



31 January 2025

ASX RELEASE

QUARTERLY ACTIVITY REPORT & APPENDIX 4C FOR THE QUARTER ENDED 31 DECEMBER 2024

The consolidated entity consisting of Electro Optic Systems Holdings Limited and the entities it controls ("EOS" or the "Group") has filed its Appendix 4C and provides the following update on its activities for the quarter ended 31 December 2024.

1. KEY ACTIVITIES

Sale of EM Solutions and Repayment of Borrowings

- On 21 November 2024, EOS announced the divestment of its non-core, satellite communications subsidiary, EM Solutions, to Cohort plc for an enterprise value of \$144.0m.
- After the end of the quarter, on 31 January 2025, EOS announced that the divestment had been completed, with divestment proceeds (after customary adjustments) of \$158.6m received on that date.
- At completion, and as required by the debt agreement, EOS repaid \$61.1m (inclusive of capital, interest and make whole amounts) to its primary lender, Washington H. Soul Pattinson, on 31 January 2025.
- Following this debt repayment and the divestment of EM Solutions, EOS has nil borrowings and expects to hold approximately \$128.0m of cash balances at 31 January 2025. In addition to cash balances, EOS had a further, approximately \$48.0m of restricted cash (security deposits) held as security for bank guarantees at 31 January 2025.
- A separate announcement issued today, 31 January 2025, includes more information on the divestment of EM Solutions.

Manufacturing and Delivery Activity

- Manufacture of Remote Weapon Systems ("RWS") batches for a longstanding customer in the Middle East.
- Manufacture of RWS for a domestic Australian customer.
- Delivery of EOS Slinger counter-drone systems to a customer in Germany.

Customer Order Activity

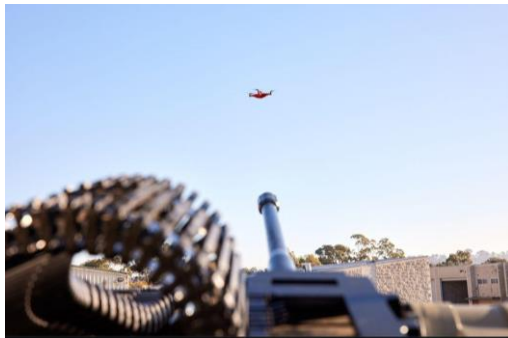
- EOS received an order for Counter-Drone Container-Based Remote Weapon Systems (“CBRWS”) from a new Western European customer valued at EUR8.2m (approximately A\$13.6m). The CBRWS will be integrated with a 70mm long-range counter-drone rocket system. These systems are expected to be delivered during 2025.
- EOS Singapore received orders for RWS spares worth SGD17.1m (approximately A\$20.1m). These orders are expected to be delivered during 2025 and 2026.
- Both of these new orders were previously announced to the ASX on 23 December 2024.

Order Book Development Activity

- Advanced negotiations continued on the Land 400 Phase 3 RWS opportunity in Australia, valued at up to A\$100m. The RWS under this opportunity are targeted for delivery in 2026 and 2027.
- Negotiations continued with regards to the potential sale of EOS’ heavy-calibre, R800 RWS, to a new customer in North America, valued at up to A\$30m. The RWS under this opportunity are targeted for delivery in 2025.
- Work continued on Ukrainian opportunities including both (1) discussions regarding budget availability in Ukraine to place firm orders under the existing conditional contracts for RWS supply, and (2) discussions with donor nations regarding the supply of RWS for donation to Ukraine. In addition, counter-drone products previously supplied for use in Ukraine were deployed during the quarter and used to defeat drones.

Market Development Activity

- Discussions with an existing customer in the Middle East are progressing regarding the development and potential significant order of a next-generation RWS.
- Demonstrations of EOS’ counter-drone RWS capabilities occurred for a potential new customer in the Middle East:
- Advanced negotiations continued with two potential customers for EOS’ High Energy Laser Weapon



- Discussions continued with potential new customers regarding Space Control opportunities.
- EOS continues to work to develop the above opportunities and other pipeline opportunities. There is no guarantee that these opportunities will be realised in the form of binding sales contracts or the timing of revenue recognition and cash flows from any opportunities that may be converted.

2. FINANCIAL SUMMARY

EOS' total cash balance at 31 December 2024 was \$52.3m, a \$2.7m decrease from 30 September 2024. This includes \$11.2m of cash in EM Solutions which was held for sale at 31 December 2024. In addition, the Group had \$56.1m of cash deposits held with banks to support bank guarantees, including balances relating to the EM Solutions business.

Operating Cash Flows

The Net Cash outflow used in Operating Activities for the quarter was \$10.3m, compared to an inflow of \$10.5m in Q3 2024.

Receipts from Customers totalled \$64.3m during the quarter, which is \$12.2m lower compared to Q3 2024. Other cashflows from operating activities (excluding cash receipts from customers) during the quarter amounted to net payments of \$74.6m, an increase of \$8.6m compared to Q3 2024. These other cashflows from operating activities included payments for manufacturing and operating costs of \$43.4m and other cashflow payments of \$31.2m, including staff costs, administration costs, interest payments and other items. The operating cashflow payments enabled the completion of manufacturing milestones for a domestic Australian customer, which enabled the release of cash security deposits during the quarter (included in Cash Flow from Investing Activities, see below).

Other Cash Flows

The Net Cash inflow from Investing Activities for the quarter was \$10.6m, compared to an outflow of \$7.6m in Q3 2024. This includes the release of cash security deposits during the quarter, after the successful completion of manufacturing milestones for a domestic Australian customer.

The Net Cash outflow used in Financing Activities for the quarter was \$1.3m, compared to an outflow of \$1.9m in Q3 2024.

Contract Asset Balance

At 31 December 2024, EOS had a gross contract asset totalling approximately \$79.1m. This included \$21.7m relating to EM Solutions, which was held for sale at 31 December 2024 and divested on 31 January 2025.

The gross contract asset balance represents work completed for existing contracts but not yet invoiced to the customer. The balance at 31 December 2024 related largely to a Defence customer contract in the Middle East and a domestic Australian contract for EM Solutions.

The gross contract asset balance of \$79.1m is the same as the balance of \$79.1m at 30 September 2024.

As at 31 December 2024, EOS had received payments in advance from customers totalling \$36.4m (including \$12.3m relating to EM Solutions).

3. BORROWING SUMMARY AND CASH BALANCES

At 31 December 2024, EOS had a Term Loan with its primary lender, Washington H. Soul Pattinson (“WHSP”). The total repayment due to WHSP under this Term Loan was \$52.1m (including principal, establishment fees and interest accrued to date). This loan was due for repayment in October 2025.

After the end of the quarter, today 31 January 2025, EOS completed the early repayment of this Term Loan. As announced on 21 November 2024, this early repayment was required because under the borrowing agreements, the completion of the divestment of EM Solutions required the repayment of EOS’ outstanding debt facility with WHSP in full. The total repayment made today was \$61.1m, including the scheduled payment at maturity of \$52.1m plus a ‘make whole’ penalty which applies in the case of early repayment.

This means that all amounts borrowed from WHSP in 2022 have been repaid:

Facility	Principal	Term	Maturity	Total Rate	Scheduled Repayment	Status
Working Capital	\$20.0m	12m	6 Sep 23	19%	\$26.9m	Repaid
Working Capital	\$15.0m	18m	11 Apr 24	19%	\$20.5m	Repaid
Term Loan	\$35.0m	36m	11 Oct 25	26%	\$52.1m	Repaid 31 Jan 25

The key terms of each of the facilities were included in an announcement dated 13 October 2022 and these terms were subsequently amended, as announced on 22 December 2023 and 27 February 2024 (see below). As at 31 December 2024 the Term Loan facility was fully drawn.

Following today’s repayment, EOS has no borrowings and the Directors consider that EOS is well placed to focus on future growth.

Under agreements with WHSP and another funding provider (Export Finance Australia), the Group had obligations to comply with covenants at 31 December 2024. Both funding providers waived the requirement to test covenant compliance at 31 December 2024.

For the quarter ended 31 December 2024, and in the period up to the date of this announcement, the Group complied with its obligations under the various facility agreements.

Following the Term Loan repayment to WHSP outlined above, the group will still be required to comply with quarterly covenants under bond facility agreements with Export Finance Australia.

4. OFFSET CREDIT OBLIGATION

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

The detailed background to this obligation has been provided in announcements to the ASX, including the Appendix 4C, dated 26 July 2024. The obligation commitment is secured by an offset bond of US\$16.9m (A\$27.3m) which is guaranteed by Export Finance Australia. In respect of the bond, a cash security amount of US\$13.7m (A\$22.1m) has been placed on deposit. These are included in the cash security deposits identified in section 2 above.

As part of the Offset Program, EOS is required to develop, agree and submit an approved business plan to the Offset Credit authority. EOS submitted a business plan during September 2023. During Q4 2024, the Group continued to have advanced discussions with the Offset Credit authority towards finalising this approval. EOS believes the extended timeframe for approval is not unusual in this jurisdiction and is not unexpected.

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

5. RELATED PARTY TRANSACTIONS

Payments to related parties of the entity and their associates totalled \$338,688 for the quarter.

These amounts include:

- payments of \$195,317 paid to CEO Dr Schwer representing salary paid during the quarter; and
- \$143,371 paid in directors' fees and superannuation to non-executive directors and entities associated with non-executive directors during the quarter.

6. SUBSEQUENT EVENTS

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

7. UNMARKETABLE PARCELS FACILITY

On 6 December 2024, EOS announced the establishment of an Unmarketable Parcel Share Sale Facility. Further details are included in that announcement. The Facility had no impact on EOS cash flows during the quarter or subsequently.

8. AUDITED RESULTS

All information included in this announcement is unaudited.

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

Further information:

Dr Andreas Schwer
Managing Director and Chief Executive Officer
ir@eos-aus.com

EOS Investor Hub

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

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

ABOUT ELECTRO OPTIC SYSTEMS (ASX: EOS)

Following the divestment of the EM Solutions business on 31 January 2025, EOS operates in two divisions: Defence Systems and Space Systems

Defence Systems specialises in technology for weapon systems optimisation and integration, as well as ISR (Intelligence, Surveillance and Reconnaissance) and C4 systems for land warfare. Its key products include next-generation remote weapon systems, vehicle turrets, high-energy laser weapons (directed energy), as well as fully integrated and modular counter-UAS and C4 systems.

Space Systems 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.

In addition to the above, during the quarter ended 31 December 2024, EOS also operated the EM Solutions business as part of the Space Systems division. EM Solutions delivers world-leading RF and optical space communications technology. Its core product range centres around the development and production of high-end, broadband radio transceivers for satellite communications as well as satellite communications-on-the-move terminals for defence and government customers.

FORWARD LOOKING STATEMENTS

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

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

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

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

Appendix 4C

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

Name of entity

ELECTRO OPTIC SYSTEMS HOLDINGS LIMITED

ABN

95 092 708 364

Quarter ended ("current quarter")

31 December 2024

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	64,288	261,126
1.2 Payments for		
research and development	(2,242)	(10,587)
product manufacturing and operating costs	(43,446)	(168,789)
advertising and marketing	(798)	(3,962)
leased assets	-	-
staff costs	(15,063)	(53,450)
administration and corporate costs	(8,404)	(31,590)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	979	2,236
1.5 Interest and other costs of finance paid	(5,629)	(24,818)
1.6 Income taxes paid	-	(549)
1.7 Government grants and tax incentives	2	19
1.8 Other (provide details if material)	-	-
Income tax refund received	-	-
1.9 Net cash from / (used in) operating activities	(10,313)	(30,364)

For personal use only

2.	Cash flows from investing activities		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	(1,508)	(6,173)
	(d) investments	-	-
	(e) intellectual property	(1,317)	(3,208)
	(f) other non-current assets	-	(2,486)
2.2	Proceeds from disposal of		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	311	311
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Security Deposits	13,115	15,235
2.6	Net cash from / (used in) investing activities	10,601	3,679

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	36,918
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	(1,973)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	(20,505)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Repayment of lease liabilities	(1,303)	(5,230)
3.10	Net cash from / (used in) financing activities	(1,303)	9,210

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

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	54,988	70,997
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(10,313)	(30,364)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	10,601	3,679
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(1,303)	9,210
4.5	Effect of movement in exchange rates on cash held	(1,669)	(1,218)
4.6	Cash and cash equivalents at end of period	52,304	52,304

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	52,304	54,988
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	52,304	54,988
Note	Not included in the cash figure above are current and non-current cash security deposits securing performance bonds, premises and guarantees	56,096	64,249

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	339
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<p>These amounts included in item 6.1 relate to salary payments to the executive director during the quarter and payments for directors' fees and superannuation to non-executive directors and entities associated with non-executive directors during the quarter.</p>		

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

7. Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1 Loan facilities – WHSP	47,939	47,939
7.2 Credit standby arrangements	-	-
7.3 Other – Export Finance Australia	81,126	80,756
Other – Westpac	6,251	6,251
7.4 Total financing facilities	135,316	134,946
7.5 Unused financing facilities available at quarter end		370

7.6 **WHSP Term Loan Facility:**

- On 12 October 2022, the Group entered into a \$35m three-year term loan facility with WHSP to refinance an existing facility. The facility carries an interest rate of 22% per annum and line fees of 4% and is secured by a general security deed which ranks parri passu with the Export Finance Australia facility below.
- The outstanding facility includes an early repayment option and a 'make whole' clause. The key terms of the facility were included in the announcement dated 13 October 2022 "EOS enters into New Financing Facilities & continues development of Strategic Growth Options" ("EOS 13 October Announcement").
- As announced on 21 November 2024, the completion of the sale of EM Solutions automatically triggered the repayment of EOS' outstanding debt facility with Washington H. Soul Pattinson and Company Limited ("WHSP") in full. This repayment occurred on 31 January 2025.
- Following this repayment, EOS had nil borrowings, and no borrowing facilities, and cash balances of approximately \$128m
- Under agreements with WHSP and another funding provider (Export Finance Australia, see below), the Group had obligations to comply with covenants at 31 December 2024. Both funding providers waived the requirement to test covenant compliance at 31 December 2024.
- For the quarter ended 31 December 2024, and in the period up to the date of this announcement, the Group complied with its obligations under the various facility agreements.

Export Finance Australia Bond Facility:

- The Group maintains a performance bond in respect of a contract in Defence Systems of US\$33.2m (A\$53.5m). The performance bond was provided by Export Finance Australia under a Bond Facility Agreement and is secured by a cash Security Deposit of US\$15.8m (A\$25.5m) and a fixed and floating charge over the assets of the Group. The costs of this facility are included in Item 1.5 as other costs of finance paid.
- Under the terms of a contract in Defence Systems, the Group signed an offset agreement with the relevant overseas Government Authority on 12 February 2021 for an amount of US\$16.9m (A\$27.3m). The offset bond was provided by Export Finance Australia under the same Bond Facility Agreement and is secured by a cash Security Deposit of US\$13.7m (A\$22.1m) and a fixed and floating charge over the assets of the Group. The costs of this facility are included in Item 1.5 as other costs of finance paid.
- During the quarter, the obligations under the A\$11.1m bank guarantee from Export Finance Australia to a domestic customer in Australia were fulfilled and the bank guarantee and the cash security deposit of A\$2.8m returned to the Group. The costs of the facility arrangements are included in Item 1.5 as other costs of finance paid.
- Following the Term Loan repayment to WHSP outlined above, the Group will still be required to comply with quarterly covenants under facility agreements with financiers, including guarantee facilities provided by Export Finance Australia

Westpac facility:

- During the quarter, the obligations under the A\$11.1m bank guarantee from Westpac to a domestic customer in Australia were fulfilled and the bank guarantee and the cash security deposit of \$11.1m returned to the Group. The costs of the facility arrangements are included in Item 1.5 as other costs of finance paid.
- The Group has previously secured a bank guarantee facility for \$6m with Westpac to support an EM Solutions contract to deliver and install communications systems to the Royal Australian Navy. To secure these bank guarantees the Group has provided a cash security deposit of \$6m. Following the end of the quarter, this arrangement was divested as part of the sale of the EM Solutions business.

Appendix 4C
Quarterly cash flow report for entities subject to Listing Rule 4.7B

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(10,313)
8.2 Cash and cash equivalents at quarter end (item 4.6)	52,304
8.3 Unused finance facilities available at quarter end (item 7.5)	370
8.4 Total available funding (item 8.2 + item 8.3)	52,674
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	5.11
8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
n/a	
8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
n/a	
8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
n/a	

Compliance statement

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

Date: 31 January 2025

Authorised by the Board of Directors.

For personal use only

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [*name of board committee – eg Audit and Risk Committee*]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.