



**ACTIVITY STATEMENT
FOR THE QUARTER ENDED 31 DECEMBER 2023**

Canberra, 30 January 2024

The consolidated entity consisting of Electro Optic Systems Holdings Limited and the entities it controls ("EOS" or the "Group") has filed its activity statement (4C) for the quarter ended 31 December 2023 ("Q4 2023").

1. OVERVIEW

Cash Flow Q4 2023

- Receipts from Customers of \$105.4m (up \$64.7m from \$40.7m in Q4 2022)
- Net Cash Inflow from Operations of \$34.5m (up \$48.4m from \$13.9m Outflow in Q4 2022)

Cash Flow 2023 Full Year

- Receipts from Customers of \$325.4m (up \$179.5m from \$145.9m in 2022)
- Net Cash Inflow from Operations of \$113.1m (up \$164.6m from \$51.5m Outflow in 2022)
- Cash Balance at 31 December 2023 of \$71.0m (up \$49.3m from \$21.7m at 31 Dec 2022)

Recent Announcements:

- | | |
|-------------|---|
| 29 Jan 2024 | • New \$15m contract for Slinger Counter-Drone Systems |
| 27 Dec 2023 | • New \$25m Remote Weapon Systems ('RWS') order for Western European Customer |
| 22 Dec 2023 | • EOS Resolves Dispute with Lender WHSP |
| 1 Dec 2023 | • EOS Expects 2023 revenue of \$210 to \$230m |
| 13 Nov 2023 | • New \$28m RWS contract for R600 |

2. CASH SUMMARY

EOS's cash balance at 31 December 2023 was \$71.0m. This represents an increase of \$24.9m from the 30 September 2023 cash balance of \$46.1m.

During the year, the cash balance increased from \$21.7m (in December 2022) to \$71.0m at December 2023. This increase follows a debt repayment that was made during September 2023, see further details in section 7 below.

More details of the cash movements during the quarter are set out below.

Receipts from Customers

Receipts from Customers totalled \$105.4m during Q4 2023, including receipts from customers in the Middle East, Australia and Europe. Total Receipts from Customers were \$325.4m for the twelve months to 31 December 2023, compared to \$145.9m for the previous corresponding period in 2022.

The Group continues to focus on maximising Receipts from Customers, including seeking contract amendments where appropriate, and securing and delivering on new sales contracts that are cash-positive. During the quarter, the Group delivered Remote Weapon System ('RWS') products and collected cash under a longstanding contract to supply a customer in the Middle East. In addition, the Group continued work by EM Solutions under its 2023 contract to supply the Royal Australian Navy with products and services over seven years, (valued at up to A\$202m).

In addition, new customer contracts were secured as detailed in section 3 below.

Contract Asset Balance

- At the end of the quarter, EOS had a gross contract asset, totalling approximately \$66.8m, representing work completed for existing contracts but not yet invoiced to the customer.
- This balance relates almost entirely to a large customer contract in the Middle East. The balance at 31 December 2023 represents a reduction of approximately \$38.2m on the gross contract asset at 30 September 2023, and a reduction of approximately \$97.6m on the gross contract asset at 31 December 2022. The reduction in the contract balance during Q4 2023 was driven by an excess of invoicing to Customers (over revenue recognised during the period), following a contract amendment secured in February 2023.
- In addition, as at 31 December 2023, EOS had received payments in advance from customers totalling approximately \$20.6m.
- The net contract asset (after deducting payments received in advance) of \$46.2m at 31 December 2023 was \$33.8m lower than at 30 September 2023, and \$96.1m lower than at 31 December 2022.

Other Cash Flows

After payments for product manufacturing, staff and other costs, the Net Cash Inflow from Operations was \$34.5m for Q4 2023, up \$48.4m from \$13.9m Outflow in Q4 2022. The increase was driven mainly by an increase in Receipts from Customers to \$105.4m during the quarter.

The Net Cash Flow used in Investing activities during the quarter was \$9.1m, including \$8.2m of cash Security Deposits that were made with funding providers. More information is included in section 5 below.

The Net Cash Flow used in Financing activities during the quarter was \$1.3m, including scheduled lease repayments.

3. MARKET, CUSTOMER AND BUSINESS UPDATE

The global market for EOS products continued to develop positively during Q4 2023.

This was partly due to the conflict in Ukraine, conflicts in the Middle East and rising tensions in other locations. This positively impacted on customer demand in NATO countries and other markets. As a result, overall customer enquiry levels and discussions continued to advance during Q4 2023.

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

During the quarter, EOS' work included:

Defence Systems

Ukraine

- Specifically, following demonstrations and other work, continuing discussions were undertaken during the quarter to progress two conditional contracts to supply customers in Ukraine valued at up to US\$80m (approximately A\$120m) and US\$41m (approximately A\$61m). Following demonstration testing in August 2023, EOS products have been approved by the Ukrainian authorities for purchase as required. EOS is now working with the Ukrainian end-users and customers to allow committed orders to be placed under the conditional contracts. These contracts are also subject to early termination rights in favour of the customer. There is no certainty or guarantee that committed orders will be received by EOS under these conditional contracts.
- EOS continues contract negotiations on further opportunities regarding the potential provision of more RWS and related components and spares. This includes opportunities for direct supply to Ukraine, and to other countries providing support to Ukraine. There is no certainty that any particular outcome or transaction will result from these discussions, and EOS will update the market as appropriate.

Other Opportunities

- On 13 November 2023, EOS secured a new contract to supply R600 RWS unit spares to a customer in Southeast Asia. This contract is valued at approximately A\$28m. Deliveries are scheduled to commence in late 2024 and continue in 2025 and 2026.
- On 27 December 2023, EOS announced it has secured an additional contract to supply Remote Weapon System ("RWS") units to a Western European Government, including spares, training and related services. This contract envisages supply during 2024 and is valued at approximately EUR 15m (approximately A\$25m). This contract is in addition to an earlier contract announced on 13 June 2023 (for approximately A\$51m), which was delivered mainly in Q3 2023.
- EOS took part in discussions with Hanwha in relation to the Land 400 Phase 3 Project in Australia. Under this project, Hanwha has been selected to deliver 129 vehicles to the ADF in 2027 and 2028. EOS expects that it may receive the opportunity to provide RWS to Hanwha as part of this project. In addition, EOS may also have the opportunity for a share of work in support of the manufacture of turrets for Hanwha. EOS expects discussions to continue during 2024.

Also in Defence Systems, after the end of Q4 2023, a contract was signed to supply EUR 9m (approximately A\$15m) of Slinger Counter-Drone Systems to Diehl Defence in Germany. (This was announced on 29 January 2024).

During Q4, the Defence Systems business continued to deliver products to key customers including a significant overseas customer in the Middle East. This project was the largest contributor to Group revenue and Cash Received from Customers during Q4.

In addition, during the quarter, the Defence Systems business incurred costs and cash outflows in product manufacturing costs, operating costs and staff costs.

Space Technologies

- During Q4, the Space Technologies business continued to deliver products and services to customers under existing contracts, and to pursue and win opportunities to deliver Space Domain Awareness services. A new, short-term contract was secured for data services, utilising Group tracking facilities in Australia.
- EOS Optical Technologies (KiwiStar Optics) continued to deliver against contracted programs for international customers and secure new business in the manufacture of precision optical systems.
- Also during the quarter, EOS Space Systems entered into a Memorandum of Understanding with EX-Fusion, a Japanese start-up company at the forefront of laser fusion technology. The agreement will focus on the exploration of the usage high-power laser technologies developed for laser fusion purposes to help address the space debris problem.
- Whilst the size of the Space Technology opportunities won during the quarter is not financially material they continue to represent important steps with new customers in some new markets. These are expected to help underpin future strategic growth initiatives, including in Space Control and Space Warfare.

EM Solutions

- During the quarter, the EM Solution business successfully completed the first review milestone for work under a previously announced new contract to supply terminals to the Royal Australian Navy. In addition, deliveries to customers in Australia and Europe continued.
- EM Solutions also continued work on market development and contract negotiations on other potential sales opportunities in Europe, Southeast Asia and Australia.

4. PRODUCT DEVELOPMENT

EOS continued work during Q4 2023 to develop its intellectual property and further commercialise its product range.

- Following the demonstrations in Q3 of a prototype High Energy Laser Weapon, discussions are continuing regarding potential opportunities. If successful, these discussions may lead to a product development and sale agreement for a High Energy Laser Weapon program, with the potential for this to be agreed and signed during 2024 or later.
- During Q4 2023, discussions regarding further opportunities for the new 'Slinger' Counter Drone Remote Weapons System (launched in February 2023) continued, with the aim of securing further initial evaluation sales orders in 2024 or later. After the end of the quarter, the group announced a \$15m sale of Slinger systems to Diehl Defence in Germany, as noted above.
- During October 2023, EOS attended the AUSA Trade Show in Washington DC in the United States and exhibited two new prototypes:
 - **EOS New R800 Remote Weapon System ('RWS')** was unveiled. This product is a heavy-duty Remote Weapon Station that delivers the lethality of a full-sized medium calibre turret at a significantly lower weight and cost than a turret.
 - **1kW Laser Dazzler.** This product was developed to blind the optical cameras in all classes of unmanned aerial systems (drones) and anti-tank guided missiles. This is a new technology for countering air and seaborne threats and is a silent, non-ballistic countermeasure which can be integrated with the R800 RWS. The laser Dazzler provides operators a flexible range of kinetic and non-kinetic response options against uncrewed aerial and surface vessel threats.

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

5. GUARANTEE AND BOND FACILITIES

As part of normal operating procedures with contracts of the type entered into by the Group, the Group is regularly required to provide guarantees and performance and other bonds as security to customers and other counterparties.

These bonds are secured either wholly or partly by cash and a fixed and floating charge over the assets of the Group:

- During the quarter, to support an EM Solutions contract to deliver and install communications systems to the Royal Australian Navy, (previously announced on 19 May 2023), the Group secured an additional bank guarantee facility for \$6m. To secure these bank guarantees, the Group has provided a cash security deposit of \$6m to facility providers.
- As at 31 December 2023, the Group had issued a total of \$101.8m of performance and offset bonds. These are issued by Export Finance Australia and Westpac under Bond Facility Agreements. The performance and offset bonds provided on behalf of the Group are shown as Contingent Liabilities in the Group financial statement notes. Cash security deposits totalling \$65.8m secured these bonds at 31 December 2023.

- The bonds, guarantees and cash deposits are expected to be returned to EOS in future years as various obligations are fulfilled.

6. OFFSET CREDIT OBLIGATION

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

This commitment is secured by an offset bond of US\$16.9 million (A\$24.8 million) which is guaranteed by Export Finance Australia. In respect of the bond, a cash security amount of US\$10.5 million (A\$15.4 million) has been placed on deposit. These are included in the cash security deposits identified in section 5 above.

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

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

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

As part of the Offset Program, EOS is required to develop, agree and submit an approved business plan to the Offset Credit authority. EOS submitted a business plan during September 2023, which was within a time limit specified by the Offset Credit authority.

The business plan remains under review by the Offset Credit authority and the Group continued during the quarter to have advanced discussions with the Offset Credit authority towards finalising this approval. As a result of this, EOS considers that it is currently not in default of its obligations.

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

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

7. BORROWING SUMMARY AND CASH BALANCES

- As at the date of this announcement, EOS has the following borrowing facilities in place with its primary lender, Washington H. Soul Pattinson ('WHSP'):
 - Working Capital Facility, \$15m principal, maturing on 11 April 2024; and
 - Term Loan Facility, \$35m principal, maturing on 11 October 2025.
- 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 2022 Announcement"). As at 31 December 2023, these facilities were fully drawn.
- The above facilities are in place, and follow the scheduled repayment of a \$20m Working Capital Facility in September 2023.
- During the quarter, the Group was required to comply with borrowing covenants related to cash inflows and outflows calculated on a rolling three-month basis. During the year ended 31 December 2023, and in the period up to the date of this announcement, the Group worked with the lender to ensure it did not breach cash inflow or outflow covenants, or other obligations under the facility agreements.
- Following a fee claim that was received on 9 October 2023 and disputed by EOS, the Group resolved a commercial dispute with its primary lender, Washington H. Soul Pattinson on 22 December 2023. This included an agreement under which EOS will pay WHSP a \$4.5m fee in full and final settlement of the previous disputed fee claim, and WHSP has agreed to relax certain restrictions included in the borrowing facility agreements. The flexibility afforded by this relaxation is expected to allow EOS to take advantage of future business growth opportunities as they arise. The agreement is conditional on the approval of another finance provider, EFA, which is expected to be obtained in Q1 2024. Following this, EOS expects to pay the \$4.5m fee in Q1 2024.
- The Group has complied with all other covenant requirements.
- The Group continues to closely monitor its cashflow outlook and compliance with its borrowing covenants. The ability of the Group to maintain liquidity and meet its borrowing covenants is dependent on the Group continuing to invoice customers and collect cash in a timely manner. Should it appear that borrowing covenants may not be complied with, or the Group may not be in a position to meet debt repayments, or the Group may not have adequate liquidity for its operations, the Directors will assess available options to restructure debt commitments or access additional equity or debt funding as required.
- Under the borrowing facility agreements, during Q4 2023, EOS commenced the payment of monthly interest and line fees to WHSP. Interest and line fees had previously been capitalised into the outstanding loan facility balance, up to an agreed limit.
- EOS's cash balance at 31 December 2023 was \$71.0m. The Group's next scheduled loan repayment is \$20.5m due on 11 April 2024.

8. BOARD AND MANAGEMENT CHANGES

As previously announced, EOS Chief Executive Officer, Dr Andreas Schwer was appointed to the Board on 11 December 2023.

During November 2023, EOS appointed Ian Cook as Executive Vice President Defence Systems (Australia). Matt Jones, previously Acting Vice President Defence Systems, left EOS at that time.

9. RELATED PARTY TRANSACTIONS

Payments to related parties of the entity and their associates totalled \$163,233 for the quarter. These amounts include:

- payments of \$58,233 paid to CEO Dr Schwer as salary from the date of his appointment as a director on 11 December 2023; and
- \$105,000 paid in directors' fees and superannuation to non-executive directors and entities associated with non-executive directors during the quarter.

10. SUBSEQUENT EVENTS

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

11. AUDITED RESULTS

All information included in this announcement is unaudited.

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

Further information:

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

ABOUT ELECTRO OPTIC SYSTEMS (ASX: EOS)

EOS operates in two divisions: Defence Systems and Space Systems

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

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

FORWARD LOOKING STATEMENTS

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

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

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

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

Appendix 4C

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

Name of entity

ELECTRO OPTIC SYSTEMS HOLDINGS LIMITED

ABN

95 092 708 364

Quarter ended ("current quarter")

31 December 2023

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	105,371	325,362
1.2 Payments for		
research and development	(2,989)	(12,700)
product manufacturing and operating costs	(48,641)	(140,764)
advertising and marketing	(390)	(2,093)
leased assets	-	-
staff costs	(9,110)	(35,664)
administration and corporate costs	(5,485)	(24,692)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	361	1,010
1.5 Interest and other costs of finance paid	(4,665)	(14,191)
1.6 Income taxes paid	-	(385)
1.7 Government grants and tax incentives	21	87
1.8 Other (provide details if material)	-	22
Income tax refund received	-	17,132
1.9 Net cash from / (used in) operating activities	34,473	113,124

2.	Cash flows from investing activities		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	(906)	(2,934)
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.2	Proceeds from disposal of		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Security Deposits	(8,200)	(31,792)
2.6	Net cash from / (used in) investing activities	(9,106)	(34,726)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
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	-	-
3.6	Repayment of borrowings	-	(24,404)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Repayment of lease liabilities	(1,257)	(4,648)
3.10	Net cash from / (used in) financing activities	(1,257)	(29,052)

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	46,150	21,681
4.2	Net cash from / (used in) operating activities (item 1.9 above)	34,473	113,124
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(9,106)	(34,726)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(1,257)	(29,052)
4.5	Effect of movement in exchange rates on cash held	737	(30)
4.6	Cash and cash equivalents at end of period	70,997	70,997

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	70,997	46,150
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)	70,997	46,150
Note	Not included in the cash figure above are current and non-current cash security deposits securing performance bonds, premises and guarantee	67,056	61,143

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	163
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
These amounts included in item 6.1 all relate to payments for directors' fees and superannuation to non-executive directors and entities associated with non-executive directors during the quarter.		

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

7.	Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1	Loan facilities – WHSP	64,821	64,821
	Loan facilities – Premium funding	-	-
7.2	Credit standby arrangements	-	-
7.3	Other – Export Finance Australia	84,823	84,487
	Other – Westpac	17,314	17,314
7.4	Total financing facilities	166,958	166,622
7.5	Unused financing facilities available at quarter end		336
7.6			

WHSP Facilities:Working Capital facility

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

Term loan facility

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

Additional Working Capital Facility

- On 12 October 2022, the Group entered into an Additional Working Capital Facility with WHSP. This facility is 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.

The above facilities include an early repayment option and a 'make whole' clause. The key terms of each of these facilities were included in the announcement dated 13 October 2022 "EOS enters into New Financing Facilities & continues development of Strategic Growth Options" ("EOS 13 October Announcement").

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

Resolution of Commercial Dispute with Lender WHSP

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

This included an agreement under which EOS will pay WHSP a \$4.5m fee in full and final settlement of the previous disputed fee claim, and WHSP has agreed to relax certain restrictions included in the borrowing facility agreements. The flexibility afforded by this relaxation is expected to allow EOS to take advantage of future business growth opportunities as they arise.

The agreement is conditional on the approval of another finance provider, EFA, which is expected to be obtained in Q1 2024.

7.6	<p>Export Finance Australia facility:</p> <ul style="list-style-type: none"> The Group maintains a performance bond in respect of a contract in Defence Systems of US\$33.3m (A\$48.6m). 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\$23.2m) and a fixed and floating charge over the assets of the Group. The costs of this facility are included in Item 1.5 as other costs of finance paid. Under the terms of a contract in Defence Systems, the Group signed an offset agreement with the relevant overseas Government Authority on 12 February 2021 for an amount of US\$16.9m (A\$24.8m). The offset bond was provided by Export Finance Australia under the same Bond Facility Agreement and is secured by a cash Security Deposit of US\$10.5m (A\$15.4m) and a fixed and floating charge over the assets of the Group. The costs of this facility are included in Item 1.5 as other costs of finance paid. During Q3 2023, the Group executed an agreement with Export Finance Australia to provide a A\$11.1m bank guarantee to a domestic customer in Australia in relation to sourcing products for delivery to a Western European Government customer. At 31 December 2023, the bank guarantee is secured by cash deposit of A\$10.0m and the costs of the facility arrangements are included in Item 1.5 as other costs of finance paid. <p>Westpac facility:</p> <ul style="list-style-type: none"> During Q3 2023, the Group executed an agreement with Westpac to provide a A\$11.1m bank guarantee to a domestic customer in Australia in relation to sourcing products for delivery to a Western European Government customer. This, in addition to the EFA \$11.1m guarantee provides the total \$22.2m security required under the contract. The bank guarantee with Westpac was secured by a cash deposit of \$11.1m and the costs of the facility arrangements are included in Item 1.5 as other costs of finance paid. In October 2023, the Group secured an additional bank guarantee facility for \$6m with Westpac to support an EM Solutions contract to deliver and install communications systems to the Royal Australian Navy. To secure these bank guarantees the Group has provided a cash security deposit of \$6m.
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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)	34,473
8.2	Cash and cash equivalents at quarter end (item 4.6)	70,997
8.3	Unused finance facilities available at quarter end (item 7.5)	336
8.4	Total available funding (item 8.2 + item 8.3)	71,333
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	N/A
8.6	If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1	Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
	Answer: N/A	
8.6.2	Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
	Answer: N/A	
8.6.3	Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
	Answer: N/A	

Compliance statement

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

Date: 30 January 2024

Authorised by the Board of Directors.

Notes

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