

Half-Year Report of *Electro Optic Systems Holdings Limited* for the Half-Year Ended 30 June 2021

ACN 092 708 364

This Half-Year Report is provided to the Australian Stock Exchange (ASX) under ASX Listing Rule 4.2A.3.

Current Reporting Period: Half-year ended 30 June 2021

Previous Corresponding Period: Half-year ended 30 June 2020

ELECTRO OPTIC SYSTEMS HOLDINGS LIMITED

Results for Announcement to the Market

Revenue and Net Profit

		Percentage Change %	Amount
Revenue from ordinary activities	Up	29.7	\$97,820,154
Loss from ordinary activities after tax attributable to members	Up	N/A	To (\$11,727,207)
Loss attributable to members	Up	N/A	To (\$11,727,207)

Dividends (Distributions)

	Amount per security	Franked amount per security
Final dividend	Nil¢	Nil¢
Interim dividend	Nil¢	Nil¢
Record date for determining entitlements to the dividend:		
• final dividend		N/A
• interim dividend		N/A
Net tangible assets at 30 June 2021 (including right of use assets and lease liabilities recognised in accordance with AASB 16 <i>Leases</i> .)		\$286,962,247
Number of ordinary shares outstanding at 30 June 2021		150,914,229
NTA per ordinary share at 30 June 2021		190.15 cents
NTA per ordinary share at 30 June 2020		207.08 cents

Brief Explanation of Revenue, Net Profit and Dividends (Distributions)

Refer to Review of Operations

ELECTRO OPTIC SYSTEMS HOLDINGS LIMITED

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1. RESULTS FOR HALF-YEAR ENDED 30 JUNE 2021

The consolidated entity (“EOS”) reported an operating loss after tax of \$11,727,207 for the six month period to 30 June 2021 (30 June 2020: \$14,261,959 loss) after allowing for an income tax expense of \$2,913,825 (30 June 2020: \$4,399,511 benefit). This is based on revenues from ordinary activities totalling \$97,820,154 (30 June 2020: \$75,437,232).

The consolidated entity reported net cash generated by operations for the six month period totalling \$4,568,974 (30 June 2020: \$62,556,530 cash used by operations). At 30 June 2021, the consolidated entity held cash totalling \$51,117,896 (30 June 2020: \$128,135,770).

2. CORPORATE MATTERS

The EOS Board of Directors has seen two long standing Directors step down from their roles in 2021. Ian Dennis retired as Non-Executive Director at the May 28 AGM after more than 20 years’ service and has subsequently retired as Joint Company Secretary. Fred Bart stepped down as a Director and Chairman on 26 July, also after more than 20 years. The EOS Board appointed Peter Leahy AC to the Chair role, and a global executive search firm has been appointed to conduct the search for a replacement Director. The EOS Board thanked both Ian and Fred for their tireless commitment to the Company, EOS shareholders and the clients and communities that the Company serves, and wished them all the best for the future.

In a significant development during H1 2021, the Company received a \$30 million payment from a single customer on a major overseas contract. The performance of the contract is strong and now includes negotiated amendments to expand the scope of works (see Defence Systems report below). These amendments, once executed, will allow for the resumption of invoicing with the Company anticipating cash receipts of over \$100 million under the contract in H2 2021.

Subsequent to 30 June, as part of the treasury management program, the Company implemented a \$35 million working capital facility in August with a leading Australian Non-Bank Financial Institution to provide additional funding flexibility. The facility will initially run for 12 months and is on normal commercial terms. The debt ranks pari passu with the bonding facilities provided by Export Finance Australia.

The individual sector performances are discussed below.

3. COVID-19 IMPACT ON OPERATIONS

The COVID-19 situation continues to evolve in Australia and globally, with the Delta strain resulting in lockdowns across Australia and having impact internationally. Our highest priority remains the health and safety of our employees and their communities. EOS has implemented stringent COVID-19 protocols which have been effective in minimising staff cases and maintaining Company operations. In Australia our production facilities are continuing to operate as essential services, but are running on split shifts and wherever possible staff are working from home in line with government health directives.

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From a business perspective, the resurgence of COVID-19 has the potential to impact EOS in multiple ways, including increasing supply chain costs, reducing supplier responsiveness, product delivery delays, delays in contract negotiation and execution, access to customers and inefficiencies in staff utilisation.

4. EOS DEFENCE SYSTEMS

The half year sector revenue of \$83.6 million represents growth of 22% over the corresponding prior period. The segment profit before income tax of \$5.7 million compares to a loss of \$14.3 million in the corresponding half year to 30 June 2020. This represents an operating margin of 6.8%, approximately half the level the business would normally expect to report. This reflects the impact of COVID-19 on operational efficiency as well as increased investments in new products and capabilities to meet accelerating demand.

Defence Systems received first payment from customer on major overseas contract

Total cash receipts from Defence customers during the first half were \$101.1 million, of which \$30 million was payment from a single customer on a major overseas contract. The performance of the contract is strong with the first two batches of systems (29 Remote Weapon Systems in total) integrated, tested and delivered to the customer. Subsequent to 30 June 2021, Batches 3 and 4 have passed customer acceptance testing and are awaiting delivery. Systems integration has begun with Batch 5 and the customer has received additional staff operational training.

The Company has approximately \$100 million of contract assets positioned near the customer delivery point, ready for delivery and conversion to cash. This is a reduction of \$30 million in the contract asset following deliveries achieved and cash payments made by the customer in the first half of 2021. The Company and the customer have agreed amendments to the head contract to increase the contract value by US\$17 million from US\$316 million to US\$333 million, reflecting a revised scope of work. The agreed amendments also reset the program delivery schedule going forward. The Company will submit invoices under the amended contract in September, and the conversion of \$100 million of investment from contract asset to cash will occur in H2 2021.

EOS Cooperation Agreement with Diehl Defence for European and NATO markets

The Company and Diehl Defence GmbH & Co KG (“DDK”) announced the signing of a Cooperation Agreement to facilitate greater commercial collaboration between the two companies. The Company and Diehl Defence will initially focus collaboration on the area of advanced stabilised and remotely operated weapon systems (RWS) for the European and NATO markets. Diehl Defence is a technology-driven privately owned German defence company with a long tradition and excellent reputation in the European market. EOS RWS technology offers the ability to gain accurate, long-range and wide-area imagery of the battlespace and simultaneously deliver precise target engagement with the operator constantly behind protection, on the move by day and by night. The precision offered by the EOS RWS technology provided to Diehl Defence also allows for best-in-class engagement of drones by direct fire. As part of this Cooperation Agreement a production line for RWS

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will be established in Diehl's German facilities with the necessary technology transfer such that European defence forces can be optimally served by Australian technology, adapted, augmented and produced in Germany. This agreement also facilitates further collaboration on Space and High Power Electro-Magnetics, laser and missile technologies between the two companies. Both companies believe that this collaboration promises a great opportunity for Australian, European and NATO forces to continue their already close relationship.

Defence Systems continues to progress C-UAS, C4 EDGE and the T2000 programs

The C4 EDGE Australian sovereign industry consortium, initiated by the Australian Army and led by EOS, was extended with the addition of Applied Virtual Simulation ("AVS") and APC Technology ("APC") as team members. AVS is a leading provider of simulation-based training technology to the Australian Army. AVS will bring its substantial depth of knowledge on Live Virtual and Constructive simulation integration and interoperability to the C4 EDGE consortium, and will be focusing on how C4 EDGE can be integrated with the army's current and future training platforms and systems. APC is expected to leverage its experience in the design and manufacture of military specification communication systems, particularly GVA displays.

The T2000 turret has continued customer Risk Mitigation Activity (RMA) trials as part of the Team Redback consortium competing for the Land 400 Phase 3 project. Redback, the world's most advanced Infantry Fighting Vehicle, demonstrated its capability in a series of tests including the live fire of SPIKE LR2 anti-tank guided missile (ATGM) and the Iron Fist active protection system (APS). The RMA activity is expected to conclude in October with a contract award by April 2022.

The Counter-UAS (C-UAS) product was rebranded as Titanis and the Company issued a promotional video for the launch event held at Land Forces 2021 in Brisbane, QLD in June. In August Defence Systems conducted the third successful live firing of its Titanis C-UAS solution at a new private range in outback Australia. This marks the conclusion of the first stage of the Company's ambitious plan to expand live fire weapon system development activities in Australia. EOS has been working closely with weapon and ammunition OEMs and providers, state and federal agencies, equipment providers, and the land owner to create a field firing area suitable for a wide range of weapon systems, including directed energy. Infrastructure including hard stand firing points and an approved ammunition magazine have been established, and range instrumentation including shot detection and meteorological sensors are being commissioned. EOS will use the range to live fire a number of its products including the T2000 medium calibre turret and its R150, R400, R600 and R800 RWS, directed energy effectors, and the Titanis C-UAS solution.

EOS Defence Systems USA demonstrates precision firepower

EOS continues to invest heavily in its US presence via EOS Defence Systems USA ("EOSDS-USA") which has the largest EOS facilities and staff numbers (60) outside Australia. These resources support EOS space and communications programs in the USA, as well as manufacture RWS for

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export markets. EOSDS-USA is currently bidding on three material US contracts for RWS and C-UAS in aggregate worth more than US\$1 billion dollars, with awards due by Q1 2022.

The US team had the opportunity in July to demonstrate the market-leading precision and accuracy of its RWS to US Military observers at the Crew Served Weapons (CSW) Industry Range Day event on Red Cloud Range, Fort Benning, Georgia. The first-time event, which included a live fire and static display, included participation from members of the US Army, Air Force, Marines and Special Operations Command (SOCOM). EOS took full advantage of this unique opportunity to showcase its world class RWS mounting two medium-gimbal R400S RWS on HMMWVs and the light-gimbal R150S RWS, mounted on the Polaris DAGOR. The R400S was the only 30mm system demonstrated to achieve first round hits on every target out to the maximum distance available on the range. This demonstrated EOS' signature RWS precision placing accurate bursts, at high-rate of fire, on successive targets at multiple ranges.

Sales Pipeline and Outlook

The sales pipeline for EOS Defence Systems is strong at \$2.6 billion on a risk-weighted basis (un-risked \$13.4 billion). A number of material contracts are currently in advanced stages of final assessment or negotiation with existing customers, and the Company expects those contracts to be awarded over the next six months. The order book stands at \$375 million as of 30 June 2021, of which approximately 30% relates to domestic orders and 70% to international activities. Around 30% of the order book is due to be booked as revenue in H2 2021, with half in 2022 and the remainder in 2023.

4. EOS SPACE SYSTEMS

EOS Space Systems provides technology solutions to address global requirements for space debris mitigation, space traffic management, space domain awareness and space communications. These solutions typically comprise EOS sensors integrated with large EOS real-time software platforms that manage vast and rapidly-changing data sets. Space Systems is frequently an incubator for advanced technologies deployed in other EOS sectors. Revenues in H1 for Space Systems were \$1.6 million with a half year segment loss of \$1.7 million.

The Space Systems team continued their focus on R&D activities for the group as well as managing the two current space laser tracking activities at the Mount Stromlo, ACT and Learmonth, WA observatories. In April Space Systems announced a major breakthrough in laser technology which significantly advances the global effort to mitigate space debris. The innovation involves the use of a Guide Star Laser to allow high speed adaptive optics to form laser beams that can track and move space debris at lower altitudes and faster speeds than ever previously possible. This intellectual property was developed by EOS in collaboration with the Space Environment Research Centre ("SERC"), and will now be commercialised and owned by EOS. Applications range from space debris mitigation to high bandwidth satellite communications. Space Systems has also provided the laser

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technology and R&D expertise for the development of high power laser systems for Counter-UAS systems for EOS Defence Systems.

EOS Space Systems partnered with Palantir Australia to participate in the Sprint Advanced Concept Training (SACT), a global space operations training event, led by the US, which took place from 5 – 9 April 2021. EOS Space Systems and Palantir Australia teams co-located for one month to work on combining secure data integration and visualisation of observation data for an Australian-based capability for SACT. This demonstration showcased Palantir's Foundry capability and EOS' observation sensor data as an integrated, processed and rendered system for space domain awareness workflows. Palantir provides a Space Command and Control capability to the US Space Force, integrating and modelling enormous amounts of space domain datasets into its modern architecture and disseminating data to operational units to track objects and monitor space traffic.

The EOS Space Systems team were winners for the second year in a row for the group award "Space Business of the Year (Large)" in the 2021 Space Connect, Australian Space Awards held on 4 June 2021.

Sales Pipeline and Outlook

Space Systems expects second half revenues to be approximately double the first half. However, the commercialisation and monetisation of the core capabilities remains a work in progress, with on-going deferrals of major customer programs. The sales pipeline for EOS Space Systems is \$54 million on a risk-weighted basis and the order book stands at \$6 million as of 30 June 2021.

5. EOS COMMUNICATIONS SYSTEMS

EM Solutions achieves record results

For the first half of 2021, EM Solutions booked record revenues of \$13.1 million (H1 2020: \$8.7 million) and record EBIT. The order backlog remains strong at \$17 million as of 30 June 2021.

During the half year, the EM Solutions team in The Netherlands, supported remotely by staff in Australia, successfully fitted the first of ten Cobra antenna systems to a European Navy vessel, with the balance of the order to be completed in coming months. Despite challenging supply chain headwinds, EM Solutions has completed deliveries of a large order of radio systems for major customers in Australia and the USA. New product development continues largely to schedule with new products under development to meet emerging customer requirements.

SpaceLink™

In May SpaceLink agreed to partner with Mynaric to expand Mynaric's laser communication product portfolio for use in SpaceLink's data relay network. The companies will work together to expand Mynaric's product portfolio with an optical inter-satellite link (OISL) terminal for satellites in the Medium Earth Orbit (MEO), where SpaceLink will operate its satellites. The new terminal will also be compatible with the US Space Development Agency (SDA) Transport Layer standards. Mynaric will

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supply more than 40 OISL terminals as part of the plan. SpaceLink has also recently added Blue Marble Communications as a second supplier of OISL terminals.

The SpaceLink business continues to achieve industry recognition of its mission to become the “Communications Superhighway for the New Space Economy”. The process of selecting a satellite manufacturer for building the first constellation of four satellites moved from “Request For Information” stage to “Request For Proposal” stage. Formal proposals (tenders) have been received and substantially assessed. SpaceLink expects to complete down-selection of vendors and award a contract for the first constellation of satellites in September. There are no known impediments to SpaceLink entering into this contract.

The SpaceLink sales pipeline is more than US\$200 million per annum on a risked basis (more than US\$1.2 billion per annum on an un-risked basis). Negotiations with prospective customers will intensify as soon as the satellite contract is executed. From this point SpaceLink customers will have certainty regarding service schedules and data capacity.

A noteworthy award was the selection by the Centre for the Advancement of Science in Space (CASIS), the manager of the International Space Station US National Laboratory, for a funded demonstration of SpaceLink’s end-to-end data relay service. The placement of the satellite contract in September will accelerate customer engagement and contract awards from Q4 2021.

Funding discussions are progressing with debt and equity financiers and these remain on track for an initial funding announcement in Q3 2021. The funding is being constructed to maximise EOS shareholder value in the context of the extensive SpaceLink engagement with US capital markets. Debt funding of up to US\$250 million is planned for 2023, for which discussions with export credit agencies and major banks have commenced.

The first constellation of four SpaceLink satellites is on track to be operational in 2024. This schedule will meet SpaceLink’s “Bring Into Use” regulatory obligations under the FCC licence conditions.

6. OUTLOOK AND FORECAST

A combination of new elements is driving positive long-term tailwinds for EOS:

- Increasing regional and geopolitical tensions are driving a strong commitment to maintain or increase defence spending amongst almost all Australian allies;
- COVID-19 recovery plans generally include stimulating employment in manufacturing, with strong programs in the global locations of EOS’ facilities;
- Australian Government requirements for increasing levels of Australian Industry Capability in defence procurement with greater focus on developing sovereign industry capabilities;
- Asymmetric military technologies such as drones and hypersonic attack are presenting new threats against Australia and its allies, driving a stronger emphasis on the superior technology and cost-effective performance of EOS products; and

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- The brittleness of global supply chains has been exposed by COVID-19 and the EOS momentum towards having production and supply centres in the Americas, Australia, Asia and the Middle East is an advantage.

These influences are driving unprecedented demand for EOS' technologies and capabilities. As indicated at the AGM in May, the Company is in advanced negotiations with existing customers for more than \$1 billion worth of new contracts.

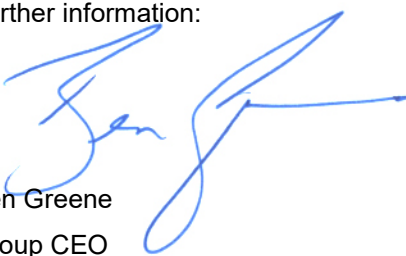
Financial Guidance for FY21

Although COVID-19 is causing lockdowns across much of Australia, EOS production facilities are classified as essential work and have maintained operations. However, production efficiency has been impacted due to operating a double shift pattern to reduce personnel and production risk and some revenue has been deferred into 2022. As a result the Company now expects financial performance to fall at the lower end of prior guidance. Underlying EBIT before SpaceLink¹ is forecast to be in the range of \$18 million to \$21 million and Underlying EBIT after SpaceLink to be in the range of \$1 million to \$4 million profit. The weaker Australian dollar provides a benefit (not included in Underlying EBIT) which at current exchange rates would reverse most of the FX losses incurred in 2020.

	Previous Guidance	Revised Guidance
Revenue	\$235m to \$245m	\$230m to \$240m
Underlying EBIT before SpaceLink	\$20m to \$25m	\$18m to \$21m
SpaceLink costs	\$17m	\$17m
Underlying EBIT after SpaceLink	\$3m to \$8m	\$1m to \$4m

This announcement has been authorised for release to ASX by Ben Greene, Director.

Further information:


Ben Greene
Group CEO

¹ The "Underlying EBIT before SpaceLink" is calculated after removing the exchange gain/ (loss) amount from Earnings Before Interest and Tax (EBIT) and adding back SpaceLink Inc. expenses.

ELECTRO OPTIC SYSTEMS HOLDINGS LIMITED

Directors' Report

The directors of Electro Optic Systems Holdings Limited submit herewith the financial report for the half-year ended 30 June 2021. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

The names of the directors of the company during or since the end of the half year are:

Mr Peter Leahy AC (Chairman) (appointed Chairman on 26 July 2021)
Dr Ben Greene (Chief Executive Officer)
Mr Geoff Brown AO
Ms Kate Lundy
Mr David Black (appointed 1 January 2021)
Mr Fred Bart (resigned on 26 July 2021)
Mr Ian Dennis (retired on 28 May 2021)

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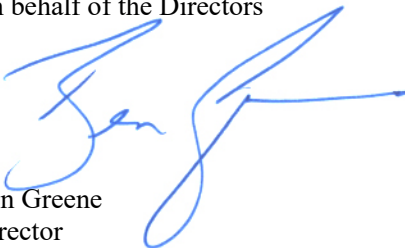
A detailed review of operations is included on pages 3 to 9 of this financial report.

Auditor's independence declaration

The auditor's independence declaration is included on page 11 of the half-year financial report.

Signed in accordance with a resolution of the directors made pursuant to s.306 (3) of the Corporations Act 2001.

On behalf of the Directors



Ben Greene
Director
Canberra, 30 August 2021

30 August 2021

The Board of Directors
Electric Optic Systems Holdings Limited
18 Wormald Street
Symonston ACT 2609

Dear Board Members

Auditor's Independence Declaration to Electro Optic Systems Holdings Limited

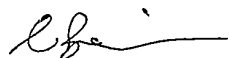
In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Electro Optic Systems Holdings Limited.

As lead audit partner for the review of the financial report of Electro Optic Systems Holdings Limited for the half year ended 30 June 2021, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours faithfully


DELOITTE TOUCHE TOHMATSU



Chris Biermann
Partner
Chartered Accountants
Melbourne

Independent Auditor's Report to the members of Electro Optic Systems Holdings Limited

Conclusion

We have reviewed the half-year financial report of Electro Optic Systems Holdings Limited (the "Company") and its subsidiaries (the "Consolidated entity"), which comprises the condensed consolidated statement of financial position as at 30 June 2021, and the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration as set out on pages 14 to 31.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the consolidated entity is not in accordance with the *Corporations Act 2001*, including:

- Giving a true and fair view of the consolidated entity's financial position as at 30 June 2021 and of its performance for the half-year ended on that date; and
- Complying with Accounting Standard AASB 134 Interim Financial Reporting and the *Corporations Regulations 2001*.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial report, which indicates that the consolidated entity incurred a net loss after tax of \$11,727,207 (June 2020: \$14,261,959 loss). This condition, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 Review of a *Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Half-year Financial Report* section of our report. We are independent of the consolidated entity in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards) (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's review report.

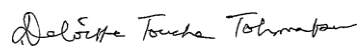
Directors' Responsibilities for the Half-year Financial Report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Review of the Half-year Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including giving a true and fair view of the consolidated entity's financial position as at 30 June 2021 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting and the Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



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Chris Biermann
Partner
Chartered Accountants
Melbourne, 30 August 2021

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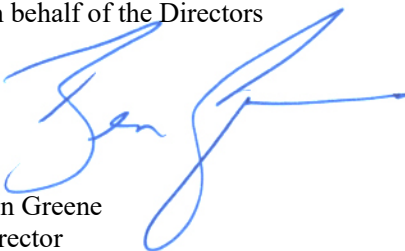
Directors' Declaration

The directors declare that:

- a) in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
- b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity.

Signed in accordance with a resolution of the directors made pursuant to s.303(5) of the Corporations Act 2001.

On behalf of the Directors



Ben Greene
Director
Canberra, 30 August 2021

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Condensed Consolidated statement of profit or loss and other comprehensive income for the half-year ended 30 June 2021

	Note	Half-year ended 30 June 2021 \$	Half-year ended 30 June 2020 \$
Revenue	2(a)	97,820,154	75,437,232
Other Revenue	2(b)	489,575	2,905,261
Foreign exchange gains/ (losses)	2(c)	3,378,516	(3,051,231)
Changes in inventories of finished goods and work in progress		17,890,212	42,870,178
Raw materials and consumables used		(74,612,036)	(94,838,757)
Employee benefits expense		(33,814,989)	(25,261,112)
Administrative costs		(9,410,267)	(8,501,690)
Finance costs	2(d)	(2,925,452)	(1,886,700)
Depreciation and amortisation expense	2(d)	(5,599,158)	(4,109,121)
Loss on sale of fixed assets		(8,917)	-
Lease expenses		(36,994)	(25,383)
Occupancy costs		(774,084)	(686,511)
Other expenses		(1,209,942)	(1,513,636)
Loss before income tax expense		(8,813,382)	(18,661,470)
Income tax (expense)/ benefit		(2,913,825)	4,399,511
Loss for the period	5	(11,727,207)	(14,261,959)
Attributable to:			
Owners of the Company		(11,325,310)	(13,866,189)
Non-controlling interests		(401,897)	(395,770)
		(11,727,207)	(14,261,959)
Other comprehensive income			
Items that may be reclassified subsequently to profit and loss			
Exchange differences arising on translation of foreign operations		559,313	115,472
Income tax relating to components of other comprehensive income		-	-
		559,313	115,472
Total comprehensive loss for the period		(11,167,894)	(14,146,487)
Attributable to :			
Owners of the Company		(10,765,997)	(13,750,717)
Non-controlling interests		(401,897)	(395,770)
		(11,167,894)	(14,146,487)
(Loss)/ Profit per share:			
Basic (cents per share)	5	(8.53)	(12.42)
Diluted (cents per share)	5	(8.53)	(12.42)

Notes to the condensed consolidated financial statements are included on pages 19 to 31.

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Condensed Consolidated statement of financial position as at 30 June 2021

	Note	30 June 2021 \$	31 December 2020 \$
Current Assets			
Cash and cash equivalents		51,117,896	65,933,499
Trade and other receivables		17,554,587	35,810,801
Contract asset		120,398,947	124,532,902
Inventories		68,920,627	67,308,339
Other		11,332,084	13,135,088
Total Current Assets		269,324,141	306,720,629
Non-Current Assets			
Trade and other receivables		-	2,063,782
Contract asset		18,133,825	13,364,148
Other		3,824,289	956,073
Deferred tax asset		9,359,801	11,342,664
Security deposits		25,683,756	16,671,414
Loan to associate		2,489,501	2,391,940
Right of use assets		26,815,003	20,142,641
Goodwill		14,878,316	14,878,316
Intangible assets		18,421,132	19,723,572
Property, plant and equipment		35,527,400	29,125,518
Total Non-Current Assets		155,133,023	130,660,068
Total Assets		424,457,164	437,380,697
Current Liabilities			
Trade and other payables		40,630,990	52,235,653
Current tax payable		208,515	36,736
Lease liabilities		4,122,043	3,442,031
Provisions		15,530,689	15,099,074
Total Current Liabilities		60,492,237	70,813,494
Non-Current Liabilities			
Lease liabilities		23,425,545	17,665,942
Provisions		10,917,886	9,306,752
Total Non-Current Liabilities		34,343,431	26,972,694
Total Liabilities		94,835,668	97,786,188
Net Assets		329,621,496	339,594,509
Equity			
Issued capital	3	413,727,547	413,479,003
Reserves	4	9,918,292	8,412,642
Accumulated losses		(92,278,796)	(80,953,486)
Equity attributable to owners of the Company		331,367,043	340,938,159
Non-controlling interests		(1,745,547)	(1,343,650)
Total Equity		329,621,496	339,594,509

Notes to the condensed consolidated financial statements are included on pages 19 to 31.

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Condensed Consolidated Statement of changes in equity for the half-year ended 30 June 2021

	Total \$	Accumulated losses \$	Issued capital \$	Non- controlling interests \$	Foreign currency translation reserve \$	Employee equity settled benefits reserve \$
Consolidated						
Balance at 1 January 2021	339,594,509	(80,953,486)	413,479,003	(1,343,650)	(3,167,394)	11,580,036
(Loss) for the period	(11,727,207)	(11,325,310)	-	(401,897)	-	-
Other comprehensive income for the period	559,313	-	-	-	559,313	-
Total comprehensive income for the period	(11,167,894)	(11,325,310)	-	(401,879)	559,313	-
Recognition of share based payments	946,337	-	-	-	-	946,337
Repayment of loans in respect of 83,125 Loan Funded Share Plan shares at \$2.99 per share	248,544	-	248,544	-	-	-
Balance at 30 June 2021	329,621,496	(92,278,796)	413,727,547	(1,745,547)	(2,608,081)	12,526,373
Consolidated						
Balance at 1 January 2020 (restated)	226,534,368	(56,550,804)	274,311,590	(538,436)	(1,061,206)	10,373,224
(Loss) for the period	(14,261,959)	(13,866,189)	-	(395,770)	-	-
Other comprehensive income for the period	115,472	-	-	-	115,472	-
Total comprehensive income for the period	(14,146,487)	(13,866,189)	-	(395,770)	115,472	-
Recognition of share based payments	353,304	-	-	-	-	353,304
Issue of 28,269,553 new shares at \$4.75 each under the institutional placement	127,775,501	-	127,775,501	-	-	-
Issue of 2,451,463 new shares at \$4.40 under the Share Purchase Plan	10,786,437	-	10,786,437	-	-	-
Balance at 30 June 2020	351,303,123	(70,416,993)	412,873,528	(934,206)	(945,734)	10,726,528

Notes to the condensed consolidated financial statements are included on pages 19 to 31.

ELECTRO OPTIC SYSTEMS HOLDINGS LIMITED

Condensed Consolidated statement of cash flows for the half-year ended 30 June 2021

	Half-year ended 30 June 2021	Half-year ended 30 June 2020
	\$	\$
<i>Cash Flows From Operating Activities</i>		
Receipts from customers	116,982,103	53,017,416
Payments to suppliers and employees	(109,695,000)	(103,793,629)
Income tax paid	(759,183)	(10,285,792)
Interest and bill discounts received	296,485	392,175
Interest and other costs of finance paid	(2,255,431)	(1,886,700)
Net cash from/ (used in) operating activities	4,568,974	(62,556,530)
<i>Cash Flows From Investing Activities</i>		
Payment for property, plant and equipment	(8,970,317)	(12,040,089)
Payment for intangibles	-	(5,035,323)
Security deposits	(8,353,859)	(7,537,330)
Net cash used in investing activities	(17,324,176)	(24,612,742)
<i>Cash Flows From Financing Activities</i>		
Proceeds from issue of new shares	-	138,561,938
Repayment of loans in respect of Loan Funded Share Plan shares	248,544	-
Repayment of lease liabilities	(2,126,009)	(1,520,981)
Net cash (used in)/ from financing activities	(1,877,465)	137,040,957
<i>Net (Decrease)/ Increase in Cash Held</i>	(14,632,667)	49,871,685
<i>Cash and cash equivalents at the beginning of the half-year</i>	65,933,499	77,881,766
Effects of exchange rate changes on the balance of cash held in foreign currencies	(182,936)	382,319
<i>Cash and cash equivalents at the end of the half-year</i>	51,117,896	128,135,770

Notes to the condensed consolidated financial statements are included on pages 19 to 31.

ELECTRO OPTIC SYSTEMS HOLDINGS LIMITED

Notes to the condensed consolidated Financial Statements for the half-year ended 30 June 2021

1 (a) Statement of Compliance

The half-year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 Interim Financial Reporting. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 Interim Financial Reporting. The half-year financial report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report.

1 (b) Basis of preparation

The condensed consolidated financial statements have been prepared on the basis of the historical cost convention. Cost is based on the fair values of the consideration given in exchange for assets. Except where indicated otherwise, all amounts are presented in Australian dollars.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the consolidated entity's 2020 annual financial report for the financial year ended 31 December 2020. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

The condensed consolidated financial statements were authorised for issue by the Directors on 29 August 2021.

1 (c) New Accounting Standards

The consolidated entity has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current half-year summarised below.

- AASB 2020-4 Amendments to Australian Accounting Standards – Covid-19-Related Rent Concessions
- AASB 2020-8 Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform – Phase 2

While these standards introduce new disclosure requirements, they do not materially affect the consolidated entity's accounting policies or any of the amounts recognised in the financial statements.

ELECTRO OPTIC SYSTEMS HOLDINGS LIMITED

Notes to the condensed consolidated Financial Statements for the half-year ended 30 June 2021

1 (c) New Accounting Standards (cont)

New and revised AASB Standards in issue but not yet effective

At the date of authorisation of the financial statements, the consolidated entity has not applied the following new and revised Australian Accounting Standards, Interpretations and amendments that have been issued but are not yet effective:

Standard/amendment	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 2020-1 <i>Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current</i> and AASB 2020-6 <i>Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current – Deferral of Effective Date</i>	1 January 2023	31 December 2023
AASB 2020-3 <i>Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments</i>	1 January 2022	31 December 2022
2021-2 <i>Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates</i>	1 January 2023	31 December 2023
2021-3 <i>Amendments to Australian Accounting Standards – Covid-19-Related Rent Concessions beyond 30 June 2021</i>	1 April 2021	31 December 2022
2021-5 <i>Amendments to Australian Accounting Standards – Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>	1 January 2023	31 December 2023

1 (d) Significant events and transactions-Impact of COVID-19

Since the outbreak of the pandemic, the consolidated entity has been affected in multiple ways through increasing supply chain costs, product delivery delays, delays in contract negotiations and execution, access to customers and reduced production. This has had a corresponding impact on operating performance, including increased costs and delays in the award of new work both domestically and overseas.

The COVID-19 control measures introduced by the Federal Government, States and Territories, which include border closures, lock downs and stay at home orders, will continue to impact the consolidated entity's ability to carry out key demonstrations and other activities.

As the COVID-19 situation continues to evolve, the consolidated entity is monitoring the impact of COVID-19 on 2021 operational and financial performance.

Significant judgement and estimates

While the specific areas of judgement did not change, the impact of COVID-19 resulted in the application of further judgement by the directors in preparing the half-year financial report in areas such as revenue recognition, impairment assessment on goodwill and intangibles as well as the review of the expected credit losses on receivables and the collectability of contract assets. Specifically, the directors have reviewed the collectability of the contract asset as at 30 June 2021 of \$138,532,772. The directors have concluded that no provisions or adjustments to revenue should be recognised on the basis of the

ELECTRO OPTIC SYSTEMS HOLDINGS LIMITED

**Notes to the condensed consolidated Financial Statements
for the half-year ended 30 June 2021**

1 (d) Significant events and transactions-Impact of COVID-19 (cont)

creditworthiness of the counterparty, amongst other factors. Furthermore, the directors are of the view that the estimates used in preparing this half-year financial report are reasonable.

1 (e) Financial statements going concern

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

The consolidated entity had a loss after tax of \$11,727,207 and net decrease in cash held of \$14,632,667 during the period (2020: loss after tax of \$14,261,959 and net increase in cash held of \$49,871,685).

The consolidated entity has executed a one-year \$35 million working capital facility to help support the short-term cash requirements of the consolidated entity. The consolidated entity has also negotiated amendments (subject to final ratification) to a major overseas contract which will enable the consolidated entity to invoice and receive cash proceeds of at least US\$68 million during the remainder of the financial year, thereby reducing the contract asset accordingly.

In the opinion of the directors, the ability of the consolidated entity to continue as a going concern and pay its debts as and when they become due and payable is dependent upon:

- the agreement of contract variations and the realisation of the contract asset;
- key military and government customers making timely payments for the goods supplied in accordance with contractual terms;
- the continued ability of the consolidated entity to deliver contracts on time, to the required specifications and within budgeted costs; and
- the ability to raise funding should the need arise.

If the consolidated entity is unable to achieve successful outcomes in relation to the above matters, material uncertainty would exist that may cast significant doubt as to the ability of the consolidated entity to continue as a going concern and therefore, it may be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts different from those stated in the financial report.

No adjustments have been made to the financial report relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the consolidated entity not continue as a going concern.

ELECTRO OPTIC SYSTEMS HOLDINGS LIMITED

**Notes to the condensed consolidated Financial Statements
for the half-year ended 30 June 2021**

	Half-year to 30 June 2021 \$	Half-year to 30 June 2020 \$
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2. Loss From Ordinary Activities

Loss from ordinary activities before income tax includes the following items of revenue and expense:

(a) Revenue

Sale of goods	77,201,851	72,034,701
Providing services	20,618,303	3,402,531
Total revenue	<u>97,820,154</u>	<u>75,437,232</u>

Disaggregation of revenue

The consolidated entity derives its revenue from the transfer of goods and services over time and at a point in time in the following major segments:

Timing of revenue recognition

Over time

	Revenue \$	Revenue \$
Defence segment – Sale of goods	33,283,610	60,769,392
Defence segment – Providing services	17,097,234	1,452,956
Communication segment – Sale of Goods	7,902,732	6,535,847
Communication segment – Providing services	7,083	767,620
Total revenue recognised over time	<u>58,290,659</u>	<u>69,525,815</u>

The consolidated entity recognises revenue for the overseas remote weapon system contract over time as the goods manufactured under this contract do not have an alternative use for the entity, and EOS has an enforceable right to payment for performance completed to date under the contract. AASB 15 takes a controls-based approach to revenue recognition, where the transfer of a good or service happens as the customer obtains control of that good or a milestone is met.

Under the consolidated entity's current primary contract, the control of the goods transfers when the goods are delivered or a milestone is met. The output method, based on the delivery of goods to customer or the achievement of contract milestones faithfully depicts our performance under the contract and best depicts the pattern of transfer of goods to the customer.

Revenue in relation to a contract earned on a milestone basis has been adjusted for variable elements. During the 2021 half year period, there was a cumulative catch-up adjustment to revenue and contract assets arising from a change in the assessment of whether variable revenue was constrained.

Revenue from other material contracts is recognised using the input method by reference to costs incurred.

ELECTRO OPTIC SYSTEMS HOLDINGS LIMITED

**Notes to the condensed consolidated Financial Statements
for the half-year ended 30 June 2021**

2. Loss From Ordinary Activities (cont)

	Half-year to 30 June 2021 \$	Half-year to 30 June 2020 \$
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All other revenue is recognised at a point in time.

At a point in time

Communications segment – sale of goods	4,463,164	729,586
Communications segment – providing services	552,464	184,686
Defence segment – sale of goods	31,552,345	3,999,876
Defence segment – Providing services	1,379,530	300,146
Space segment – Providing services	1,581,992	697,123
Total revenue recognised at a point in time	39,529,495	5,911,417
 Total Revenue	 97,820,154	 75,437,232

(b) Other Revenue

COVID support	-	1,923,661
Grant revenue	84,431	227,773
Interest received	296,485	392,175
Other income	2,552	239,338
Rent received	106,107	122,314
	489,575	2,905,261

(c) Foreign Exchange Gains

Foreign exchange gains/ (losses)	3,378,516	(3,051,231)
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(d) Expenses

Loss for the period includes the following expenses:

	Half-year to 30 June 2021 \$	Half-year to 30 June 2020 \$
Interest paid	5,695	-
Interest on discounting of the contract asset	670,021	-
Interest on right-of-use assets	550,741	472,320
Other finance costs	1,698,995	1,414,380
Finance costs	2,925,452	1,886,700
 Depreciation and amortisation	 5,599,158	 4,109,121

ELECTRO OPTIC SYSTEMS HOLDINGS LIMITED

**Notes to the condensed consolidated Financial Statements
for the half-year ended 30 June 2021**

	30 June 2021	31 December 2020
	\$	\$
3. Issued Capital		
Balance at the beginning of the financial year – Ordinary shares	413,479,003	274,311,590
Issue of 28,269,553 new shares at \$4.75 on 20 April 2020 (net of issuance costs)	-	127,775,501
Issue of 2,451,463 new shares at \$4.40 on 14 May 2020 under the Share Purchase Plan	-	10,786,437
Loan repayments on 202,500 shares issued under the Loan Funded Share Plan at \$2.99	-	605,475
Loan repayments on 83,125 shares issued under the Loan Funded Share Plan at \$2.99	248,544	-
Balance at the end of the financial period	413,727,547	413,479,003
Fully Paid Ordinary Shares	Number	Number
Balance at the beginning of financial year	149,579,229	113,078,213
Issue of new shares at \$4.75 on 20 April 2020	-	28,269,553
Issue of new shares at \$4.40 under the Share Purchase Plan on 14 May 2020	-	2,451,463
Issue of new shares at \$4.75 under the Loan Funded Share Plan to staff on 19 May 2020	-	2,270,000
Issue of new shares at \$5.92 under the Loan Funded Share Plan to Directors on 29 May 2020	-	2,500,000
Issue of new shares at \$5.62 under the Loan Funded Share Plan to staff on 10 August 2020	-	860,000
Issue of new shares at \$5.47 under the Loan Funded Share Plan to staff on 14 October 2020	-	150,000
Issue of new shares at \$5.27 under the Loan Funded Share Plan to staff on 15 March 2021	1,185,000	-
Issue of new shares at \$4.06 under the Loan Funded Share Plan to a director 31 May 2021	150,000	-
Balance at end of financial period	150,914,229	149,579,229

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

ELECTRO OPTIC SYSTEMS HOLDINGS LIMITED

**Notes to the condensed consolidated Financial Statements
for the half-year ended 30 June 2021**

	30 June 2021	31 December 2020
	\$	\$
4. Reserves		
Foreign currency translation reserve	(2,608,081)	(3,167,394)
Employee equity settled benefits reserve	12,526,373	11,580,036
Balance at end of financial period	<u>9,918,292</u>	<u>8,412,642</u>

5. Loss Per Share

	Half-year to 30 June 2021	Half-year to 30 June 2020
	¢ per share	¢ per share
Basic EPS	(8.53 cents)	(12.42 cents)
Diluted EPS	(8.53 cents)	(12.42 cents)

Basic Profit per Share

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

	Half-year to 30 June 2021	Half-year to 30 June 2020
	\$	\$
Loss (a)	<u>(11,727,207)</u>	<u>(14,261,959)</u>
	2021	2020
	No.	No.
Weighted average number of ordinary shares used in the calculation of basic earnings per share (b) and (c)	<u>137,513,381</u>	<u>114,789,515</u>

- (a) Loss used in the calculation of basic earnings per share is the same as net loss in the statement of profit or loss and other comprehensive income.
- (b) The 1,550,000 unlisted options outstanding are in the money at 30 June 2021 and are not considered dilutive as all the conditions of exercise have not been met at the reporting date and given the consolidated entity made a loss in the half-year period.
- (c) The 2,270,000 ordinary shares issued on 19 May 2020 at a price of \$4.75 each, the 2,500,000 ordinary shares issued on 29 May 2020 at \$4.92 each, the 860,000 ordinary shares issued on 10 August 2020 at \$5.62 each, the 150,000 ordinary shares issued on 14 October 2020 at \$5.47 each, the 1,185,000 ordinary shares issued on 15 March 2021 at \$5.27 each and the 150,000 ordinary shares issued on 31 May 2021 at \$4.06 each, under the Loan Funded Share Plan are not included in the weighted average number of ordinary shares as they are treated as in substance options for accounting purposes. The options are not considered dilutive given the consolidated entity made a loss in the half-year period.

ELECTRO OPTIC SYSTEMS HOLDINGS LIMITED

Notes to the condensed consolidated Financial Statements for the half-year ended 30 June 2021

6. Contingent Liabilities and Commitments

a) Entities within the consolidated entity are involved in contractual disputes in the normal course of contracting operations. The directors believe that the entities within the consolidated entity can settle any contractual disputes with customers and should any customers commence legal proceedings against the company, the directors believe that any actions can be successfully defended. As at the date of this report no legal proceedings have been commenced against any entity within the Group.

(b) 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\$16,133,925. The offset bond was provided by Export Finance Australia under a Bond Facility Agreement and is secured by a cash security deposit of A\$4,298,901 and a fixed and floating charge over the assets of the consolidated entity.

(c) The consolidated entity provided a performance bond in respect of a contract in the Defence sector for US\$31,635,147 in relation to an overseas defence sector contract. The performance bond was provided by Export Finance Australia under a Bond Facility Agreement and is secured by a cash security deposit of A\$13,802,192 and a fixed and floating charge over the assets of the consolidated entity.

(d) Electro Optic Systems Holdings Limited entered into a deed of cross guarantee on 6 April 2018 with two of its wholly-owned subsidiaries, Electro Optic Systems Pty Limited and EOS Defence Systems Pty Limited, pursuant to ASIC Corporations (Wholly-owned Companies) Instrument 2016/785 and relieved from the requirement to prepare and lodge an audited financial report. On 28 November 2019, EM Solutions Pty Ltd entered into an Assumption Deed and became a party to the Deed of Cross Guarantee.

(e) Electro Optic Systems Pty Limited, a wholly owned subsidiary of Electro Optic Systems Holdings Limited, has entered into an Unsecured Convertible Note Deed with the vendors of AEI Air (Holdings) Limited and others to advance funds up to GBP2,000,000 as a series of convertible notes which will entitle Electro Optic Systems Pty Limited to convert these convertible notes, when advanced in full, to acquire 49% of the equity in AEI Air (Holdings) Limited. Electro Optic Systems Pty Limited has also entered into a Put and Call Option Deed with the vendors of AEI Air (Holdings) Limited to acquire a further 49% from the vendors of AEI Air (Holdings) Limited based on a profitability formula over the four year period from 1 January 2019 to 31 December 2022 and meeting various milestones. The Put and Call Option Deed also includes provisions for Electro Optic Systems Pty Limited to make vendor loans of up to GBP1,714,500 to the vendors of AEI Air (Holdings) Limited which are fully repayable should the Put and Call Option not be exercised. Where the Put and Call Option is exercised the loans are able to offset the exercise price on settlement. At the date of this report GBP1,500,000 has been advanced under the Unsecured Convertible Note Deed and no amounts have been advanced to the vendors under the Put and Call Option Deed at their request. Electro Optic Systems Pty Limited holds no direct equity in AEI Air (Holdings) Limited at the date of this report.

ELECTRO OPTIC SYSTEMS HOLDINGS LIMITED

**Notes to the condensed consolidated Financial Statements
for the half-year ended 30 June 2021**

7. Segment Information

AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. The consolidated entity's reportable segments are Defence Systems, Space Systems and Communications Systems.

	Revenue (including other revenue)		Segment profit/ (loss)	
	Half-year to 30 June 2021 \$	Half-year to 30 June 2020 \$	Half-year to 30 June 2021 \$	Half-year to 30 June 2020 \$
Communications	13,078,309	8,686,978	(8,075,644)	(1,287,768)
Space	1,584,543	877,123	(1,745,888)	(1,487,357)
Defence	83,632,159	68,385,162	5,614,329	(14,315,161)
Total of all segments	98,295,011	77,949,263	(4,207,203)	(17,090,286)
Unallocated	14,718	393,230	(4,606,179)	(1,571,184)
Consolidated segment revenue and (Loss)/ Profit before tax	98,309,729	78,342,493	(8,813,382)	(18,661,470)
Income tax benefit/ (expense)	-	-	(2,913,825)	4,399,511
Consolidated segment revenue and (loss)/ profit for the period	98,309,729	78,342,493	(11,727,207)	(14,261,959)

The revenue reported above represents revenue generated from external customers. There were intersegment sales of \$995,341 (2020: \$nil) during the period. There were no discontinued operations during the period.

Segment profit represents the profit earned by each segment without the allocation of central administration costs and directors' salaries, investment revenue and finance costs and income tax benefit. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

ELECTRO OPTIC SYSTEMS HOLDINGS LIMITED

Notes to the condensed consolidated Financial Statements for the half-year ended 30 June 2021

7. Segment Information (cont)

The following is an analysis of the Group's assets and liabilities by reportable operating segment:

	Assets		Liabilities	
	30 June 2021	31 December 2020	30 June 2021	31 December 2020
	\$	\$	\$	\$
Communications	40,007,209	32,432,251	18,122,658	13,836,505
Space	4,160,014	4,806,956	2,647,073	2,380,589
Defence	303,488,289	317,536,578	74,065,937	81,569,094
Total segment assets	347,655,512	354,775,785	94,835,668	97,786,188
Unallocated cash and security deposit	76,801,652	82,604,912	-	-
Total	424,457,164	437,380,697	94,835,668	97,786,188

Assets used jointly by reportable segments are allocated on the basis of the revenue earned by individual reportable segments.

The consolidated entity operates in Australia, USA, Singapore, UAE and Germany in the development, manufacture and sale of telescopes and dome enclosures, laser satellite tracking systems, the manufacture of electro-optic fire control systems and the design and manufacturing of microwave satellite dishes and receivers.

Product and Services within each Business Segment

Space Systems

EOS Space Systems has a range of ground products available to support the burgeoning Australian and international space markets. This includes significant investments into passive optical and laser sensing equipment at both its Mt Stromlo and Learmonth sites, which ideally positions the company to be a major contributor to the next generation of space tracking. Developments in EOS laser technology has opened aligned markets in space optical communications and various high power laser applications. Several large government programs are currently undergoing procurements in this area which have the opportunity to transform the business.

EOS also provides manufacturing and supply of various telescopes and dome enclosures for customers around the world. EOS Space Systems astrometric products are the equipment of choice for providing reliable and high quality optical systems under demanding environmental conditions.

Defence Systems

EOS develops, manufactures and markets advanced fire control, surveillance, and weapon systems to approved military customers. These products either replace or reduce the role of a human operator for a wide range of existing and future weapon systems in the US, Australasia, Middle East and other markets.

Communications Systems

EOS specialises in innovative optical, microwave and on-the-move radio and satellite products that help to deliver high speed, resilient and assured telecommunications anywhere in the world.

ELECTRO OPTIC SYSTEMS HOLDINGS LIMITED

**Notes to the condensed consolidated Financial Statements for
the half-year ended 30 June 2021**

8. Issuance of Securities

2021

On 15 March 2021, the Company issued 1,185,000 new ordinary shares at \$5.27 each under the Loan Funded Share Plan.

On 31 May 2021, the Company issued 150,000 new ordinary shares at \$4.06 to a Director under the Loan Funded Share Plan.

On 15 March 2021, the Company issued 475,000 unlisted options at an exercise price of \$5.27 to employees expiring on 16 March 2026 under the Employee Share Option Plan.

No options were exercised during the period.

Issued capital as at 30 June 2021 was \$413,727,547.

2020

On 20 April 2020, the Company issued 28,269,553 new ordinary shares at \$4.75 in a fully underwritten placement raising \$127,775,501 (net of issuance costs).

On 14 May 2020, the Company issued 2,451,463 new ordinary shares at \$4.40 under the Small Shareholder Plan raising \$10,786,437.

On 19 May 2020, the Company issued 2,270,000 new ordinary shares at \$4.75 each under the Loan Funded Share Plan.

On 29 May 2020, the Company issued 2,500,000 new ordinary shares at \$4.92 to Directors under the Loan Funded Share Plan.

On 19 May 2020, the Company issued 635,000 unlisted options at an exercise price of \$4.75 to employees expiring on 18 May 2025 under the Employee Share Option Plan.

No options were exercised during the period.

Issued capital as at 30 June 2020 was \$412,873,528.

ELECTRO OPTIC SYSTEMS HOLDINGS LIMITED

Notes to the condensed consolidated Financial Statements for the half-year ended 30 June 2021

9. Subsequent events

On 22 July 2021, the Company issued 280,000 unlisted options at an exercise price of \$4.31 to employees expiring on 22 July 2026 under the Employee Share Option Plan.

On 26 July 2021 Fred Bart resigned as a director and Chair of the Board of Board of Electro Optic Systems Holdings Limited. Peter Leahy AC was appointed Chair on the same date. David Black also became Chair of the Audit and Risk Committee.

On 3 August 2021, a subsidiary of the Company, EOS Communications Systems Pty Ltd, entered into a teaming agreement with Nova Systems Pty Limited under which the companies will be equal partners in a joint venture arrangement called the Sovereign Missile Alliance (SMA).

On 27 August 2021, as part of its treasury management program, the Company implemented a \$35 million working capital facility with a leading Australian Non-Bank Financial Institution to provide additional funding flexibility. The facility will initially run for 12 months and is on normal commercial terms. The debt ranks pari passu with the bonding facilities provided by Export Finance Australia.

Apart from the above, the Directors are not aware of any significant subsequent events since the end of the financial period and up to the date of this report.

10. Related party transactions

During the period, the Company paid a total of \$70,000 (six month period ended 30 June 2020 - \$70,000) to 4F Investments Pty Limited, a company associated with Mr Fred Bart in respect of directors fees and superannuation for Mr Fred Bart.

During the period, the Company paid a total of \$32,083 (six month period ended 30 June 2020 - \$35,000) to Dennis Corporate Services Pty Limited, a company associated with Mr Ian Dennis in respect of directors fees and superannuation for Mr Ian Dennis.

During the period, the Company paid a total of \$108,000 (six month period ended 30 June 2020 - \$108,000) to Dennis Corporate Services Pty Limited, a company associated with Mr Ian Dennis in respect of consulting fees for secretarial and accounting services.

During the period, the Company paid a total of \$35,000 (six month period ended 30 June 2020 - \$35,000) to GCB Stratos Consulting Pty Limited, a company associated with Mr Geoff Brown in respect of directors fees and superannuation for Mr Geoff Brown.

During the period, the Company paid a total of \$16,265 (six month period ended 30 June 2020 - \$15,616) to Audio Pixels Holdings Limited, a company which Fred Bart and Ian Dennis are directors and shareholders in respect of shared Sydney office facilities and other expenses.

ELECTRO OPTIC SYSTEMS HOLDINGS LIMITED

**Notes to the condensed consolidated Financial Statements for
the half-year ended 30 June 2021**

10. Related party transactions (cont)

Ian Dennis is the sole director and shareholder of EOS Loan Plan Pty Ltd which acts as trustee of the Electro Optic Systems Holdings Limited Loan Funded Share Plan. As at the date of this report, EOS Loan Plan Pty Ltd held 12,009,375 shares in Electro Optic Systems Holdings Limited on behalf of directors and employees of the Company. Ian Dennis has a beneficial interest in 250,000 of these shares only which were allocated to him under the Loan Funded Share Plan subject to vesting conditions.

11. Details of entities over which control has been gained or lost over the period

Name of Entity:	Australian Missile Alliance Pty Ltd
Date of gain of control:	2 June 2021-100%
Contribution to net loss for the period:	\$Nil. The entity is dormant.

12. Details of Associates and Joint venture entities

Name of Entity:	AEI Air (Holdings) Limited
Deemed percentage holding:	The consolidated entity holds unsecured convertible notes, which are convertible into shares representing a 49% equity interest.
Aggregate share of net profits/ (losses):	Nil – The investment in the associate is debt in nature and therefore the consolidated entity does not have any share in any profit (losses).

ELECTRO OPTIC SYSTEMS HOLDINGS LIMITED

Information on Audit or Review

This half yearly report is based on accounts to which one of the following applies.

- | | |
|---|---|
| <input type="checkbox"/> The accounts have been audited. | <input checked="" type="checkbox"/> The accounts have been subject to review. |
| <input type="checkbox"/> The accounts are in the process of being audited or subject to review. | <input type="checkbox"/> The accounts have not yet been audited or reviewed. |

Description of likely dispute or qualification if the accounts have not yet been audited or subject to review or are in the process of being audited or subjected to review.

Not applicable

Description of dispute or qualification if the accounts have been audited or subjected to review.

Not applicable