



**ACTIVITY STATEMENT
FOR THE QUARTER ENDED 31 MARCH 2024**

Canberra, 30 April 2024

The consolidated entity consisting of Electro Optic Systems Holdings Limited and the entities it controls (“EOS” or the “Group”) has filed its activity statement (4C) for the quarter end 31 March 2024.

1. OVERVIEW

During the quarter ended 31 March 2024 (“Q1 2024”), revenue was \$77.3m, representing an increase of \$43.3m on Q1 2023 revenue of \$34.0m.

Cash Receipts from Customers during Q1 2024 were \$52.1m, down \$10.0m from \$62.1m in Q1 2023. This reflects a relatively high level of receipts in Q1 2023 following a successful customer contract amendment in Q1 2023 and the lumpy nature of cash receipts on projects.

During Q1 2024, other cashflows from operating activities (excluding cash receipts from customers) amounted to net payments of \$74.6m. This is an increase of \$42.0m on Q1 2023. These payments included the cost of manufacturing products that customers paid EOS for during 2H 2023. In addition, cash interest and finance costs increased during Q1 2024 due to amendment fees paid to the lender during the quarter and due to interest being paid in cash rather than capitalised. As a result, the Net Cash Outflow from Operating Activities during Q1 2024 was \$22.6m (down \$52.1m from the \$29.5m inflow in Q1 2023). More detail on these items is shown in section 2 below.

EOS’ cash balance at 31 March 2024 was \$72.4m, and broadly in line with EOS’ expectations. This represents an increase of \$1.4m from the 31 December 2023 cash balance of \$71.0m, and includes \$33.6m of net proceeds raised from the institutional component of the equity capital raising during March 2024. More details of the cash movements during Q1 2024 are set out below.

Since the end of the quarter, the following occurred:

- EOS received net proceeds of \$1.9m from the Share Purchase Plan (‘SPP’), as announced on 22 April 2024.
- EOS repaid debt of \$20.5m on schedule, as announced on 10 April 2024.

The following is a summary of key recent announcements by the Group:

29 Jan 2024	Sale of Slinger Counter-Drone Systems (\$15m)
27 Feb 2024	EOS Finalises Debt Amendment
22 Mar 2024	Investor Presentation – Accelerating Growth
25 Mar 2024	Successful completion of \$35m institutional placement
4 Apr 2024	EOS Upgrades Leadership Capability
10 Apr 2024	EOS Repays Second Debt Instalment on Schedule
15 Apr 2024	EOS Diversifies Revenue Base with New Contracts (\$24m)
17 Apr 2024	Close of Share Purchase Plan (\$1.9m)

2. CASH SUMMARY

Receipts from Customers

Receipts from Customers totalled \$52.1m during Q1 2024, including receipts from customers in the Middle East, Australia and Europe. Cash Receipts from Customers during the quarter were down \$10.0m from \$62.1m in Q1 2023. This reflects the lumpy nature of cash receipts, the impact of seasonality and a relatively high level of receipts in Q1 2023 following a successful customer contract amendment.

The Group continues to focus on maximising receipts from customers, including seeking contract amendments where appropriate, and securing and delivering on new sales contracts that are cash-positive.

During the quarter, the Group continued to manufacture and deliver Remote Weapon System ('RWS') products and collected cash on existing customer contracts. In addition, the Group continued work by EM Solutions under its 2023 contract to supply the Royal Australian Navy with products and services over seven years, (valued at up to A\$202m). New customer contracts were secured as detailed in section 3 below.

Contract Asset Balance

- At the end of the quarter, EOS had a gross contract asset, totalling approximately \$97.5m, representing work completed for existing contracts but not yet invoiced to the customer.
- This balance relates almost entirely to a large customer contract in the Middle East. The balance at 31 March 2024 represents an increase of \$29.5m on the gross contract asset balance of \$68.0m at 31 December 2023. The increased investment in the contract asset balance during Q1 2024 arose because revenue recognised during the period exceeded billings. This is because some significant revenue recognition milestones were achieved during Q1 2024 and under the relevant contract, these revenue milestones occur earlier than cash milestones with this customer (i.e. accounting standards require that the Group recognise revenue at a point earlier than when invoices are able to be issued to the customer). The Group expects this increased investment to be temporary and to convert into cash proceeds over the course of the 2024 year.
- In addition, as at 31 March 2024, EOS had received payments in advance from customers totalling \$38.4m. This is an increase of \$17.8m on the position at 31 December 2023 and arose because of increased early cash receipts on cash positive projects.
- The net contract asset (after deducting payments received in advance) of \$59.1m at 31 March 2024 was \$11.7m higher than at 31 December 2023.

Operational Cash Payments

The total net other cashflows from operating activities (excluding cash receipts from customers) during Q1 2024 were net payments of \$74.6m, an increase of \$42.0m on Q1 2023. This included:

- Payments for product manufacturing and operating costs were \$42.0m during Q1 2024, an increase of \$29.0m on Q1 2023. The increase included the Q1 2024 impact of manufacturing products that customers paid EOS for during 2H 2023.
- Other cashflows included in operating activities were net payments of \$32.6m during Q1 2024 (an increase of \$12.9m on Q1 2023). The increase included \$8.5m higher cash interest payments during Q1 2024 due to amendment fees paid to the lender during the quarter and due to interest being paid in cash rather than capitalised, and \$4.4m of higher other cash payments.

Other Cash Flows

The Net Cash Outflow from Operating Activities was \$22.6m for Q1 2024, a reduction of \$52.1m from \$29.5m inflow in Q1 2023. The decrease was driven by the \$10.0m impact of lower customer receipts (noted above) and the \$42.0m higher net Operational Cash Payments to suppliers and others (noted above).

The Net Cash Outflow from Investing Activities during the quarter was \$6.3m, which included \$6.0m of cash security deposits that were deposited with funding providers. More information is included in section 5 below.

The Net Cash Inflow from Financing Activities during the quarter was \$32.4m, which included the funds received from an equity raise (institutional placement) during March 2024, transaction costs related to the placement (yielding net \$33.6m proceeds) and scheduled lease repayments (\$1.2m).

3. MARKET, CUSTOMER AND BUSINESS UPDATE

The global market for EOS products remained positive during Q1 2024. This was partly due to the conflict in Ukraine, conflicts in the Middle East and tensions in other locations. This positively impacted on customer demand in NATO countries and other markets, resulting in strong customer enquiry levels and continuing customer discussions during Q1 2024.

The counter-drone market in particular continues to represent a fast growing and high-profile market opportunity. Conflicts in Ukraine and the Middle East continue to highlight this opportunity and EOS expects the market for counter-drone products to continue to grow.

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

Work continues on sales opportunities, including significant projects in Australia and internationally.

During the quarter, EOS' work included:

Defence Systems

- EOS is experiencing increased counter-drone demand and on 29 January 2024, EOS announced a contract to supply EUR 9m (approximately A\$15m) of Slinger Counter-Drone Systems to Diehl Defence in Germany. Production of these systems commenced in March 2024, and deliveries are expected to be completed during 2024.
- In March 2024 EOS delivered systems under a contract (announced on 27 December 2023) to supply additional RWS units to a Western European Government. These systems are in addition to an earlier contract announced on 13 June 2023 (for approximately A\$51m), which was delivered mainly in Q3 2023.
- In Q1 2024 EOS undertook contract negotiations with Hanwha in relation to the supply of RWS to Hanwha for the Land 400 Phase 3 Project in Australia. Under this project, Hanwha has been selected to deliver 129 vehicles to the ADF in 2027 and 2028, incorporating RWS. EOS expects these contract negotiations to continue.
- In February and March 2024 EOS received purchase orders from Thales worth \$5.4m for the supply of 10 new and refurbishment/upgrade of 9 R400 RWS under its sustainment agreement with the customer.

Ukraine

- In the prior year, in April 2023, EOS signed two conditional contracts to supply RWS to Ukraine, valued at approximately \$181m. Following demonstrations during 2023, EOS products were approved during 2023 by the Ukrainian authorities for purchase as required.
- EOS is continuing to work with the Ukrainian end-users and customers to allow committed orders to be placed under the conditional contracts. As part of this, further demonstration testing is being arranged in Ukraine during 2024.
- In January 2024 EOS entered into a sustainment agreement with a Ukraine-based company, to govern the potential future maintenance and support of EOS products in Ukraine, including the provision of training, repairs, maintenance as well as spares.
- The process to finalise these contracts is taking longer than was initially expected when these contracts were announced in April 2023. This is not unusual, particularly given the dynamic situation in Ukraine. EOS will continue to work on developing these opportunities.
- The conditional contracts are subject to early termination rights in favour of the customer (as normal for wartime contracts). There is no certainty or guarantee that committed orders will be received by EOS under these conditional contracts.

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

After the end of Q1 2024, EOS enhanced its leadership capacity in Defence Systems by appointing Mr Christian Tobergte as EVP Defence Systems International. Mr Tobergte will focus on developing international markets for EOS Defence Systems products. More information is included in section 8 below.

Space Technologies

- During Q1 2024, the Space Technologies business continued to deliver products and services to customers under existing contracts, and to pursue and win opportunities to deliver Space Domain Awareness services.
- EOS Space Technologies is actively pursuing debris laser ranging contract opportunities as global market interest rises. EOS is well positioned to capitalise on these opportunities as they mature.
- As previously announced, and subsequent to quarter-end, EOS Space Technologies secured a \$5m contract with the Australian Defence Force to further develop space capabilities, with the project expected to be delivered in 2024. This project is a significant strategic opportunity for EOS and was developed to be consistent with EOS stated strategy of securing third party funding for new capability development work in Space Technologies.
- EOS Optical Technologies (KiwiStar Optics) continues to deliver against several contracted programs for a broad range of international customers.
- The Space Technology opportunities continue to represent important steps with new customers in new markets. Despite not being financially material, they will underpin future strategic growth initiatives, including in Space Control and Space Warfare.

EM Solutions

- During the quarter, the EM Solutions business continued to deliver against a previously announced (approximately \$202m) long-term contract to supply terminals to the Royal Australian Navy. In addition, deliveries to customers in Australia and Europe continued.
- Subsequent to quarter-end, (as announced on 15 April 2024) EM Solutions secured \$19m of additional new orders of contracts, which support the continued growth of EM Solutions, made up of:
 - Follow on orders from a European NATO Navy for an additional 6 Cobra satellite communication terminals, worth \$10m;
 - Additional orders for ground radar modules for a mining sector customer (GroundProbe), worth \$5m; and
 - An initial order for 4 Cobra terminals for a new East Asian Navy customer, worth \$4m.
- EM Solutions also continued work on market development and contract negotiations on other potential sales opportunities in Europe, Asia and Australia.

4. PRODUCT DEVELOPMENT

EOS continued work during Q1 2024 to develop its intellectual property and further commercialise its product range.

During Q1 2024 EOS continued discussions with potential customers for the R150 RWS (launched during 2023), the R800 RWS (launched during 2023) and the Slinger Counter-Drone RWS. In addition, during the quarter, EOS was in discussions with customers about the development and supply of RWS for the marine market (i.e. naval applications).

In addition, work during Q1 2024 included discussions with a range of potential customers for potential product development and sale agreements for High Energy Laser Weapons. Discussions with two customers are at a more advanced stage. These discussions are ongoing and could result in new customer agreements being signed during 2024 or later.

Discussions with a number of potential future customers are continuing in relation to these new products. Typically, new product launches in the defence industry can take one to three years to achieve sales and develop commercial maturity.

5. GUARANTEE AND BOND FACILITIES

As part of normal industry practice, the Group is regularly required to provide guarantees and performance and other bonds as security to customers and other counterparties. These bonds are secured either wholly or partly by cash and a fixed and floating charge over the assets of the Group. During the quarter, an additional \$6.0m of cash security was provided to funding providers.

As at 31 March 2024, the Group had issued a total of \$105.3m of performance and offset bonds. These are issued by Export Finance Australia and Westpac under Bond Facility Agreements. The performance and offset bonds provided on behalf of the Group are shown as Contingent Liabilities in the Group financial statement notes. Cash security deposits totalling \$73.7m secured these bonds at 31 March 2024. The bonds, guarantees and cash deposits are expected to be returned to EOS in future years as various obligations are fulfilled.

6. OFFSET CREDIT OBLIGATION

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

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

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

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

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

As part of the Offset Program, EOS is required to develop, agree and submit an approved business plan to the Offset Credit authority. EOS submitted a business plan during September 2023, which was within a time limit specified by the Offset Credit authority. The business plan remains under review by the Offset Credit authority and the Group continued during the quarter to have advanced discussions with the Offset Credit authority towards finalising this approval.

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

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

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

7. BORROWING SUMMARY AND CASH BALANCES

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

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

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

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

The key terms of each of the facilities were included in the announcement dated 13 October 2022 "EOS enters into New Financing Facilities & continues development of Strategic Growth Options" ("EOS 13 October 2022 Announcement"). These terms were amended as announced on 22 December 2023 and 27 February 2024 (see below).

As at 31 March 2024 and at the date of this report, the Term Loan facility was fully drawn.

The \$52.1m repayment due for the Term Loan Facility includes principal, establishment fees and interest accrued to date. In addition to the above repayment due in October 2025, EOS is required to pay interest each month, totalling approximately \$19.0m over the remaining term of the debt. The borrowing facility agreements include a 100% 'make whole' clause which applies in the case of any early repayment.

During Q1 2024 a \$4.5m fee was paid to WHSP as agreed in the agreement resolving a previous commercial dispute with WHSP (announced on 22 December 2023). The agreement was previously conditional on the approval of another finance provider, EFA, and payment of the \$4.5m fee. EFA approval was received during the quarter and the \$4.5m payment was made in full and final settlement of the dispute. As part of the agreement, WHSP agreed to relax certain restrictions included in the borrowing facility agreements. The flexibility afforded by this relaxation is expected to allow EOS to take advantage of future business growth opportunities as they arise.

During the quarter, the Group was required to comply with borrowing covenants related to quarterly testing of asset coverage and interest coverage ratios. During the quarter ended 31 March 2024, and in the period up to the date of this announcement, the Group complied with its covenants and other obligations under the facility agreements.

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

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

During Q1 2024, EOS undertook an equity raise, as a fully underwritten institutional placement. This raised \$33.6m net of fees, as announced on 22 March 2024. These funds were received during the quarter. In addition, after the end of Q1 2024, EOS received net proceeds of \$1.9m from the Share Purchase Plan ('SPP'), as announced on 22 April 2024.

EOS's cash balance at 31 March 2024 was \$72.4m. The Group's next scheduled loan repayment is \$52.1m due on 11 October 2025.

8. BOARD AND MANAGEMENT CHANGES

On 26 March 2024, EOS announced the appointment of Ms Melanie Andrews as Joint Company Secretary of EOS.

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

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

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

9. RELATED PARTY TRANSACTIONS

Payments to related parties of the entity and their associates totalled \$333,241 for the quarter.

These amounts include:

- payments of \$186,518 paid to CEO Dr Schwer as salary during the quarter; and
- \$146,723 paid in directors' fees and superannuation to non-executive directors and entities associated with non-executive directors during the quarter.

10. SUBSEQUENT EVENTS

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

11. AUDITED RESULTS

All information included in this announcement is unaudited.

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

Further information:

Dr Andreas Schwer
Managing Director and Chief Executive Officer
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ABOUT ELECTRO OPTIC SYSTEMS (ASX: EOS)

EOS operates in two divisions: Defence Systems and Space Systems

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

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

FORWARD LOOKING STATEMENTS

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

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

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

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

Appendix 4C

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

Name of entity

ELECTRO OPTIC SYSTEMS HOLDINGS LIMITED

ABN

95 092 708 364

Quarter ended ("current quarter")

31 March 2024

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	52,062	52,062
1.2 Payments for		
research and development	(3,314)	(3,314)
product manufacturing and operating costs	(42,011)	(42,011)
advertising and marketing	(914)	(914)
leased assets	-	-
staff costs	(10,623)	(10,623)
administration and corporate costs	(8,149)	(8,149)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	335	335
1.5 Interest and other costs of finance paid	(9,956)	(9,956)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	12	12
1.8 Other (provide details if material)	-	-
Income tax refund received	-	-
1.9 Net cash from / (used in) operating activities	(22,558)	(22,558)

2.	Cash flows from investing activities		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	(252)	(252)
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.2	Proceeds from disposal of		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Security Deposits	(6,044)	(6,044)
2.6	Net cash from / (used in) investing activities	(6,296)	(6,296)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	35,000	35,000
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	(1,372)	(1,372)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Repayment of lease liabilities	(1,225)	(1,225)
3.10	Net cash from / (used in) financing activities	32,403	32,403

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	70,997	70,997
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(22,558)	(22,558)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(6,296)	(6,296)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	32,403	32,403
4.5	Effect of movement in exchange rates on cash held	(2,104)	(2,104)
4.6	Cash and cash equivalents at end of period	72,442	72,442

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	72,442	70,997
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)	72,442	70,997
Note	Not included in the cash figure above are current and non-current cash security deposits securing performance bonds, premises and guarantees	74,915	67,056

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	333
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
These amounts included in item 6.1 all relate to payments for directors' fees and superannuation to non-executive directors and entities associated with non-executive directors during the quarter.		

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	65,821	65,821
7.2	Credit standby arrangements	-	-
7.3	Other – Export Finance Australia	88,300	87,948
	Other – Westpac	17,325	17,325
7.4	Total financing facilities	171,446	171,094
7.5	Unused financing facilities available at quarter end		352
7.6			

WHSP Facilities:Working Capital facility

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

Additional Working Capital Facility

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

Term loan facility

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

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

Resolution of Commercial Dispute with Lender WHSP

Following a fee claim that was received on 9 October 2023 and disputed by EOS, the Group resolved a commercial dispute with its primary lender, Washington H. Soul Pattinson on 22 December 2023.

During Q1 2024 a \$4.5m fee was paid to WHSP as agreed in the agreement resolving the commercial dispute with WHSP on 22 December 2023. The agreement was previously conditional on the approval of another finance provider, EFA, and payment of the \$4.5m fee. EFA approval was received during the quarter and the \$4.5m payment was made in full and final settlement of the previous disputed fee claim. As part of the agreement, WHSP agreed to relax certain restrictions included in the borrowing facility agreements. The flexibility afforded by this relaxation is expected to allow EOS to take advantage of future business growth opportunities as they arise.

7.6

Export Finance Australia facility:

- The Group maintains a performance bond in respect of a contract in Defence Systems of US\$33.3m (A\$50.9m). The performance bond was provided by Export Finance Australia under a Bond Facility Agreement and is secured by a cash Security Deposit of US\$15.9m (A\$24.3m) 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\$26.0m). 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\$21.0m) and a fixed and floating charge over the assets of the Group. The costs of this facility are included in Item 1.5 as other costs of finance paid.
- The Group has an agreement with Export Finance Australia to provide a A\$11.1m bank guarantee to a domestic customer in Australia in relation to sourcing products for delivery to a Western European Government customer. At 31 March 2024, the bank guarantee is secured by cash deposit of A\$11.1m and the costs of the facility arrangements are included in Item 1.5 as other costs of finance paid.

Westpac facility:

- The Group has executed an agreement with Westpac to provide a A\$11.1m bank guarantee to a domestic customer in Australia in relation to sourcing products for delivery to a Western European Government customer. This, in addition to the EFA \$11.1m guarantee provides the total \$22.2m security required under the contract. The bank guarantee with Westpac was secured by a cash deposit of \$11.1m and the costs of the facility arrangements are included in Item 1.5 as other costs of finance paid.
- The Group has secured a bank guarantee facility for \$6m with Westpac to support an EM Solutions contract to deliver and install communications systems to the Royal Australian Navy. To secure these bank guarantees the Group has provided a cash security deposit of \$6m.

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(22,558)
8.2	Cash and cash equivalents at quarter end (item 4.6)	72,442
8.3	Unused finance facilities available at quarter end (item 7.5)	352
8.4	Total available funding (item 8.2 + item 8.3)	72,794
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	N/A
8.6	If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
	8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
	Answer: N/A	
	8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
	Answer: N/A	
	8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
	Answer: 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: 30 April 2024

Authorised by the Board of Directors.

Notes

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