



ACTIVITY STATEMENT FOR THE QUARTER ENDING 30 SEPTEMBER 2022

Canberra, 31 October 2022

Electro Optic Systems Holdings Limited (“EOS” or the “Company”) has filed its activity statement (4C) for the quarter ending 30 September 2022.

1. OVERVIEW

- The new CEO, Dr Andreas Schwer commenced as Chief Executive Officer on 1 August 2022.
- The restructure of the business advanced during Q3. Implementation of the headcount reduction program started in September and management expect to eliminate over 100 roles in EOS prior to 31 December 2022. Annual savings of \$25m are expected to be achieved, predominantly from Q1 2023 onwards.
- The implementation of the new business plan has commenced. As part of this, EOS is in discussion with several potential strategic partners. This includes understanding their ability to partner and financially support EOS diversification into new geographic markets or to complement the Company’s existing products in existing markets.
- The Company intends to cease investment in SpaceLink in November as it has (as at the date of this announcement) been unable to secure an investment partner.
- At 30 September 2022, EOS held \$16.9m in total available cash and had \$5.3m of unused facilities available. During the quarter, the Company’s Net Cash Used in Operating Activities was a \$17.8m cash outflow. EOS completed a refinancing after the end of the quarter, on 12 October 2022, including securing \$15m additional facilities.
- The revenue recognition in Defence Systems has been delayed, notably on a large customer contract in the Middle East. During the quarter there were delays in customer vehicle availability and delays in third party cannon supply. In addition, delays in securing contract amendments with the customer have meant that revenue that was previously expected to be earned in Q3 and Q4 of 2022 will now occur in Q4 and in 2023.
- EOS made material progress during the quarter on potential opportunities with Ukraine. The Company is in active contract negotiations on potential supply arrangements. These have the potential to materially improve future revenue and cash flow. There is no certainty that any particular outcome or transaction will result from these discussions.

2. RESTRUCTURING – COST REDUCTION TARGET OF \$25M PER ANNUM

As outlined in the [H1 Investor Presentation](#) on 8 September 2022, the Company is implementing a restructuring program to reduce costs, improve efficiency and align resourcing levels more closely with current sales activity.

Implementation of the headcount reduction program started in September. Prior to 31 December 2022, management expect to eliminate over 100 roles in EOS. During the quarter, redundancy costs of \$1.2m were paid and included in the reported Net Cash Used in Operating Activities for the quarter. In addition to reducing headcount, EOS is taking steps to appoint managers with a strong commercial background and industry experience. This work will continue into 2023.

During the quarter, work also started on consolidating certain premises across locations.

Total annual savings of \$25m from the restructuring program are expected to be achieved, mainly from Q1 2023 onwards. The restructuring is intended to allow EOS to improve cash flow and profitability during 2023.

3. SPACELINK

Following the Strategic Review that occurred earlier in 2022, EOS announced that future EOS investment capital will be focused on EOS core businesses of Defence Systems and Space Systems (EMS and Space Technologies), rather than on SpaceLink.

As a consequence, and as previously announced, EOS has been seeking strategic investors in SpaceLink. A comprehensive process to do this has now been completed. The outcome is that EOS has not (as of the date of this announcement) succeeded in securing new investment from strategic investors. As a result, EOS intends to cease further investment in SpaceLink during November 2022. An impairment provision of \$54.4m was previously recorded against SpaceLink during the half year ended 30 June 2022.

During the quarter, EOS spent \$3.6m on SpaceLink, all on operating costs included in Net Cash Used in Operating Activities.

The cessation of investment in SpaceLink is intended to allow EOS to improve cash flow and profitability during 2023.

4. STRATEGIC GROWTH PARTNERSHIPS AND/OR CAPITAL TRANSACTIONS

As outlined in the [EOS 13 October announcement](#), EOS has recently received approaches from several parties in relation to potential strategic growth partnerships and/or capital transactions.

A confidential process is ongoing to develop and assess potential strategic partners having particular regard to their ability to partner and financially support diversification into new geographic markets or to complement our existing products in existing markets.

There is no certainty that any particular outcome or transaction will result from the process. EOS will update the market as appropriate.

5. BUSINESS UPDATE – DEFENCE SYSTEMS

Project Timing & Milestones

- EOS activities in Defence Systems include the sale of products under a small number of large projects. Typically, under the contracts with customers, both revenue recognition and cash receipts from customers are governed by the achievement of project milestones.
- Changes in project timing, and the timing of EOS revenue and cash receipts, can arise due to unplanned changes in circumstances. This can include delays at the customer, delays at the customer's other suppliers, delays at EOS and delays at EOS suppliers.
- EOS aims to manage the risks of adverse changes in project timing. This includes:
 - managing risk allocation under customer & supplier contracts,
 - working closely with customers and others to manage, avoid and mitigate delays, and
 - seeking commercial redress where appropriate.
- Despite these actions, quarterly revenue and cash receipts from customers can sometimes vary from expectations due to unavoidable changes in project timing.

Customer Contract Activity and New Business Opportunities

- EOS earned Defence Systems revenue and collected cash from customers during the quarter almost exclusively under pre-existing customer contracts.
- The market for the Company's products continued to develop positively during the quarter. This was partly due to the conflict in Ukraine and the impact on customer demand in NATO countries and other markets.
- During the quarter, the mix of potential new business opportunities evolved. This was due to a range of political, economic and global geopolitical factors, particularly including the conflict in Ukraine. The outcomes of this were:
 - EOS is now reviewing larger opportunities outside Australia than previously.
 - Some opportunities in Australia that were previously expected to be signed and commence delivering revenue in H2 2022 are now expected to be signed in 2023.
 - The level of new contracts secured by Defence Systems during the quarter was lower than previously expected.
- Regarding Ukraine, EOS is in active contract negotiations regarding the potential provision of a significant number of RWS systems and related components and spares to Ukraine. These discussions have progressed significantly during the quarter ended 30 September 2022 and subsequently. This has the potential to materially improve future revenue and cash flow. There is no certainty that any particular outcome or transaction will result from these discussions. EOS will update the market as appropriate.

5. BUSINESS UPDATE - DEFENCE SYSTEMS (Continued)

Impact of Supply Chain and Revenue Recognition under existing contracts

- The normalisation of global supply chains has taken longer to occur than previously expected and supply chain challenges continue in many markets, impacting the timing of EOS revenue recognition. Whilst in some areas supply chain challenges have started to show signs of easing, in other areas the impact of previous challenges continues to be felt, and new challenges have emerged.
- For EOS largest customer contract, in the Middle East, timing delays arose during the quarter. These were mainly due to supply chain issues. This means that some revenue that was previously expected to be recognised during 2022 has been delayed until 2023.
- The key changes arising during the quarter and subsequently were:
 - The supply of third party vehicles to the customer was later than expected. This means that EOS was unable to complete the integration of RWS products onto the customer vehicles.
 - There were unexpected delays in securing contract amendments with the customer, particularly relating to the customer's vehicle supply delays. The delays were, in part, caused by a previous reorganisation at the customer.
 - Third party suppliers of cannons were later than expected. This was because of supply chain and production constraints at the cannon supplier. This means that EOS was unable to complete the testing and installation of RWS supplied to the customer.
- This meant that revenue that was previously expected in Q3 and Q4 of 2022, will now occur in Q4 and in 2023. EOS is taking steps to improve the situation with this customer and this work is expected to continue into 2023.
- More broadly, improving EOS' supply chain resilience continues to be a key challenge as global markets continue to evolve. Management expects this to remain a challenge into 2023 and accordingly focus on this area will continue.

Other Matters

During Q3, in the Defence Systems business, EOS:

- Won the AIC Champion of the year at the Australian Defence Industry awards held in September 2022. This was in recognition of the work undertaken to enhance and grow Australian Industry Capability.
- Attended the C-UAS Sandbox in Alberta Canada where we delivered catastrophic effects on static and moving UAS at distances ranging from 300 to 800m. This confirms EOS' leading innovation in counter drone technology.
- Supported the integration and subsequent deployment of four R400 equipped uncrewed ground vehicles (UGV) for a NATO customer. This deployment in Lithuania represents the first NATO operational deployment for a UGV equipped with lethality systems.

6. BUSINESS UPDATE - SPACE SYSTEMS

During Q3 2022 in the Space Systems business:

- EOS continued to deliver products services under existing contracts to customers.
- EM Solutions signed a \$26m three-year sustainment contract with the Australian Commonwealth's Capability Acquisition and Sustainment Group (CASG) for the Royal Australian Navy's existing fleet of Cobra Maritime SATCOM terminals.
- The Company was awarded two contracts with the United States National Oceanic and Atmospheric Administration (NOAA) government agency's Office of Space Commerce. The contracts are to provide satellite laser ranging data and passive electro-optical observations. The contract values are for less than \$1m.
- Space Systems completed demonstration and test work with two potential customers in relation to Directed Energy products. During the quarter, \$1.7m cash spending was incurred on development and testing for directed energy products. This is reported within Net Cash Used in Investing Activity for the quarter
- Space Systems continued to work on bids and proposals for significant opportunities with customers in Australia and overseas.
- The decision was taken to cease investment in SpaceLink (see section 3 above).

7. CORPORATE MATTERS

Board

On 13 September 2022 Mr. Robert Kaye SC was appointed as an Independent Non-executive Director of the Company.

Management

During the quarter, EOS announced changes in management:

- On 13 July 2022 the Company announced the appointment of Mr. Clive Cuthell as Chief Finance Officer. Mr. Cuthell commenced on 5 September 2022.
- On 21 July 2022 the Company announced the appointment of Dr Andreas Schwer as Chief Executive Officer (CEO) effective 1 August 2022. As a result, Dr Ben Greene stepped down as CEO on 31 July 2022. Dr Greene is the Founder of EOS, continues as a Director, and has taken up the role of Head of Innovation.
- Mr. Morgan Bryant, the Company Secretary and Chief Legal Officer resigned and left the company, effective 25 August 2022. Ms. Leanne Ralph replaced him as Company Secretary.

In addition, during the quarter, EOS reduced the size of the Executive Management team and reduced costs. The following changes have occurred:

- Dr Rowan Gilmore (Deputy CEO) left the Company effective 29 July 2022.
- Mr Pete Short (Chief Operating Officer) left the Company on 14 September 2022.
- Dr Craig Smith (Chief Technology Officer) left the Company on 30 September 2022.
- Mr Glen Tindall (CEO Space Systems) finished working with the Company during August 2022 and Dr James Bennett took over as Acting Executive Vice President of Space Systems.
- During September 2022, Mr Grant Sanderson stepped down as CEO Defence Systems to take a new role and Mr Matt Jones took over as Acting Executive Vice President of Defence Systems.

7. CORPORATE MATTERS (Continued)

Related party transactions

Payments to related parties of the entity and their associates totalled \$342,660 for the quarter. These amounts include \$59,307 in salary and other benefits to the CEO and \$283,353 paid in directors' fees and superannuation to directors and entities associated with non-executive directors during the quarter.

8. FUNDING – ADDITIONAL FACILITIES ESTABLISHED

As at the date of this announcement, EOS has the following facilities in place:

- New Term Loan Facility, \$35m principal, maturing on 11 October 2025
- Existing Working Capital Facility, \$20m principal, maturing 6 September 2023
- New Working Capital Facility, \$15m principal, maturing on 11 April 2024

The key terms of each of these facilities are included in the announcement dated 13 October 2022 "EOS enters into New Financing Facilities & continues development of Strategic Growth Options" ("[EOS 13 October Announcement](#)").

The key funding changes that occurred during the quarter were as follows:

- On 4 July 2022 the Company received the net proceeds of \$14.4 million from the placement of 12,500,000 fully paid ordinary shares at \$1.20 per share. On 5 July 2022 the Company announced a Share Purchase Plan for existing holders which closed on 19 July 2022. The Plan resulted in the placement of a further 168,737 fully paid ordinary shares raising \$0.2m, which was received on 27 July 2022.
- On 7 September 2022, the Company announced that it had entered into a short-term \$35m Term Loan Facility ("Short Term Loan Facility") with Washington H. Soul Pattinson and Company Limited (WHSP). The proceeds of this Short Term Loan Facility were used to repay an existing RNC Facility of \$35 million that matured on 6 September 2022.
- On 7 September 2022, EOS announced that it had entered into a \$20 million 12-month working capital facility with WHSP ('Existing Working Capital Facility'). During September 2022, the Company drew down \$15 million from this Existing Working Capital Facility.

Subsequent to 30 September, the Short-Term Loan Facility ultimately matured on 12 October 2022. On that date, EOS entered into a new \$35m three-year term loan facility ("New Term Loan Facility") to refinance the Short Term Loan Facility. On the same date, EOS also entered into an Additional Working Capital Facility with WHSP. This facility is for \$15m, with an 18-month maturity.

The new funding facilities have been established to repay debt facilities which matured during the quarter, and to provide the new management team with time to implement the Program of Change announced on in the Investor Presentation on 8 September 2022.

The Board continues to closely monitor the cashflow outlook for the business to ensure that adequate funding facilities are established and maintained. The Board will continue to regularly review and, if necessary, amend EOS capital structure to ensure EOS is able to execute the Program of Change.

9. COMPANY CASH

During the quarter, receipts from customers totalled \$29.5m. In Q3, EOS Net Cash Used in Operating Activities was an \$17.8m cash outflow. More detail on the business drivers of cashflow are included in sections 2, 3, 5, and 6 above.

EOS spent a total of \$3.6m total cash spending on SpaceLink during the quarter, included in Operating Activities. During the quarter, EOS received \$2.6m from a former associate company, AEI, upon repayment of convertible bonds issued by AEI to EOS.

At 30 September 2022 EOS held \$16.9m in total available cash and had \$5.3m of unused facilities available. Subsequent to 30 September 2022, EOS drew down a further \$5m from the Existing Working Capital Facility and drew down \$15m from the Additional Working Capital Facility. The proceeds of these draw downs were used to pay creditors and other costs. Following these draw downs, EOS' facilities were fully drawn.

At the end of the quarter EOS had a contract asset recorded totalling \$136.4m, representing products 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, and is expected to be invoiced and realised in cash in future periods.

During the quarter, the new management team has initiated actions to improve EOS future cashflow. This has included:

- Commencing a restructuring during the quarter, to reduce costs by \$25m per annum
- Making the decision to cease investment in SpaceLink
- Increasing the focus on improving cashflows from key customer projects, including management of the risk of adverse changes in project timing
- Appointing managers with a strong commercial background and appropriate industrial experience

These steps are intended to improve the cashflow of the Company during 2023.

10. REVENUE IN Q3

The revenue recognised for the quarter ended 30 September was \$13.0m and the year to date revenue at 30 September 2022 was \$66.7m. This revenue for the quarter was lower than expected, due to:

- Revenue in Defence Systems that was previously expected to be earned during Q3 and Q4 of 2022 has been delayed and is now expected to be earned in Q4 of 2022 and in 2023.
- New Business Opportunities that were expected to be signed during 2H 2022 have evolved. This is due to a range of political, economic and global geopolitical factors, particularly including the conflict in Ukraine. Some new business opportunities in Australia that were previously expected to be signed and commence delivering revenue in 2H 2022 are now expected to be signed in 2023.

More detail on development on these areas is included in section 5 above.

11. OUTLOOK

EOS has previously announced, on 29 June 2022, that 2022 revenue levels were expected to be at or above 2021 levels, i.e., \$212m or above.

On 7 September 2022, EOS announced that:

- Delivery against existing contracts in H1 2022 had been impacted by supply chain constraints and that some impact was expected to continue into H2 2022 and that this may cause some revenue recognition to be delayed from H2 2022 into H1 2023.
- Further, the awarding of new contracts had been slower than expected over recent months.
- The Board of Directors had asked the newly appointed CEO and CFO to conduct a thorough re-assessment of the financial outlook for the Company, including an assessment of evolving risks and opportunities and any impacts on revenue.

EOS today announces the following:

- Supply chain constraints have caused some revenue recognition to be delayed from H2 2022 to 2023.
- The awarding of new contracts has continued to be slower than originally expected.
- More information on both of these matters is detailed in section 5 above.
- Management have completed the assessment of the 2022 revenue outlook and note that:
 - The timing of revenue recognition by the Company continues to be impacted by a number of risks and uncertainties.
 - The revenue outlook for 2022 depends on the timing of achievement of contract milestones prior to 31 December 2022.
 - In particular, this depends on project activity and discussions with EOS customers over the coming weeks.
 - The mix of new business opportunities has evolved during the quarter, in particular due to the conflict in Ukraine.
- For customer activity that is secured under contract:
 - Revenues in the range of \$100 - 140m are expected to be recognised in the 2022 year, with a further approximately \$40 - 80m, previously thought to be recognised in 2022, now more likely (due to supply chain constraints), to be recognised in 2023.
- In addition, in relation to new business opportunities
 - Contracts that were previously expected to be signed in Q3 and Q4 of 2022 are now expected to be signed in either Q4 of 2022 or in 2023.
 - Revenue from new business opportunities that was previously expected to earn approximately \$30m revenue during the year are now expected to be signed in Q4 or 2023 and earn revenue during 2023 and subsequent periods.
 - The new business opportunity in Ukraine has not been included in the above outlook until we have better certainty and line of sight.

12. SUBSEQUENT EVENTS

Material subsequent events have been discussed in sections 1-9 above.

This announcement has been authorised for release to the ASX by the Board of Directors.

Further information:

Dr Andreas Schwer
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 are next-generation remote weapon systems, vehicle turrets, counter-UAS and C4 systems.

Space Systems includes all EOS space and communications businesses, and operates as three entities –EM Solutions, Space Technologies and SpaceLink. EM Solutions provides global satellite communications services and systems. Space Technologies specialises in applying EOS-developed optical sensors to detect, track, classify and characterise objects in space and remains integral to research and development across the group. EOS is in the process of ceasing its investment in SpaceLink.

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 092708 364

Quarter ended ("current quarter")

30 September 2022

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	29,478	103,911
1.2 Payments for		
research and development	(3,780)	(12,390)
product manufacturing and operating costs	(21,459)	(53,849)
advertising and marketing	(239)	(1,532)
leased assets	-	-
staff costs	(14,412)	(43,534)
administration and corporate costs	(5,447)	(20,997)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	200	207
1.5 Interest and other costs of finance paid	(2,363)	(6,871)
1.6 Income taxes paid	(125)	(1,014)
1.7 Government grants and tax incentives	88	196
1.8 Other (provide details if material)	229	279
1.9 Net cash from / (used in) operating activities	(17,830)	(35,594)

2.	Cash flows from investing activities		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) businesses	-	(185)
	(c) property, plant and equipment	(2,747)	(18,812)
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.2	Proceeds from disposal of		
	(a) entities	2,576	2,576
	(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	(4,375)	(11,057)
2.6	Net cash from / (used in) investing activities	(4,546)	(27,478)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	14,620	14,620
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	-	-
3.5	Proceeds from borrowings	52,664	52,664
3.6	Repayment of borrowings	(35,000)	(35,000)
3.7	Transaction costs related to loans and borrowings	(2,939)	(2,939)
3.8	Dividends paid	-	-
3.9	Repayment of lease liabilities	(1,302)	(3,861)
3.10	Net cash from / (used in) financing activities	28,043	25,484

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	13,844	59,261
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(17,830)	(35,594)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(4,546)	(27,478)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	28,043	25,484
4.5	Effect of movement in exchange rates on cash held	(2,620)	(4,782)
4.6	Cash and cash equivalents at end of period	16,891	16,891

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	16,891	13,844
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)	16,891	13,844
Note	Not included in the cash figure above are non-current cash security deposits securing performance bonds, premises and guarantee	37,213	31,298

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	343
6.2	Aggregate amount of payments to related parties and their associates included in item 2	

The amounts included in Item 6.1 includes \$59,307 in salary and other benefits to the CEO and \$283,353 paid in directors fees and superannuation to 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. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1	Loan facilities	57,664	52,664
7.2	Credit standby arrangements	-	-
7.3	Other – Export Finance Australia	77,570	77,217
7.4	Total financing facilities	135,234	129,881
7.5	Unused financing facilities available at quarter end		5,353
7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		
	<p>RNC Working Capital Facility:</p> <p>On 27 August 2021 the consolidated entity established a A\$35m working capital facility with RNC Nominees Pty Ltd. The facility had a 1-year term and carried interest of 9% per annum. The RNC facility matured on 6 September 2022 and was repaid with the proceeds from a new facility with Washington H. Soul Pattinson and Company Limited (WHSP) (see below).</p> <p>WHSP Facilities:</p> <p><i>Term loan facility</i></p> <p>On 6 September 2022, the consolidated entity entered a short-term \$35m term loan facility ("Existing Term Loan Facility") with WHSP, that matured on 26 September 2022. Subsequent to 30 September, on 12 October 2022, the consolidated entity entered into a new \$35m three-year term loan facility ("New Term Loan Facility") to refinance the Existing Term Loan Facility. The facility carries interest of 22% per annum and line fees of 4% and is secured by a general security deed which ranks <i>pari passu</i> with the Export Finance Australia facility below.</p> <p><i>Existing Working Capital facility</i></p> <p>On 6 September 2022, the consolidated entity also entered into a \$20m 12-month working capital facility with WHSP. The facility carries interest of 15% per annum and line fees of 4%. This loan is secured by a general security deed which ranks in priority above both the Term loan facility and the Export Finance Australia facility below.</p> <p><i>New Working Capital Facility</i></p> <p>On 12 October, after the end of the quarter ended 30 September 2022, the consolidated entity entered into an Additional Working Capital Facility with WHSP. This facility was an 18-month facility for \$15m. The facility carries interest of 15% per annum and line fees of 4%. This loan is secured by a general security deed which ranks in priority above both the Term loan facility and the Export Finance Australia facility below.</p> <p>The above facilities include an early repayment option and a 'make whole' clause.</p> <p>The key terms of each of these facilities are included in the announcement dated 13 October 2022 "EOS enters into New Financing Facilities & continues development of Strategic Growth Options" ("EOS 13 October Announcement").</p>		

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

7.6	<p>Export Finance Australia facility:</p> <p>The consolidated entity maintains a performance bond in respect of a contract in the Defence sector. Due to an increase in the overall contract value, this bond (and related security deposit) increased by US\$1.6m to US\$33.3m (A\$51.1m) in August 2022. 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\$24.4m) and a fixed and floating charge over the assets of the consolidated entity. The costs of this facility are included in Item 1.5 as other costs of finance paid.</p> <p>Under the terms of a contract in the Defence sector, the consolidated entity signed an offset agreement with the relevant overseas Government Authority on 12 February 2021 for an amount of US\$16.1m. The offset amount (and related security deposit) was amended by US\$0.8m to US\$16.9m (A\$26.1m) in August 2022. The offset bond was provided by Export Finance Australia under a Bond Facility Agreement and is secured by a cash security deposit of US\$7.3m (A\$11.2m) and a fixed and floating charge over the assets of the consolidated entity. The costs of this facility are included in Item 1.5 as other costs of finance paid.</p>
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8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(17,830)
8.2	Cash and cash equivalents at quarter end (item 4.6)	16,891
8.3	Unused finance facilities available at quarter end (item 7.5)	5,353
8.4	Total available funding (item 8.2 + item 8.3)	22,244
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	1.2
	<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
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: Yes. The group is implementing a restructuring program to reduce operating costs and has decided to cease investment in SpaceLink during November 2022. This is expected to improve cashflows during 2023.	
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: Yes. The group raised additional borrowings of A\$15m during October 2022.	
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: Yes. See the answer outlined at 8.6.1 above.	
	<i>Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.</i>	

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 October 2022

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.