geographical segments	Revenue from external customers \$ '000	Segment assets* \$ '000	Acquisition of segment assets \$ '000
Australia/Asia	44,943	42,733	3,404
Middle East - United Arab Emirates	72,113	2,512	-
North America	15,963	6,203	676
Europe	43,546	2	2
<b>Total</b>	<b>176,565</b>	<b>51,450</b>	<b>4,082</b>

\*Segment assets reflect the requirements of AASB 8.33 (b) and reflect only non-current assets other than financial instruments and deferred tax assets.

The revenue information above is based on the locations of the customers.

### 30. Parent Entity Disclosure

	2025 \$ '000	2024 \$ '000
<b>Financial position</b>		
Assets		
Current assets	75,603	18,492
Non-current assets	17,152	41,751
<b>Total assets</b>	<b>92,755</b>	<b>60,243</b>
Liabilities		
Current liabilities	12,499	54,283
Non-current liabilities	-	-
<b>Total liabilities</b>	<b>12,499</b>	<b>54,283</b>
<b>Net assets</b>	<b>80,256</b>	<b>5,960</b>
Equity		
Issued capital	467,479	467,192
Reserves	17,553	15,671
Accumulated (losses)	(404,776)	(476,903)
<b>Total equity</b>	<b>80,256</b>	<b>5,960</b>
<b>Financial performance</b>		
Profit / (Loss) for the year	72,127	(39,707)
Other comprehensive income	-	-
<b>Total comprehensive income</b>	<b>72,127</b>	<b>(39,707)</b>

#### Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

Guarantee provided under the Deed of Cross Guarantee	80,868	142,069
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Electro Optic Systems Holdings Limited entered into a deed of cross guarantee on 6 April 2018 with two of its wholly-owned subsidiaries. Electro Optic Systems Pty Limited and EOS Defence Systems Pty Limited. On 28 November 2019, EMS entered into an Assumption Deed and became a party to the Deed of Cross Guarantee.

During the year, the Group completed the sale of EMS, and as a result, EMS was removed from the Deed of Cross Guarantee. Refer to Note 5 for details of the transaction.

### 31. Contingent Liabilities and Commitments

- (a) The Group maintains cash deposits with banks and financial institutions as security for various performance and rental bonds. The detail of such cash deposits is as per below:

	Note	2025 \$ '000	2024 \$ '000
Offset bond for a Defence Systems contract	(c)	25,335	22,085
Performance bond for a Defence contract – overseas customer	(d)	-	25,494
Warranty bond for a Defence contract – overseas customer	(d)	13,850	-
Rental bonds and related bonds		1,721	1,231
Deposit for credit card facility		680	666
<b>Total</b>		<b>41,586</b>	<b>49,476</b>

- (b) Entities within the Group are involved in contractual disputes in the normal course of contracting operations. The Directors believe that the entities within the Group can settle any contractual disputes with customers and should any customers commence legal proceedings against the Company, the Directors believe that any actions can be successfully defended. As at the date of this report no material legal proceedings have been commenced against any entity within the Group.
- (c) 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 obligation commitment is secured by an offset bond of US\$16.9m (A\$25.3m) which is guaranteed by Export Finance Australia. In respect of this bond, a cash security amount of US\$16.9m (A\$25.3m) has been placed on deposit.

As part of the offset program, EOS was required to develop, agree and submit an approved business plan, which will generate offset credits, to the offset credit authority. On 20 February 2025, the Group received approval from the offset credit authority for the business plan.

During the year, in accordance with various approvals from the offset authority, EOS continued to take steps to formally establish a 49% EOS owned JV with Shielders Advanced Industries. The intention of both parties is that this JV will set up local manufacturing and assembly of EOS' R150 Remote Weapon System product in the Middle East.

Under the approved business plan, EOS has from 1 July 2026 until 1 July 2033 to set up the JV and earn the relevant offset credits. This includes in kind contributions including the licensing of EOS owned IP, and providing technical data packages and manufacturing knowhow to the JV. As at the date of this report, the JV had not been established.

Under the approval from the offset credit authority, the final form of the various agreements necessary for the JV to manufacture and assemble EOS' product in the Middle East require the approval of the offset credit authority. As at the date of this announcement, EOS expects to achieve the necessary approvals. Under the approved business plan in order to earn offset credits EOS must contribute not less than AED 18.4m (approximately A\$7.5m) in cash to the JV by 1 July 2026 unless otherwise agreed with the offset authority. As at the date of this report, EOS has not yet contributed any cash.

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.

### 31. Contingent Liabilities and Commitments (continued)

- (d) The Group continues to be required to comply with covenants under bond facility agreements with Export Finance Australia, which facilitates the issuance of performance bonds and guarantees to support certain supply arrangements.

During the year, the Group executed an amendment to its existing bond facility agreement with Export Finance Australia to reflect changes in security deposit requirements for performance bonds and guarantees following completion of contract deliverables.

As part of the amendment, effected from November 2025, the previous covenants were replaced with new monthly and quarterly covenant requirements. The new covenants include a requirement that Tangible Net Worth exceed \$220m and that a minimum unrestricted cash balance of \$35m by certain Group entities designated as guarantors under the agreement.

During the year, and in the period up to the date of this report, the Group complied with its covenants and other obligations under the facility agreement.

Subsequent to year end, the prior performance bond was replaced by a warranty bond. Refer to Note 33 for further details.

- (e) On 5 August 2025, EOS announced a contract to supply a 100kW High Energy Laser System to a customer for €71.4m (approximately A\$125m).

Under the terms of the contract, EOS is obliged to provide a performance bond of varying amounts during the contract to cover funds received in advance from the customer. The maximum size of the bond is expected to be €19.8m (approximately A\$34.7m), arising in the calendar year 2026. The performance bond value reduces progressively as key contract milestones are achieved during the contract period. As is customary with such bonds, EOS expects that a cash security deposit will be required for some or all of the bond amount. EOS expects to secure the necessary facilities in 2026.

- (f) During the year, the Group completed the sale of EMS, and as a result of this transaction, EMS was removed from the Deed of Cross Guarantee. Refer to Note 27 for details.

### 32. Remuneration of Auditors

	2025 \$ '000	2024 \$ '000
<b>Ernst &amp; Young and related network firms</b>		
Audit or review of the financial reports:		
EOS Group (excluding EOS USA Inc)	705	572
EOS USA Inc	445	300
	<b>1,150</b>	<b>872</b>
Other assurance services:		
Audit of EMS 2023 and 2024 financial reports	-	328
<b>Total</b>	<b>1,150</b>	<b>1,200</b>

### 33. Subsequent Events

#### Bond Facility Amendment

During the year, the Group executed an amendment to its existing bond facility agreement with Export Finance Australia to reflect changes in cash security deposit requirements for performance bonds and guarantees following completion of contract deliverables. Under the amended agreement, after the end of the year, the prior US\$33.2m (A\$49.7m) performance bond was replaced with a US\$16.0m (A\$23.9m) warranty bond to reflect the Group's warranty obligations and the cash security deposit of A\$13.9m disclosed at Note 31 (a) was reduced during 2026 accordingly. The warranty bond is expected to be released upon completion of the warranty period in 2028.

#### Bank Guarantee

On 14 January 2026, the Group entered into an agreement with Westpac Banking Corporation to issue a A\$10.8m bank guarantee to a customer in Australia. The bank guarantee was fully secured by cash deposits. The guarantee amount, together with the required cash security, reduces progressively as key contractual milestones are achieved during the contract period.

#### Acquisition of MARSS

On 12 January 2026, the Group announced that it had entered into an agreement to acquire the MARSS group business (MARSS) for:

- an upfront cash payment of US\$36m; plus
- a potential earnout of up to €100m via performance rights that are linked to the value of new contract orders during the earnout period, and is payable as a mix of cash or EOS shares.

MARSS is a Europe-based provider of command and control (C2) systems and this acquisition is expected to:

- when coupled with the Group's existing product range, create an integrated, end-to-end solution for effectively countering drones;
- expand the Group's geographic footprint and broaden its end market presence, with scope to leverage MARSS' defence, homeland security and civil relationships; and
- significantly strengthen the Group's in-house AI/software development capability.

Completion of this transaction is expected in 2026, and is subject to certain conditions being met, including regulatory, customer and other approvals.

The earnout consideration is payable in two tranches, based on the new MARSS contract orders signed in the period starting at the beginning of the earnout period and ending:

- for the first tranche, 90 days after completion; and
- for the second tranche, at the end of the earn-out period.

The first tranche of earnout consideration is payable in EOS shares or cash (at the election of the MARSS management shareholders) after the conclusion of the first tranche period, with the cash component capped at €20m. The second tranche of earnout consideration is payable in EOS shares after the conclusion of the second tranche period. The earnout period begins on 11 January 2026 and ends on the earlier of 12 months from completion or 31 May 2027.

#### Performance Rights

On 12 January 2026, the Group announced the proposed issue of performance rights to MARSS management shareholders upon completion of the transaction as consideration for the earnout component of the acquisition.

These performance rights could vest into a maximum number of 23,529,411 EOS shares based on agreed issue price of \$7.40, subject to the completion of the acquisition and the extent of the satisfaction of the earnout conditions as detailed in the announcement.

### 33. Subsequent Events (continued)

#### Committed Optional Loan Facility

On 12 January 2026, EOS announced that it has secured a commitment to a \$100m two-year secured term loan facility. The commitment is exercisable at EOS' option. The facility is subject to the finalisation of legal agreements, which will contain representations, warranties and covenants (but will not include any financial ratio covenants), as well as other customary terms and conditions. Entry into the facility will require the consent of existing funding providers to the Group, including Export Finance Australia and the Group's bankers.

Apart from the above, the Directors are not aware of any significant subsequent events since the end of the financial year and up to the date of this report.

### 34. Additional Company Information

Electro Optic Systems Holdings Limited is a listed public company in Australia, incorporated in Australia. The Company and its subsidiaries operate in Australia, North America, Netherlands, Middle East, Singapore, New Zealand and Germany.

#### Registered Office

Level 2, 1 Taubman Street  
Symonston  
ACT 2609  
Australia  
Tel: 02 6222 7900

#### Principal Place of Business

Level 2, 1 Taubman Street  
Symonston  
ACT 2609  
Australia  
Tel: 02 6222 7900

#### USA Operations Alabama

2865  
Wall Triana Hwy SW  
Huntsville  
AL 35824 USA

#### German Operations

Ulrichsberger Str. 17  
D-94469 Deggendorf  
Germany  
Tel: +49 991 2892 1964  
Fax: +49 991 3719 1884

#### Singapore Operations

456 Alexandra Road  
Fragrance Empire Building  
#21002 Singapore  
Tel: +65 6304 3130

#### United Arab Emirates Operations

Tawazun Industrial Park (TIP)  
Zone 2, Facility 15,  
Al Ajban Area,  
Abu Dhabi, UAE  
Tel: +971 2 492 7112  
Fax: +971 2 492 7110

#### New Zealand Operations

69 Gracefield Road,  
Gracefield  
Lower Hutt, 5010  
New Zealand

#### Netherlands Operations

Regus Rijswijk  
Einsteinlaan 28,  
2289 CC Rijswijk  
Netherlands

#### UK Operations

Origin Workspace  
40 Berkeley Square  
Bristol  
BS8 1HP  
United Kingdom

#### France Operations

E. Space Park  
BatimentD  
45 All. des Ormes  
06250 Mougins,  
France

## Consolidated Entity Disclosure Statement

As at 31 December 2025

Entity name	Entity type	Body Corporates		Tax Residency	
		Country of incorporation	% of share capital held	Australian or foreign	Foreign jurisdiction
Electro Optic Systems Holdings Limited	Body corporate	Australia	N/A	Australian (i)	N/A
Electro Optic Systems Pty Limited	Body corporate	Australia	100%	Australian (i)	N/A
EOS Defence Systems Pty Limited	Body corporate	Australia	100%	Australian (i)	N/A
FCS Technology Holdings Pty Limited	Body corporate	Australia	100%	Australian (i)	N/A
EOS Space Systems Pty Limited	Body corporate	Australia	100%	Australian (i)	N/A
EOS UAE Holdings Pty Limited	Body corporate	Australia	100%	Australian (i)	N/A
EOS Communications Systems Pty Ltd	Body corporate	Australia	100%	Australian (i)	N/A
Australian Missile Alliance Pty Ltd	Body corporate	Australia	100%	Australian (i)	N/A
Sovereign Missile Alliance Pty Ltd	Body corporate	Australia	100%	Australian (i)	N/A
EOS Optical Technologies Ltd	Body corporate	New Zealand	100%	Foreign	New Zealand
EOS USA, Inc. (Inc in Nevada)	Body corporate	USA	100%	Foreign	USA
EOS Space Technologies, Inc. (Inc in Arizona)	Body corporate	USA	100%	Foreign	USA
EOS Defense Systems, Inc (Inc in Arizona)	Body corporate	USA	100%	Foreign	USA
EOS Defense Systems USA Inc (Inc in Alabama)	Body corporate	USA	100%	Foreign	USA
EOS Advanced Technologies LLC (ii)	Body corporate	UAE	49%	Foreign	UAE
EOS Optronics GmbH	Body corporate	Germany	100%	Foreign	Germany
EOS Defense Systems Pte Limited	Body corporate	Singapore	100%	Foreign	Singapore
EOS Innovation Singapore Pte Ltd	Body corporate	Singapore	100%	Foreign	Singapore
EOS Netherlands B.V.	Body corporate	Netherlands	100%	Foreign	Netherlands
Electro Optic Systems Limited UK	Body corporate	United Kingdom	100%	Foreign	United Kingdom
EOS France SAS	Body corporate	France	100%	Foreign	France

- (i) This entity is part of a tax-consolidated group under Australian taxation law, for which Electro Optics Systems Holdings Limited is the head entity.
- (ii) EOS Advanced Technologies LLC is a participant in a joint venture which is consolidated in the consolidated financial statements.

## Directors' Declaration

In accordance with a resolution of the Directors of Electro Optic Systems Holdings Limited (the Company), I state that:

1. In the Directors' opinion:
  - (a) the financial statements and notes of the Company and its subsidiaries (collectively the Group) are in accordance with the *Corporations Act 2001*, including:
    - i. complying with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory reporting requirements; and
    - ii. giving a true and fair view of the Group's financial position at 31 December 2025 and of its performance for the financial year ended on; and
  - (b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 1; and
  - (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
  - (d) The consolidated entity disclosure statement is true and correct; and
  - (e) as at the date of this declaration, there are reasonable grounds to believe that the Company and the subsidiaries to which *ASIC Corporations (Wholly-owned Companies) Instrument 2016/785* applies, as detailed in Note 27 to the financial statements, will be able to meet any liabilities to which they are, or may become, subject to by virtue of the Deed of Cross Guarantee between the Company and those subsidiaries.
2. This declaration has been made after receiving the declarations required to be made by the Chief Executive Officer and the Chief Financial Officer in accordance with section 295A of the *Corporations Act 2001* for the financial year ended 31 December 2025.

Signed in accordance with a resolution of the Directors:



Garry Hounsell  
Director and Chair of the Board of Directors

Dated at Canberra this 23<sup>rd</sup> day of February 2026



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Ernst & Young  
121 Marcus Clarke Street  
Canberra ACT 2600 Australia  
GPO Box 281 Canberra ACT 2601

Tel: +61 2 6267 3888  
ey.com/au

## Independent auditor's report to the members of Electro Optic Systems Holdings Limited

### Report on the audit of the financial report

#### Opinion

We have audited the financial report of Electro Optic Systems Holdings Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated balance sheet as at 31 December 2025, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including material accounting policy information, the consolidated entity disclosure statement and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- a. Giving a true and fair view of the consolidated financial position of the Group as at 31 December 2025 of its consolidated financial performance for the year ended on that date; and
- b. Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For the matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying financial report.



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## Revenue recognition

Why significant	How our audit addressed the key audit matter
<p>The Group has five major customers with agreements that for the year ended 31 December 2025 account for approximately 67% (\$85.8m) of the consolidated revenue from continuing operations of \$128.4m. Many of these agreements are complex, span over several years (project life) and the accounting implications thereof are of significance. These are subject to a high level of judgement and estimation from management as disclosed in Note 2(a).</p> <p>Estimating total forecast costs to complete during project life is complex and requires judgement. Typical cost estimates include labour, materials and project overheads. Changes to these cost estimates could give rise to adjustments to the amount of revenue recognised.</p> <p>The revenue recognised under the output method may include multiple performance obligations, variations and claims, cancellations, penalties for late delivery and warranties.</p> <p>Revenue recognition is a key audit matter as significant judgement is required to assess the timing of recognition determined by the Group. Revenue for the significant agreements is primarily recognised based on the following measures:</p> <ul style="list-style-type: none"> <li>▪ The input method which uses typical costs incurred as a proportion of total forecasts costs as the measure of progress.</li> <li>▪ The output method which measures the value delivered to the customer through the delivery of goods/services or achievement of contract milestones.</li> </ul>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> <li>▪ Performing a walkthrough of the process for recording revenue recognised overtime for significant contracts and tested design effectiveness of key controls;</li> <li>▪ Evaluating the Group's review and approval of revenue recognised and assessing judgements applied to significant contracts;</li> <li>▪ Selecting a sample of contracts based on quantitative and qualitative factors, related to the size and risk of the contracts entered into by the Group and performed the following; <ul style="list-style-type: none"> <li>▪ Inquired with key project managers to assess the project schedule, validated costs incurred to date, evaluated forecasted costs to complete and any major changes or absence of major changes since the prior period;</li> <li>▪ Assessed relevant documentation to support contract milestones and deliverables, assessing whether revenue has been recognised in accordance with the contract and requirements of AASB 15 <i>Revenue from Contracts with Customers</i>; and</li> <li>▪ Evaluated the variations and claims recognised within revenue against the criteria for recognition in accordance with AASB 15 via inspection and assessment of communication between the Group and the customer to understand basis for any variations and claims.</li> </ul> </li> <li>▪ Assessed the adequacy and appropriateness of the disclosures included in the Notes to the financial statements.</li> </ul>



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### Information other than the financial report and auditor's report thereon

The directors are responsible for the other information. The other information comprises the information included in the Company's 2025 annual report, but does not include the financial report and our auditor's report thereon. We obtained the directors' report and review of operations that are to be included in the annual report, prior to the date of this auditor's report, and we expect to obtain the remaining sections of the annual report after the date of this auditor's report.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon, with the exception of the remuneration report and our related assurance opinion.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of:

- The financial report (other than the consolidated entity disclosure statement) that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001*; and
- The consolidated entity disclosure statement that is true and correct in accordance with the *Corporations Act 2001*; and

for such internal control as the directors determine is necessary to enable the preparation of:

- The financial report (other than the consolidated entity disclosure statement) that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- The consolidated entity disclosure statement that is true and correct and is free of misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

### Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.



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As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the Group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the Group financial report. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



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## Report on the audit of the Remuneration Report


### Opinion on the Remuneration Report


We have audited the Remuneration Report included in pages 51 to 60 of the directors' report for the year ended 31 December 2025.

In our opinion, the Remuneration Report of Electro Optic Systems Holdings Limited for the year ended 31 December 2025, complies with section 300A of the *Corporations Act 2001*.

### Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

  
Ernst & Young

  
Ben Tansley  
Partner  
Canberra  
23 February 2026

## ASX Additional Information

Additional information required under ASX Listing Rule 4.10 and not shown elsewhere in this Annual Report is as follows. This information is current as at 23 March 2026.

### Distribution of shareholders

Size of holding	Number of shareholders	Ordinary shares	% of issued capital
100,001 and over	100	150,184,480	78
10,001 to 100,000	821	21,437,804	11
5,001 to 10,000	952	7,227,265	4
1,001 to 5,000	4,291	10,498,646	5
1 to 1,000	8,614	3,603,904	2
<b>Total</b>	<b>14,778</b>	<b>192,952,099</b>	<b>100</b>

### Distribution of Option holders

The distribution of unquoted Options on issue are:

Size of Holding	Number of Option holders	Unlisted Options	% of Total Options
100,001 and over	6	2,737,315	73
10,001 to 100,000	21	991,855	27
5,001 to 10,000	-	-	-
1,001 to 5,000	-	-	-
1 to 1,000	-	-	-
<b>Total</b>	<b>27</b>	<b>3,729,170</b>	<b>100</b>

The options on issue are unquoted and have been issued under an employee incentive scheme.

### Distribution of Share Rights

The distribution of unquoted share rights on issue are:

Size of Holding	Number of Share Right holders	Unlisted Share Rights	% of Total Share Rights
100,001 and over	2	922,867	67
10,001 to 100,000	13	372,723	27
5,001 to 10,000	8	67,856	5
1,001 to 5,000	3	11,532	1
1 to 1,000	-	-	-
<b>Total</b>	<b>26</b>	<b>1,374,978</b>	<b>100</b>

The share rights on issue are unquoted and have been issued under an employee incentive scheme.

## Less than marketable parcels of Ordinary Shares

There are 592 shareholders with unmarketable parcels, holding 21,210 shares.

## Twenty largest shareholders

At 23 March 2026, the 20 largest ordinary shareholders held 69.24% of the total issued fully paid quoted Ordinary Shares of 192,952,099.

		Number held	% of issued capital
1	CITICORP NOMINEES PTY LIMITED	27,506,196	14.26
2	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	22,557,333	11.69
3	WHSP HOLDINGS PTY LIMITED	17,100,000	8.86
4	BNP PARIBAS NOMINEES PTY LTD	13,997,776	7.25
5	BNP PARIBAS NOMS PTY LTD	11,508,461	5.96
6	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	10,572,895	5.48
7	BNP PARIBAS NOMINEES PTY LTD	7,592,582	3.93
8	EOS LOAN PLAN PTY LTD	5,519,986	2.86
9	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	2,813,444	1.46
10	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA	2,747,593	1.42
11	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	2,498,655	1.29
12	TECHNOLOGY TRANSFORMATIONS PTY LIMITED	2,000,000	1.04
13	A AND D WIRE LIMITED	1,457,276	0.76
14	CAPITOL ENTERPRISES LIMITED	1,050,000	0.54
15	BNP PARIBAS NOMINEES PTY LTD	920,646	0.48
16	PACIFIC CUSTODIANS PTY LIMITED	825,779	0.43
17	BNP PARIBAS NOMINEES PTY LTD	783,039	0.41
18	UBS NOMINEES PTY LTD	759,470	0.39
19	RODAL INVESTMENTS PTY LTD	725,000	0.38
20	PETER ANDREW WOODHEAD	671,245	0.35
		<b>133,607,376</b>	<b>69.24</b>
	Remaining quoted equity securities	<b>59,344,723</b>	<b>30.76</b>
	<b>Total number of Ordinary Shares on issue</b>	<b>192,952,099</b>	<b>100.00</b>

## Unquoted equity securities

The Company had the following unquoted securities on issue as at 23 March 2026:

	Number on issue	Number of holders
Options over Ordinary Shares	3,729,170	27
Rights over Ordinary Shares	1,374,978	26

## Substantial shareholders

The names of the Substantial Shareholders as disclosed in notices submitted to the ASX as at 23 March 2026 are:

Shareholder	Ordinary Shares	Percentage of total Ordinary shares
Washington H. Soul Pattinson and Company Limited	17,596,807	9.12%
State Street Corporation	11,060,505	5.73%

## Restricted securities

The Company had no restricted securities on issue as at 23 March 2026.

## Voting rights

In accordance with the Constitution each member present at a meeting whether in person, or by proxy, or by power of attorney, or a duly authorised representative in the case of a corporate member, shall have one vote on a show of hands, and one vote for each fully paid ordinary share, on a poll. Holders of performance rights have no voting rights.

## On-market buy-backs

There is no current on-market buy-back in relation to the Company's securities.

## Other Information

In accordance with Listing Rule 4.10.19, the Company has used the cash and assets in a form readily convertible to cash that it had at the time of admission in a way consistent with its business objectives.

## Corporate Directory

### Directors

Mr Garry Hounsell (Chairman)  
 Dr Andreas Schwer (Managing Director and CEO)  
 Air Marshal Geoffrey Brown AO  
 The Hon Kate Lundy  
 Mr David Black  
 Mr Robert Nicholson

### Chief Executive Officer

Dr Andreas Schwer

### Company Secretary

Ms Melanie Andrews

### Registered Office and Principal Place of Business

Level 2  
 1 Taubman Street  
 Symonston ACT 2609  
 Australia

Telephone: +61 2 6222 7900

Email: [enquiry@eos-aus.com](mailto:enquiry@eos-aus.com)

Website: [www.eos-aus.com](http://www.eos-aus.com)

### Stock Exchange Listing

EOS shares are listed on the Australian Securities Exchange (ASX code: EOS)

### Share Registry

MUFG Corporate Markets  
 A division of MUFG Pension & Market Services  
 Level 12, 680 George Street  
 Sydney NSW 2000  
 Australia

Locked Bag A14  
 Sydney South NSW 1235 Australia

Telephone: +61 1300 554 474

Facsimile: +61 2 9287 0303

Website: [www.au.investorcentre.mpms.mufg.com](http://www.au.investorcentre.mpms.mufg.com)

### Auditors

Ernst & Young  
 121 Marcus Clarke Street  
 Canberra ACT 2600  
 Australia

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## HEAD OFFICE

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Electro Optic Systems Holdings Limited  
Annual Report 2025