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EOS and Nova Systems form the Sovereign Missile Alliance to compete for Commonwealth of Australia sovereign missile enterprise program

Canberra, 3 August 2021

Electro Optic Systems Holdings Limited ("EOS" or "Company") (ASX: EOS) and Nova Systems Pty Limited ("Nova Systems") have announced the formation of the Sovereign Missile Alliance ("SMA"), a 100% Australian-controlled joint venture with EOS and Nova as equal partners.

The Commonwealth has announced that it expects to outlay \$1 billion from mid-2022 to establish a Sovereign Guided Weapons (principally missiles) and Explosive Ordnance Enterprise ("GWEOE" or "Enterprise"), to manage the Commonwealth's portfolio of GWEO. The Enterprise will comprise the Commonwealth Department of Defence and one or more Sovereign Industry Partners ("SIPs") to be selected under a competitive process.

The Commonwealth has forecast GWEO requirements exceeding \$40 billion over the period to 2040, and industry and analyst estimates range to \$100 billion. The selected SIP(s) will be responsible for some or all of the following aspects of GWEO management: manufacturing, research and development, education and training, test and evaluation, maintenance and repair, storage and distribution, and disposal.

A key requirement is the engagement of Australian industry to improve capability resilience, availability of inventory and responsiveness to demand. The SMA will compete for selection by Defence as a SIP.

The SMA has a unique set of attributes that align with requirements for a SIP in the Enterprise:

- **Sovereign.** It is Australian owned and controlled. It is demonstrably "sovereign" using any definition applicable.
- **Critical Mass.** It has the scale to move forward quickly to meet Enterprise objectives. Its partners, Nova Systems and EOS, jointly have over 1,000 skilled staff, 18 facilities across Australia, and over \$0.5 billion in revenue.
- **Supply Chain.** The SMA already has an extensive Australian supply chain network of more than 600 SMEs, with many qualified to defence aerospace standards.
- **Experience.** SMA partners have jointly over 55 years of experience in defence-aerospace industry.

- **Capabilities.** The SMA has design, development, systems integration, test and evaluation, certification and systems assurance for military aerospace products.
- **Technology.** Through EOS, the SMA can access the largest Australian-owned portfolio of aerospace technologies, and join the largest national tertiary collaboration programs in Australian defence industry. This technology is applicable to improving missile maintenance and to the development of next-generation missiles.

The SMA will leverage its two partner companies, EOS and Nova Systems, for the resources to move rapidly through an establishment phase to quickly deliver improvements to the operational readiness and cost-effective growth of Australian missile stocks and other GWEQ inventory.

“The sovereign capability to deliver guided weapons already exists in-country and the SMA creates an Australian owned entity of scale with the required capabilities, resources, funding and established relationships across the broader Defence ecosystem to start this journey with the Commonwealth now,” said Jim McDowell, Group CEO, Nova Systems.

“The SMA will establish a sustainable, domestic capacity through a Common User Facility to manufacture and support customer-selected foreign missiles under license, using our indigenous supply chain. We have the core competencies, advanced R&D capabilities, existing IP, and established technology partnerships to create the next generation of guided weapons optimised for Australian requirements with full sovereign ownership and control. The Common User Facility will progressively move to produce these missiles,” said Dr Ben Greene, Group CEO, EOS.

For more information on the Sovereign Missile Alliance click [here](#).

Conference Call 2pm Tuesday 3 August 2021

EOS will hold a video-conference via Webex for shareholders today at 2pm to discuss the SMA. The conference call will be led by Dr Ben Greene, Group CEO, and Grant Sanderson, CEO Defence Systems, and will provide shareholders an opportunity for Q&A regarding the announcement.

Investors can register for the video-conference call [here](#).

Background to the Commonwealth Sovereign Guided Weapons Enterprise

The Morrison Government announced on 31 March 2021 that it will accelerate the creation of a \$1 billion Sovereign Guided Weapons Enterprise, boosting skilled jobs and helping secure Australia’s sovereign defence capabilities¹. The Department of Defence will select a strategic industry partner(s) to operate a sovereign guided weapons manufacturing capability on behalf of the Government as a key part of the new Enterprise. The new Enterprise will support missile

¹ <https://www.pm.gov.au/media/sovereign-guided-weapons-manufacturing>

and guided weapons manufacturing for use across the Australian Defence Force (ADF). The Australian Strategic Policy Institute, a defence think tank, estimates Australia will spend \$100 billion in the next 20 years on buying missiles and guided weapons.

The Minister for Defence, Peter Dutton, said that the Government will use a Smart Buyer process to select an experienced strategic industry partner(s) to build a sovereign capability to manufacture a suite of precision weapons that will meet Australia's growing needs and provide export opportunities as a second source of supply.

"The manufacturing and supply of weapons in Australia will not only benefit and enhance our ADF operational capacity but will ensure we have adequate supply of weapon stock holdings to sustain combat operations if global supply chains are disrupted," Minister Dutton said.

Minister for Defence Industry, Melissa Price, said this initiative was an important part of the Government's \$270 billion, 10-year investment in Defence and Australia's defence industry.

"According to defence industry estimates this new national enterprise could be worth \$40 billion in local production and export over the next 20 years," Minister Price said.

Process and Timing

The SMA has submitted a response to the Commonwealth's RFI process as of 2 August 2021. The expectation is that the government's Smart Buyer process will see decisions and awards from 2022 onwards.

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

Further information:

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ABOUT ELECTRO OPTIC SYSTEMS (ASX: EOS)

EOS operates in three sectors: Defence, Space and Communications

- EOS Defence Systems specialises in technology for weapon systems optimisation and integration, as well as ISR (Intelligence, Surveillance and Reconnaissance) for land warfare. Its key products are next-generation remote weapon systems, vehicle turrets and counter-UAS systems.
- EOS Space Systems specialises in applying EOS-developed optical sensors to detect, track, classify and characterise objects in space. This information has both military

and commercial applications, including managing space assets to avoid collisions with space debris, missile defence, space control and space protection.

- EOS Communications Systems provides global satellite communications services and systems. It specialises in innovative optical, microwave and on-the-move radio and satellite solutions that deliver high speed, resilient and assured satellite communications anywhere in the world.

ABOUT NOVA SYSTEMS PTY LIMITED

Nova Systems is a 100% Australian-owned and controlled Professional Service Provider, specialising in the provision of engineering and management services, providing its clients with world class independent expertise in delivering complex projects. Their annual revenue of more than AUD \$300 million generates substantial economic benefits for Australia and the states and territories in which they operate. Nova Systems have an Australian workforce of more than 660 employees and engage an additional 300 local supply chain partners across all corners of the country, creating and supporting thousands of jobs.

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 any forward-looking statements, which speak only as of the date of this announcement.